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# **Payment of Class 2 Self-employed National Insurance Contributions**

A Response Document

Issued by:

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Payment of Class 2 Self-Employed National Insurance Contributions

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# Payment of Class 2 Self-Employed National Insurance Contributions

## Response Document

### 1 Introduction

On 23<sup>rd</sup> January 2012 the Income Tax Division issued a consultation, "Payment of Class 2 Self-employed National Insurance Contributions"; it proposed that self-employed people should pay their Class 2 Contributions for the whole of the tax year at the same time as their Class 4 Contributions payment on account.

Eight responses were received. This document provides a summary of the comments received and the Treasury's response.

Treasury wishes to thank those who took part in the consultation.

### 2 Responses

#### Payment Method

Comments received:

- The proposed changes are sensible and would result in efficiencies for the Division
- The current system is convenient and an annual payment is hard to manage
- Individuals should be able to pay either monthly or yearly
- Paying monthly makes budgeting easier and having to pay both Class 2 and Class 4 contributions in January could be difficult.
- Class 2 payments should have always been made payable once a year, this would have lead to staff savings
- Cannot see why we need to change the way payments are made and would find it hard financially to pay an additional sum at the same time as Class 4 contributions are due
- Those individuals who are low paid should continue to be able to pay monthly.

#### Treatment of the small earnings exception under the proposed scheme

Comments received:

- No comments were made concerning aligning the small earnings exception (SEE) limit with the lower profits limit for Class 4.

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Additional issues

Comments received:

- Comment was made that the payment of Class 2 contributions does not give rise to entitlement to JobSeekers Allowance (JSA) and that either the rate of Class 2 should be increased to provide entitlement or individuals should be given the option to pay a higher rate of Class 2 contribution in order to build up entitlement to JSA.

**3 Conclusion**

Treasury intend to bring forward legislation to change the method of payment of Class 2 National Insurance Contributions to an annual payment however consideration will be given to the points raised concerning those self-employed individuals on low incomes. The SEE limit will be raised to the Class 4 lower profit limit at the same time.

The issue of whether the self-employed should be able to claim JSA will be examined as part of the overall review into the Islands benefits and national insurance systems.