Draft Order laid before Parliament under sections 42(3), 42B(1) and 45A(1) of the Pension Schemes Act 1993, and section 181(9A) of the Pension Schemes (Northern Ireland) Act 1993, for approval by resolution of each House of Parliament.

DRAFT STATUTORY INSTRUMENTS

2011 No. 000

PENSIONS

The Social Security (Reduced Rates of Class 1 Contributions, Rebates and Minimum Contributions) Order 2011

Made - - - -	*000*
Coming into force - -	*6th April 2012*

This Order is made in exercise of the powers conferred by sections 42, 42B, 45A and 182(2) of the Pension Schemes Act 1993(**1**) and sections 38, 38B, 41A and 177(2) of the Pension Schemes (Northern Ireland) Act 1993(**2**).

The Secretary of State for Work and Pensions has, under section 42(1) of the Pension Schemes Act 1993, laid before each House of Parliament a report by the Government Actuary, and the Secretary of State's report stating whether the Secretary of State considers that, in view of the report of the Government Actuary under section 42(1) of that Act, there should be an alteration in the percentages applying under section 41(1A) and (1B) of that Act(**3**) and if so, what alteration is in the Secretary of State's opinion required.

The Secretary of State for Work and Pensions has, under section 42B(1) of that Act, laid before each House of Parliament a report by the Government Actuary, and the Secretary of State's report stating what, in view of the report of the Government Actuary under section 42B(1) of that Act, the Secretary of State considers the percentages applying under section 42A(2), (2A) and (3) of that Act(**4**) should be.

(**1**) 1993 c.48. Section 42 was amended by section 137 of, and paragraph 41 of Schedule 5 to, the Pensions Act 1995 (c.26) ("the 1995 Act"), section 34 of, and paragraph 4 of Schedule 5 to, the Child Support, Pensions and Social Security Act 2000 (c.19) ("the 2000 Act") and paragraph 12 of Schedule 2 to, the Pensions Act 2007 (c.22) ("the 2007 Act"). Section 42B was inserted by section 137(5) of the 1995 Act and amended by section 34 of the 2000 Act. Section 45A was inserted by section 138(5) of the 1995 Act and amended by section 34 of the 2000 Act.

(**2**) 1993 c.49. Section 38(1) was substituted by article 134(3) of the Pensions (Northern Ireland) Order 1995 (S.I. 1995/3213 (N.I. 22)) ("the 1995 Order") and amended by paragraph 51 of Schedule 1 to the Social Security Contributions (Transfer of Functions, etc.) (Northern Ireland) Order 1999 (S.I. 1999/671) ("the 1999 Order"). Section 38B was inserted by article 134(4) of the 1995 Order and amended by paragraph 53 of Schedule 1 to the 1999 Order. Section 41A was inserted by article 135(5) of the 1995 Order and amended by paragraph 57 of Schedule 1 to the 1999 Order.

(**3**) Section 41(1A) and (1B) was inserted by paragraph 127 of Schedule 7 to the Social Security Act 1998 (c.14) ("the 1998 Act") and substituted by paragraph 6(3) of Schedule 9 to the Welfare Reform and Pensions Act 1999 (c.30) ("the WRAP Act"). Subsection (1A) was amended by paragraph 36 of Schedule 1 to the National Insurance Contributions Act 2002 (c.19) ("the 2002 Act"). Subsection (1B) was amended by article 2 of S.I. 2006/1009.

(**4**) Section 42A was inserted by section 137(5) of the 1995 Act and amended by paragraph 128 of Schedule 7 to the 1998 Act, paragraph 46 of Schedule 1 to the Social Security Contributions (Transfer of Functions, etc.) Act 1999 (c.2) ("the 1999 Act"), paragraph 7 of Schedule 9 to the WRAP Act, paragraph 37 of Schedule 1 to the 2002 Act and paragraph 11 of Schedule 1 to the National Insurance Contributions Act 2008 (c. 16) ("the 2008 Act").

The Secretary of State for Work and Pensions has, under section 45A(1) of that Act, laid before each House of Parliament a report by the Government Actuary, and the Secretary of State's report stating what, in view of the report of the Government Actuary under section 45A(1) of that Act, the Secretary of State considers the percentages applying under section 45(1) of that Act(**5**) should be.

A draft of this instrument has been laid before Parliament in accordance with sections 42(3), 42B(1) and 45A(1) of the Pension Schemes Act 1993 and section 181(9A) of the Pension Schemes (Northern Ireland) Act 1993(**6**) and approved by a resolution of each House of Parliament.

The Secretary of State for Work and Pensions makes the following Order:—

Citation, commencement, interpretation and extent

1.—(1) This Order may be cited as the Social Security (Reduced Rates of Class 1 Contributions, Rebates and Minimum Contributions) Order 2011 and shall come into force on 6th April 2012.

(2) In this Order—

"the 1993 Act" means the Pension Schemes Act 1993;

"the low earnings threshold", in relation to a tax year, means the low earnings threshold for that tax year as specified in—

(a) section 44A of the Social Security Contributions and Benefits Act 1992(**7**) (deemed earnings factors); or

(b) in relation to Northern Ireland, section 44A of the Social Security Contributions and Benefits (Northern Ireland) Act 1992(**8**) (deemed earnings factors);

"the Northern Ireland Act" means the Pension Schemes (Northern Ireland) Act 1993.

(3) These provisions of this Order extend to England and Wales and Scotland—

(a) articles 2 to 4;

(b) this article, and the Schedules, so far as they relate to articles 2 to 4.

(4) These provisions of this Order extend to Northern Ireland—

(a) articles 5 to 7;

(b) this article, and the Schedules, so far as they relate to articles 5 to 7.

Alteration of reduced rates of Class 1 contributions for salary related contracted-out schemes

2.—(1) This article applies for the purposes of section 41 of the 1993 Act (reduced rates of Class 1 contributions).

(2) In section 41(1A) of the 1993 Act (reduced rates of primary Class 1 contributions in contracted-out employment) for "1.6 per cent" substitute "1.4 per cent".

(3) In section 41(1B) of the 1993 Act (reduced rates of secondary Class 1 contributions in contracted-out employment) for "3.7 per cent" substitute "3.4 per cent".

(**5**) Section 45 was amended by section 138(1) to (4) of, paragraph 43 of Schedule 5 to, and Part III of Schedule 7 to, the 1995 Act, paragraph 49 of Schedule 1 to the 1999 Act and paragraph 12 of Schedule 1 to the 2008 Act.
(**6**) Section 181(9A) was inserted by paragraph 76 of Schedule 1 to the 1999 Order.
(**7**) 1992 c.4. Section 44A was inserted by section 30(3) of the 2000 Act and amended by paragraph 11 of Schedule 1 to the 2002 Act, paragraph 2 of the Schedule to S.I. 2002/1457, paragraph 34 of Schedule 1 to the 2007 Act, and paragraph 4 of Schedule 1 to the 2008 Act.
(**8**) 1992 c.7. Section 44A was inserted by section 29(3) of the Child Support, Pensions and Social Security Act (Northern Ireland) 2000 (c.4 (N.I.)).

Reduced rates of Class 1 contributions and rebates for money purchase contracted-out schemes

3.—(1) This article applies for the purposes of section 42A of the 1993 Act (reduced rates of Class 1 contributions, and rebates).

(2) For the purposes of section 42A(2) of the 1993 Act (reduction of primary Class 1 contributions), the appropriate flat-rate percentage for the 2012-2013 tax year is 1.4 per cent.

(3) For the purposes of section 42A(2A) of the 1993 Act (reduction of secondary Class 1 contributions), the appropriate flat-rate percentage for the 2012-2013 tax year is 1.0 per cent.

(4) For the purposes of section 42A(3) of the 1993 Act (appropriate age-related percentage), the appropriate age-related percentage in respect of an earner for the 2012-2013 tax year is the percentage given in the table in Schedule 1 by reference to the age of the earner on the day immediately before the start of that tax year.

Appropriate age-related percentages for appropriate personal pension schemes

4.—(1) This article applies for the purposes of section 45(1) of the 1993 Act (amount of minimum contributions).

(2) For the 2012-2013 tax year, the appropriate age-related percentage in respect of earnings of an earner is determined in accordance with paragraph (3) or (4).

(3) If the earnings do not exceed the low earnings threshold, the appropriate age-related percentage is the column B percentage.

(4) If the earnings exceed the low earnings threshold, then—

(a) in respect of the part of the earnings that does not exceed the low earnings threshold, the appropriate age-related percentage is the column B percentage; and

(b) in respect of the part of the earnings that exceeds the low earnings threshold, the appropriate age-related percentage is the column C percentage.

(5) In respect of earnings of an earner—

(a) the column B percentage is the percentage given in column B of the table in Schedule 2 by reference to the age of the earner on the day immediately before the start of the 2012-2013 tax year; and

(b) the column C percentage is the percentage given in column C of the table in Schedule 2 by reference to the age of the earner on the day immediately before the start of the 2012-2013 tax year.

Alteration of reduced rates of Class 1 contributions for salary related contracted-out schemes – Northern Ireland

5.—(1) This article applies for the purposes of section 37 of the Northern Ireland Act (reduced rates of Class 1 contributions).

(2) In section 37(1A) of the Northern Ireland Act (reduced rates of primary Class 1 contributions) for "1.6 per cent" substitute "1.4 per cent".

(3) In section 37(1B) of the Northern Ireland Act(**9**) (reduced rates of secondary Class 1 contributions) for "3.7 per cent" substitute "3.4 per cent".

(**9**) Section 37(1B) was inserted by paragraph 95 of Schedule 6 to the Social Security (Northern Ireland) Order 1998 (S.I.1998/1506) (N.I. 10) ("the 1998 Order"), substituted by paragraph 6(3) of Schedule 10 to the WRAP Act and amended by article 4 of S.I. 2006/1009.

Reduced rates of Class 1 contributions and rebates for money purchase contracted-out schemes – Northern Ireland

6.—(1) This article applies for the purposes of section 38A of the Northern Ireland Act(**10**) (reduced rates of Class 1 contributions, and rebates).

(2) For the purposes of section 38A(2) of the Northern Ireland Act (reduction of primary Class 1 contributions), the appropriate flat-rate percentage for the 2012-2013 tax year is 1.4 per cent.

(3) For the purposes of section 38A(2A) of the Northern Ireland Act (reduction of secondary Class 1 contributions), the appropriate flat-rate percentage for the 2012-2013 tax year is 1.0 per cent.

(4) For the purposes of section 38A(3) of the Northern Ireland Act (appropriate age-related percentage), the appropriate age-related percentage in respect of an earner for the 2012-2013 tax year is the percentage given in the table in Schedule 1 by reference to the age of the earner on the day immediately before the start of that tax year.

Appropriate age-related percentages for appropriate personal pension schemes – Northern Ireland

7.—(1) This article applies for the purposes of section 41(1) of the Northern Ireland Act(**11**) (amount of minimum contributions).

(2) For the 2012-2013 tax year, the appropriate age-related percentage in respect of earnings of an earner is determined in accordance with paragraph (3) or (4).

(3) If the earnings do not exceed the low earnings threshold, the appropriate age-related percentage is the column B percentage.

(4) If the earnings exceed the low earnings threshold, then—

(a) in respect of the part of the earnings that does not exceed the low earnings threshold, the appropriate age-related percentage is the column B percentage; and

(b) in respect of the part of the earnings that exceeds the low earnings threshold, the appropriate age-related percentage is the column C percentage.

(5) In respect of earnings of an earner—

(a) the column B percentage is the percentage given in column B of the table in Schedule 2 by reference to the age of the earner on the day immediately before the start of the 2012-2013 tax year; and

(b) the column C percentage is the percentage given in column C of the table in Schedule 2 by reference to the age of the earner on the day immediately before the start of the 2012-2013 tax year.

(**10**) Section 38A was inserted by article 134(4) of the 1995 Order and amended by paragraph 96 of Schedule 6 to 1998 Order, paragraph 52 of Schedule 1 to the 1999 Order, paragraph 7 of Schedule 10 to the WRAP Act, paragraph 42 of Schedule 1 to the 2002 Act and paragraph 11 of Schedule 7 to the Pensions (No.2) Act (Northern Ireland) 2008 (c.13 (N.I.)).

(**11**) Section 41(1) was substituted by article 135(2) of the 1995 Order and amended by paragraph 56(2) of Schedule 1 to the 1999 Order, and paragraph 12 of Schedule 7 to the Pensions (No.2) Act (Northern Ireland) 2008 (c.13 (N.I.)).

Signed by authority of the Secretary of State for Work and Pensions

Name
Minister of State,
Date Department for Work and Pensions