

## Table of contents

---

Main titles from Claritax Books.....	iv
About the author .....	v
Abbreviations .....	vi
Preface .....	ix

### 1. Introduction

1.1	Brief overview .....	1
1.2	Global context.....	1
1.3	History and development of National Insurance .....	2
1.4	Operation of NICs today .....	4
1.5	A controversial system?.....	7
1.6	The impact of devolution .....	8
1.7	Looking to the future .....	9

### 2. Liability to Class 1 NICs

2.1	Introduction.....	11
2.2	Liability to Class 1 NICs – the primary contributor.....	12
2.3	Liability to Class 1 NICs – the secondary contributor ...	18
2.4	Pitfalls and planning points .....	26

### 3. Scope of Class 1 NICs

3.1	Introduction.....	28
3.2	General principles.....	28
3.3	Definition of earnings .....	28
3.4	Lost time payments.....	35
3.5	Other amounts treated as earnings .....	37
3.6	Excluded amounts.....	40
3.7	Non-monetary trading systems.....	81
3.8	Impact of deductions .....	81
3.9	Impact of VAT .....	82
3.10	Pitfalls and planning points .....	82

### 4. Class 1 NICs – calculation

4.1	Introduction.....	85
4.2	Earnings periods.....	85
4.3	When does the charge to Class 1 NICs arise?.....	92

4.4	Applicable rates and thresholds .....	94
4.5	Illustration of a Class 1 NICs calculation .....	98
4.6	Dealing with directors.....	101
4.7	More than one employment with the same employer.....	103
4.8	More than one employment with different employers.....	103
4.9	Annual maximum .....	105
4.10	Impact on corporation tax and tax on trading profits.....	109
4.11	Employment allowance .....	109
4.12	Pitfalls and planning points .....	115
<b>5.</b>	<b>Class 1 NICs – special cases</b>	
5.1	Introduction .....	117
5.2	Ministers of religion.....	117
5.3	Members of local medical committees.....	118
5.4	Mariners.....	118
5.5	Airmen and airwomen .....	120
5.6	Continental shelf workers .....	122
5.7	HM armed forces .....	122
5.8	Irregular harvest casuals .....	123
5.9	Divers and diving supervisors .....	124
5.10	Examiners and moderators.....	124
5.11	Cleaners.....	125
5.12	Spouses or civil partners employed in a business.....	126
<b>6.</b>	<b>Class 1 NICs – administration</b>	
6.1	Introduction .....	127
6.2	Accounting for Class 1 NICs .....	127
6.3	Using the PAYE system .....	128
6.4	National Insurance numbers.....	129
6.5	National Insurance category letters .....	131
6.6	The role of the lower earnings limit.....	131
6.7	Reporting and filing.....	132
6.8	Payment deadlines .....	135
6.9	Recovering primary contributions from employed earners .....	136
6.10	Direct collection schemes .....	136

6.11	Transferring secondary liability to primary contributor.....	137
6.12	Compliance failures.....	139
6.13	Refunds of overpaid NICs.....	143
6.14	Appealing against decisions.....	144
6.15	Pitfalls and planning points .....	145
<b>7.</b>	<b>Class 1A NICs</b>	
7.1	Introduction.....	147
7.2	Liability to Class 1A NICs .....	147
7.3	Scope of Class 1A NICs.....	149
7.4	Calculating Class 1A NICs.....	157
7.5	Administration .....	164
7.6	Compliance failures.....	166
7.7	Refunds of overpaid NICs.....	168
7.8	Appealing against decisions.....	170
7.9	Pitfalls and planning points .....	170
<b>8.</b>	<b>Class 1B NICs</b>	
8.1	Introduction.....	172
8.2	What is a PAYE settlement agreement? .....	172
8.3	Liability for Class 1B NICs.....	175
8.4	Calculating Class 1B NICs.....	176
8.5	Administration .....	179
8.6	Compliance failures.....	180
8.7	Refunding Class 1B NICs.....	181
8.8	Pitfalls and planning points .....	181
<b>9.</b>	<b>Class 2 NICs</b>	
9.1	Introduction.....	183
9.2	Liability for Class 2 NICs.....	184
9.3	Scope of Class 2 NICs.....	186
9.4	Voluntary contributions .....	188
9.5	Contributory benefits linked to Class 2 NICs .....	190
9.6	Calculating Class 2 NICs.....	191
9.7	Special cases .....	193
9.8	Administration .....	197
9.9	Compliance failures.....	200
9.10	Appealing against decisions.....	204

9.11	Refunds of overpaid Class 2 NICs.....	204
9.12	Pitfalls and planning points .....	205
<b>10.</b>	<b>Class 3 NICs</b>	
10.1	Introduction .....	207
10.2	Contributory benefits linked to Class 3 NICs.....	207
10.3	Eligibility for Class 3 NICs.....	208
10.4	Calculating Class 3 NICs.....	214
10.5	Administration .....	215
10.6	Compliance failures.....	216
10.7	Refunds of overpaid Class 3 NICs .....	217
10.8	Pitfalls and planning points .....	219
<b>11.</b>	<b>Class 4 NICs</b>	
11.1	Introduction .....	220
11.2	Liability to Class 4 NICs .....	221
11.3	Scope of Class 4 NICs .....	230
11.4	Calculating Class 4 NICs.....	236
11.5	Special cases.....	244
11.6	Administration .....	246
11.7	Compliance failures.....	248
11.8	Appealing against decisions .....	252
11.9	Refunds of overpaid Class 4 NIC .....	253
11.10	Pitfalls and planning points .....	254
<b>12.</b>	<b>International aspects</b>	
12.1	Introduction .....	256
12.2	The EU SSC Protocol.....	257
12.3	EEA-EFTA Separation Agreement.....	266
12.4	Swiss Citizen’s Rights Agreement .....	267
12.5	Other reciprocal agreements.....	268
12.6	Domestic legislation for the “rest of the world” .....	270
12.7	Impact on earnings.....	278
12.8	Administration .....	280
12.9	Pitfalls and planning points .....	286
<b>13.</b>	<b>National Insurance credits</b>	
13.1	Introduction .....	288
13.2	Summary of National Insurance credits available.....	289
13.3	The impact of National Insurance credits.....	290

13.4	Class 1 NI credits – automatic entitlement.....	290
13.5	Class 1 NI credits – available on application.....	292
13.6	Class 3 NI credits – automatic entitlement.....	295
13.7	Class 3 NI credits – available on application.....	297
13.8	Transferring Class 3 NI credits.....	299
13.9	Married women with reduced-rate elections.....	301
13.10	Pitfalls and planning points .....	301
<b>14.</b>	<b>NICs and the contributory system</b>	
14.1	Introduction.....	303
14.2	Defining entitlement.....	304
14.3	State pension.....	306
14.4	Other contributory benefits.....	309
14.5	Statutory payments for Class 1 NIC primary contributors.....	312
14.6	Non-contributory benefits relevant to NI credits .....	320
<b>15.</b>	<b>Tackling avoidance</b>	
15.1	Introduction.....	325
15.2	Disclosure of tax avoidance schemes.....	327
15.3	Information and investigative powers .....	331
15.4	Powers to make regulations .....	332
15.5	Powers to make retrospective legislation.....	332
15.6	The general anti-abuse rule .....	333
15.7	Personal liability notices .....	334
<b>APPENDICES</b>		
1	– National Insurance rates and thresholds .....	339
2	– National Insurance category letters.....	342
3	– Items for which a non-cash voucher is exempt from NICs .....	343
4	– Key employee benefits that are exempt from income tax and therefore excluded from Class 1A NICs .....	344
5	– Summary of chargeable events under tax-advantaged share schemes.....	346
6	– Countries covered by EU SSC Protocol.....	349
7	– Countries with which the UK has reciprocal agreements .....	350
8	– Statutory instruments.....	351

Table of primary legislation.....	353
Table of statutory instruments.....	363
European legislation and social security coordination agreements....	371
Index of cases .....	373
General index.....	375