



**Isle of Man
Government**

Reiltys Ellan Vannin

A Consultation Document



Proposed changes to National Insurance for Workers over State Pension Age

Issued by:

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Proposed changes to National Insurance for Workers over State Pension Age

Consultation Document

1. Background and purpose of this document

In his 2015 Budget speech, the Minister announced his support for the recommendation in the Ci65 consultant's report¹ that both employed and self-employed workers over State Pension Age ("SPA") would be required to pay National Insurance contributions. The Minister considers that workers over SPA should not be treated differently to those under SPA. He advised that this measure would be considered over the next twelve months.

Following the 2015 Budget, a working party was formed through the Tax Liaison Committee, comprising representatives from the private sector representing professional bodies and the Division.

The remit of the working party was to produce a consultation document providing details of the proposed changes to National Insurance for workers over SPA and inviting comments and suggestions from the public.

The purpose of this consultation document, therefore, is:

- to provide further details on the proposal that both employed and self-employed workers over SPA should be subject to National Insurance contributions; and
- to invite comments on the proposed changes and suggestions for alternatives.

2. National Insurance for employed and self-employed workers over SPA

Treasury does not consider that workers who are over SPA should be treated any differently to those under SPA, hence the proposal that National Insurance should be aligned for all workers aged 16 and over.

In keeping with this proposal, the Treasury Minister stated in his 2015 Budget speech that he supports the recommendation to remove the age exemption for National Insurance for employees and self-employed workers.

It is therefore proposed that any individual who either continues to work after reaching SPA or starts work and is over SPA will be liable to pay National Insurance.

¹ The Ci65 report was published in 2014 and considered the long-term viability of our benefits system.

Currently, employees who earn over £120 per week (£520 per month) pay National Insurance at the rate of 11% on their earnings up to £784 per week (£3,398 per month) and 1% on all earnings above that figure (Class 1 contribution).

Self-employed individuals who have profits above £5,995 in the tax year 2015/16 must pay a weekly contribution of £5.40 (Class 2 contribution). If their profits are between £6,136 and £40,768, a further 8% National Insurance is charged (Class 4 contribution) and an additional 1% is charged on profits above this level.

Question 1 – Do you agree that it is fair that all workers aged 16 and over should be subject to National Insurance contributions?

An individual needs to either pay or be credited with a certain level of National Insurance in a tax year for it to count towards their entitlement to contributory benefits; this is known as a “qualifying year”. Currently, once an individual reaches SPA they cannot earn extra qualifying years and therefore, regardless of whether they are employed or self-employed, they stop paying National Insurance contributions. On reaching SPA they become entitled to the state pension and cannot claim either incapacity benefit or jobseeker’s allowance.

Question 2 – If workers over SPA continue to be subject to National Insurance contributions at the same rate as those under SPA, should workers of all ages be entitled to the same contributory benefits?

Question 3 – If workers over SPA continue to be subject to National Insurance contributions at the same rate as those under SPA, what effect should these contributions have on their state pension entitlement?

Question 4 – If it is assumed that the contributions of workers over SPA would not affect their state pension entitlement or create an entitlement to current working age benefits, should workers over SPA pay National Insurance at a lower rate than those workers below SPA?

3. Comments and suggestions

Responses to the questions raised in this document, together with any comments or suggestions concerning the proposed changes to National Insurance for workers over SPA, would be welcomed.

4. Submissions

Anyone wishing to submit a response to this consultation is invited to do so by 14 October 2015.

Responses should be sent to:

Jo Coole
Policy Officer
Income Tax Division
2nd Floor Government Office
Buck's Road
Douglas
IM1 3TX

Email: consultation@itd.treasury.gov.im

In any consultation exercise the responses received do not guarantee that changes will be made to what has been proposed.

Following the consultation period, the responses will be reviewed and the conclusions, together with a summary of the comments received, will be published.



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