PARLIAMENTARY DEBATES

HOUSE OF COMMONS
OFFICIAL REPORT

Fourth Delegated Legislation Committee

DRAFT SOCIAL SECURITY (CONTRIBUTIONS) (RATES, LIMITS AND THRESHOLDS AMENDMENTS AND NATIONAL INSURANCE FUNDS PAYMENTS) REGULATIONS 2021

DRAFT TAX CREDITS, CHILD BENEFIT AND GUARDIAN'S ALLOWANCE UP-RATING REGULATIONS 2021

Tuesday 9 February 2021

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not later than

Saturday 13 February 2021

The Committee consisted of the following Members:

Chair: †DAVID MUNDELL

Andrew, Stuart *(Treasurer of Her Majesty's Household)*
Champion, Sarah *(Rotherham)* (Lab)
Docherty, Leo *(Aldershot)* (Con)
Duffield, Rosie *(Canterbury)* (Lab)
Freer, Mike *(Comptroller of Her Majesty's Household)*
† Harris, Rebecca *(Lord Commissioner of Her Majesty's Treasury)*
Huq, Dr Rupa *(Ealing Central and Acton)* (Lab)
Longhi, Marco *(Dudley North)* (Con)
† Norman, Jesse *(Financial Secretary to the Treasury)*
† Oppong-Asare, Abena *(Erith and Thamesmead)* (Lab)
Pursglove, Tom *(Corby)* (Con)
† Tami, Mark *(Alyn and Deeside)* (Lab)
Thompson, Owen *(Midlothian)* (SNP)
† Throup, Maggie *(Lord Commissioner of Her Majesty's Treasury)*
Tomlinson, Michael *(Lord Commissioner of Her Majesty's Treasury)*
Williams, Craig *(Montgomeryshire)* (Con)

Seb Newman, *Committee Clerk*

† attended the Committee

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Tuesday 9 February 2021

[DAVID MUNDELL *in the Chair*]

Draft Social Security (Contributions) (Rates, Limits and Thresholds Amendments and National Insurance Funds Payments) Regulations 2021

2.30 pm

The Chair: Before we begin, I remind Members to observe social distancing and only to sit in the places clearly marked. I also remind Members that Mr Speaker has stated that masks should be worn in Committee when Members are not speaking. *Hansard* colleagues would be grateful if Members can send their speaking notes to hansardnotes@parliament.uk.

2.31 pm

The Financial Secretary to the Treasury (Jesse Norman): I beg to move,

That the Committee has considered the draft Social Security (Contributions) (Rates, Limits and Thresholds Amendments and National Insurance Funds Payments) Regulations 2021.

The Chair: With this it will be convenient to consider the draft Tax Credits, Child Benefit and Guardian's Allowance Up-rating Regulations 2021.

Jesse Norman: The draft regulations set the national insurance contributions limits and thresholds, as well as the rates for a number of national insurance contributions for the 2021-22 tax year. They make provision for a Treasury grant to be paid into the national insurance fund, if required.

As right hon. and hon. Members will be aware, national insurance contributions, or NICs, are a key element of the nation's welfare safety net, helping to support workers through ill health, unemployment and old age. They allow people to make contributions when they are in work in order to receive contributory benefits when they are not working. NICs receipts go towards funding contributory benefits, as well as to the NHS.

As announced in November and in line with previous years, the Government are using the September consumer prices index, or CPI, figure of 0.5% as the basis for setting all national insurance limits and thresholds, and the rates of classes 2 and 3 national insurance contributions for 2021-22. If I may, I will first outline the specific changes to the class 1 primary threshold and the class 4 lower profits limit.

The primary threshold and lower profits limit indicate the point at which employees and the self-employed start to pay class 1 and class 4 national insurance contributions, respectively. Those thresholds will rise from £9,500 to £9,568 per year. The rates of classes 1 and 4 NICs are unchanged by the draft regulations.

Increases to the primary threshold and lower profits limit do not affect eligibility for state pension. That is determined by the lower earnings limit for employees, which will remain at £6,240 in 2021-22, and payment of class 2 NICs for the self-employed, to which I will come shortly.

The upper earnings limit, the point at which the main rate of employee NICs drop to 2%, is aligned with the higher rate threshold for income tax. The upper earnings limit threshold will increase from £50,000 to £50,270 per year. Similarly, the upper profits limit is the point at which the main rate of class 4 NICs drops to 2%. That will also increase from £50,000 to £50,270 per year.

As well as class 4 NICs, the self-employed also pay class 2 NICs. The rate of class 2 NICs will remain at the weekly rate of £3.05, due to the rounding rules that require the calculation of the CPI increase to be rounded to the nearest five pence. The small profits threshold is the point above which the self-employed must pay class 2 NICs. That will increase from £6,475 to £6,515 per year.

Class 3 NICS allow people voluntarily to top up their national insurance record. The rate of class 3 will increase in line with inflation, from £15.30 to £15.40 per week.

The secondary threshold is the point at which employers start paying employer NICs on their employees' salary. That threshold will increase from £8,788 to £8,840 per year. The threshold at which employers of people under 21, and of apprentices under 25, start to pay employer NICs on those employees' salary will increase from £50,000 to £50,270 per year. The rate of employer NICs is unchanged by the regulations.

The regulations also make provision for a Treasury grant of up to 17% of forecasted annual benefit expenditure to be paid into the national insurance fund, if needed, during 2021-22. A similar provision will be made in respect of the Northern Ireland national insurance fund. The report by the Government Actuary's Department, or GAD, laid alongside the re-rating regulations, forecasts that a Treasury grant will not be required in 2021-22. However, in view of the economic challenges created by the covid-19 pandemic, the Government consider it prudent to make the maximum provision at this stage.

I trust that that is a useful overview of the changes we are making to adjust contributions to the Exchequer in line with inflation, and I commend the draft regulations to the Committee.

The Committee is also considering the Tax Credits, Child Benefit and Guardian's Allowance Regulations 2021. As hon. Members know, the Government are committed to delivering a welfare system that is fair for claimants and taxpayers alike, while providing a strong safety net for those who need it most. The regulations will ensure that tax credits, child benefit and guardian's allowance increase in line with the consumer prices index, which had inflation at 0.5% in the year to September 2020.

Overall, this proposed legislation makes changes to the rates, limits and thresholds for national insurance contributions, and provision for a Treasury grant, and also increases the rates of tax credits and guardian's allowance in line with prices. These are important and necessary steps, and I hope that colleagues will join me in supporting the regulations.

2.36 pm

Abena Oppong-Asare (Erith and Thamesmead) (Lab): I am grateful to the Minister for his explanation of the draft regulations. I will first address the draft Social Security (Contributions) (Rates, Limits and Thresholds Amendments and National Insurance Funds Payments) Regulations 2021, which give effect to the annual re-rating of the various national insurance contribution rates, limits and thresholds, as the Minister has just said.

The Opposition will not contest the regulations. However, we are concerned about the lack of targeting of the regulations and the lack of a cost-benefit analysis in relation to other measures. The lower earnings limit is a level of earnings at which employees start to gain access to certain contributory benefits. From April 2021—so, in just two months' time—the lower earnings limit will be increased in line with the CPI. However, due to the rounding rules when calculating the lower earnings limit, this has resulted in no change occurring in cash terms, meaning that the lower earnings limit will remain at £120 per week. Does the Minister intend to continue raising the lower earnings limit in line with inflation? Does he feel that it is sufficient, given the current crisis that we face? And are additional measures needed to ensure that people can contribute towards the social security that they might need, which will all depend on the lower earnings limit?

The draft Tax Credits, Child Benefit and Guardian's Allowance Up-rating Regulations 2021 relate to tax credits, child benefit and guardian's allowance, and enact increases that had previously been announced in a written ministerial statement in November 2020. As with the previous regulations, these regulations are generally linked to the CPI. Again, the Opposition will not oppose them.

As the explanatory memorandum notes, the Coronavirus Act 2020 increased basic working tax credits from £1,995 to £3,040 for the 2020-21 tax year only. This £20 per week increase to the basic rate of working tax credit does not apply for the purposes of the annual review, and the annual rates for consideration will therefore be £1,995. Given that the economic situation is still dire for many families across our country, which I see in the cases that I get in my constituency as a local MP, we have also seen the worst recession in the G7 and one of the highest death rates in Europe.

In those circumstances, can the Minister say whether the Treasury is considering a review of its approach to tax credit uplift as part of the upcoming Budget? The Secretary of State for Work and Pensions refused to make her position clear on whether the uplift ought to be removed in the middle of the pandemic when facing questions from the Work and Pensions Committee last week. Can the Minister update us any further?

What has become grimly clear in the last 11 months is that the UK social security safety net is severely inadequate. However, I must emphasise again that the major omission from this debate is clarity over the proposed withdrawal of the £20 a week uplift to universal credit that is due to take place in April 2021. The Opposition believe that it is deeply irresponsible for the Chancellor to be winding down the support for families with his cut to universal credit, which will leave unemployment support at a 30-year low in the middle of an economic crisis. The Government should do the right thing and secure our economy by cancelling the cuts to universal credit. It is discriminatory and unfair that the £20-a-week uplift was never extended to people on legacy benefits, many of whom are carers or disabled.

Although we do not oppose either of the instruments presented to us today, we remain concerned about the Government's approach to ensuring social security for the people of Britain, and about the lack of adequate support for so many families who are struggling to get through this crisis.

2.40 pm

Jesse Norman: I am very grateful to the hon. Lady for her comments, and I am grateful to the Opposition for supporting these measures. I think it would be worth making a couple of points in response. The first is that there is a difference between the process we are going through now, which is the standard upratings that are part of the normal fiscal cycle, and policy interventions that may be added or adopted on top of that. At the moment, we are involved in the process of the plumbing, rather than the specific policy interventions. As you will know, Mr Mundell, those policy interventions come through fiscal events; they certainly do not come in secondary legislation, for reasons that you might understand.

In relation to universal credit, on which the Government have received many petitions and inquiries, as the hon. Lady will be aware, the statutory uprating is separate from the uplift that the Chancellor has previously given. It is part of the normal review of underlying tax credit rates, which has to be undertaken every year—it is a normal part of the process—to assess whether they have retained their value in relation to prices. By upgrading them, we will ensure that they retain their real value. Again, it is separate from policy interventions, and the Chancellor and the Treasury keep all taxes under review. We will continue to do so in relation to both the benefits and the tax side of the equation.

Question put and agreed to.

DRAFT TAX CREDITS, CHILD BENEFIT AND GUARDIAN'S ALLOWANCE UP-RATING REGULATIONS 2021

Resolved,

That the Committee has considered the draft Tax Credits, Child Benefit and Guardian's Allowance Up-rating Regulations 2021.—*(Jesse Norman.)*

2.43 pm

Committee rose.