

PARLIAMENTARY DEBATES

HOUSE OF COMMONS
OFFICIAL REPORT

Second Delegated Legislation Committee

DRAFT SOCIAL SECURITY (CLASS 2 NATIONAL
INSURANCE CONTRIBUTIONS INCREASE OF
THRESHOLD) REGULATIONS 2022

Tuesday 29 November 2022

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Saturday 3 December 2022

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The Committee consisted of the following Members:

Chair: †JUDITH CUMMINS

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|---|---|
| † Afolami, Bim (<i>Hitchin and Harpenden</i>) (Con) | † Murray, James (<i>Ealing North</i>) (Lab/Co-op) |
| † Atkins, Victoria (<i>Financial Secretary to the Treasury</i>) | † Saxby, Selaine (<i>North Devon</i>) (Con) |
| † Buckland, Sir Robert (<i>South Swindon</i>) (Con) | † Stafford, Alexander (<i>Rother Valley</i>) (Con) |
| † Carden, Dan (<i>Liverpool, Walton</i>) (Lab) | † Stephenson, Andrew (<i>Lord Commissioner of His Majesty's Treasury</i>) |
| † Colburn, Elliot (<i>Carshalton and Wallington</i>) (Con) | † Stevenson, John (<i>Carlisle</i>) (Con) |
| † David, Wayne (<i>Caerphilly</i>) (Lab) | † Twist, Liz (<i>Blaydon</i>) (Lab) |
| Gardiner, Barry (<i>Brent North</i>) (Lab) | † Wheeler, Mrs Heather (<i>South Derbyshire</i>) (Con) |
| † Hardy, Emma (<i>Kingston upon Hull West and Hessle</i>) (Lab) | Jonathan Edwards, <i>Committee Clerk</i> |
| † Howell, Paul (<i>Sedgefield</i>) (Con) | |
| Linden, David (<i>Glasgow East</i>) (SNP) | † attended the Committee |

Second Delegated Legislation Committee

Tuesday 29 November 2022

[JUDITH CUMMINS *in the Chair*]

Draft Social Security (Class 2 National Insurance Contributions Increase of Threshold) Regulations 2022

2.40 pm

The Financial Secretary to the Treasury (Victoria Atkins): I beg to move,

That the Committee has considered the draft Social Security (Class 2 National Insurance Contributions Increase of Threshold) Regulations 2022.

It is a pleasure to serve under your chairmanship, Mrs Cummins. You suit that seat very well, if I may say so.

The Government's priority for taxation is to be fair by following two broad principles: first, we ask those with more to contribute more, and secondly, we avoid the tax rises that most damage growth. The measure we are discussing today delivers the final element of Government's ultimate ambition to align the national insurance contributions thresholds with the personal allowance for income tax. In other words, nobody pays tax below £12,570. This latest and last change benefits around 500,000 self-employed people.

The National Insurance Contributions (Increase of Thresholds) Act 2022 increases the point at which class 1 NICs and class 4 NICs are paid to align with the personal allowance for income tax. The measure will also increase the point at which the self-employed pay class 2 NICs, so that it aligns with the personal allowance. In practice, this measure means that no one will pay a penny of income tax or NICs on their first £12,570 of income.

The measure goes further, and through class 2 NICs—the mechanism by which the self-employed become entitled to certain contributory benefits such as the state pension and statutory maternity pay—we will maintain the point at which the self-employed gain access to those benefits through the small profits threshold. That means that individuals will benefit from the increased threshold for paying class 2 NICs without losing their entitlement to contributory benefits. That will apply retrospectively from the start of the 2022-23 tax year, and will be delivered by the annual self-assessment process for the vast majority of customers following the end of the tax year.

The measure is the fulfilment of the Government's obligation to increase the point at which the self-employed pay class 2 NICs and, importantly, it allows people to keep more of what they earn. I therefore seek approval of the regulations.

2.42 pm

James Murray (Ealing North) (Lab/Co-op): It is a pleasure to serve on this Committee with you as chair, Mrs Cummins. I thank the Minister for her opening remarks.

As we have heard from the Minister, the statutory instrument seeks to amend legislation relating to social security and to introduce a new threshold above which self-employed people are liable to pay class 2 NICs. That is referred to in the regulations as the "lower profits threshold" and is set at £11,908 for 2022-23. The SI also seeks to make sure that self-employed individuals with profits at or above the existing small profits threshold of £6,725, but below the lower profits threshold, are treated as if they had paid class 2 NICs. That means people with profits within that range will maintain their eligibility to contributory benefits and statutory payments without having to pay class 2 NICs.

As we can see from the detail of the instrument, part 1 simply gives effect to the regulations from 6 April 2022. Part 2 introduces the lower profits threshold, the new threshold at which liability to pay class 2 NICs begins. It is set at a level equivalent to the threshold at which class 4 NICs become payable. At £11,908 it is an annualised threshold, recognising an increase to £12,570 from July 2022. Part 2 also makes it clear that self-employed individuals should be treated as having paid class 2 NICs where their profits are at or above the small profits threshold but do not exceed the lower profits threshold. Part 3 of the instrument makes consequential amendments to other regulations to make sure they are aligned with the changes made by earlier parts of the regulations before us.

The Opposition will not oppose the regulations. Particularly with the tax burden having risen under the Government to its highest level in 70 years, any help to relieve the pressure on working people is welcome. It is hard, however, to avoid drawing a contrast between the Government's regulations today, which seek to increase certain thresholds at which working people pay taxes, with how they voted last night on the Second Reading of Finance Bill, through which the Government are freezing thresholds, thereby making working people pay more tax. Indeed, last night the Minister defended her and her colleagues' decision to freeze the personal allowance until 2028—a choice that will leave an average earner paying over £500 more in income tax a year.

I wonder whether the Minister could explain whether she feels there is any inconsistency in her approach. This afternoon, she is taking credit for raising thresholds—

The Chair: May I gently remind the shadow Minister to keep his comments in scope of the SI before us?

James Murray: Absolutely, Mrs Cummins. I am simply asking the Minister to compare her comments on the regulations in front of us with what she said last night. She may choose to address that in her response.

Victoria Atkins: This is not in scope.

The Chair: Not in scope.

Ian Murray: I take your judgment on that, Mrs Cummins.

More specifically, I ask the Minister to refer to the explanatory memorandum to the regulations, in particular, paragraph 12.3 on the impact of the changes. It explains that a

“Tax Information and Impact Note covering the wider NICs threshold changes...was published on 23 March 2022.”

The explanatory memorandum confirms that that impact note

“remains an accurate summary of the impacts that apply to this instrument.”

Can the Minister confirm whether she believes that that statement will remain true if the current Finance Bill passes unamended?

In the tax information and impact note, we see figures reproduced in the section on “Exchequer impact” from the spring statement 2022. Those figures show the cost to the Exchequer of the increase of the primary threshold and lower profits limit from July 2022, and the removal of class 2 NICs liabilities between the small profits threshold and lower profits limit from April 2022. The figures in the information note are set out from 2021-22 to 2026-27, and presumably they make certain assumptions about the level of the personal allowance. I would be grateful if the Minister could therefore confirm whether, if the Government are successful in freezing the personal allowance through to 2027-28 in the Finance Bill, the figures for 2026-27 would change? I would be grateful if the Minister could confirm whether she therefore expects the cost to Government in that year to reduce, which would represent a relative tax rise on working people.

2.47 pm

Victoria Atkins: I am extremely grateful to the shadow Minister for his comments. As he knows, none of his questions are within the scope of the regulations. I will be very happy—*[Interruption.]*

The Chair: May I gently remind everyone that some of the hon. Gentleman’s questions are in scope? If they were not, I would have said. But do feel free to write to the shadow Minister.

Victoria Atkins: Yes.

I am helpfully reminded that the Office for Budget Responsibility produced updated forecasts for the autumn statement, including on all previous measures. Any broader debates about the autumn statement should be dealt with tomorrow in the Finance Bill Committee.

James Murray: You have been very clear in your guidance, Mrs Cummins, about what is within and without scope. The points that I referenced about the tax information and impact note were referred to in the explanatory memorandum to the regulations. I therefore followed your judgment, Mrs Cummins, that they were within scope. If the Minister is not entirely clear of my argument, she can either consult *Hansard* or speak to me after the Committee rises.

Victoria Atkins: I have been assured that we produced updated forecasts, as I have already said, for the autumn statement. On the details about TIIMs, I will happily speak to him after the Committee, or write to him and put a copy of my response in the Library. We are in danger of encroaching on the Finance Bill, however, and—

James Murray: Will the Minister give way?

Victoria Atkins: I have already said to the shadow Minister that I will write to him on outstanding matters. I have taken that approach because we will be going through an awful lot of this tomorrow in the Committee stage of the Finance Bill.

Question put and agreed.

2.49 pm

Committee rose.

