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

2006 No.

PENSIONS

The Social Security (Reduced Rates of Class 1 Contributions, Rebates and Minimum Contributions) Order 2006

Made - - - -	*2006*
Coming into force - -	*6th April 2007*

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(1), 38B and 41A 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 his report stating whether he 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 his 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 his report stating what, in view of the report of the Government Actuary under section 42B(1) of that Act, he considers the percentages applying under section 42A(2), (2A) and (3) of that Act(**4**) should be.

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 his report stating what, in view of the

(**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") and section 34 of, and paragraph 4 of Schedule 5 to, the Child Support, Pensions and Social Security Act 2000 (c.19) ("the 2000 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 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**) Sections 41(1A) and (1B) were 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. 2001/1356.

(**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 and paragraph 37 of Schedule 1 to the 2002 Act.

report of the Government Actuary under section 45A(1) of that Act, he 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 2006 and shall come into force on 6th April 2007.

(2) In this Order—

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

"the Northern Ireland Act" means the Pension Schemes (Northern Ireland) 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(5) of the Social Security Contributions and Benefits (Northern Ireland) Act 1992(**8**) (deemed earnings factors);

"qualifying earnings factor", in relation to a tax year, has the same meaning as in—

(a) section 122(1) of the Social Security Contributions and Benefits Act 1992 (interpretation); or

(b) in relation to Northern Ireland, section 121(1) of the Social Security Contributions and Benefits (Northern Ireland) Act 1992 (interpretation);

"the upper earnings threshold" means 3LET minus 2QEF, where—

(a) 3LET means the amount produced by multiplying the low earnings threshold by 3; and

(b) 2QEF means the amount produced by doubling the qualifying earnings factor and rounding the resulting figure to the nearest whole £100 (taking any amount of £50 as nearest to the previous whole £100);

"relevant tax year" means any of the following tax years—

(a) 2007-2008;

(b) 2008-2009;

(c) 2009-2010;

(d) 2010-2011;

(e) 2011-2012.

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

(**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 and paragraph 49 of Schedule 1 to the 1999 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 and paragraph 2 of the Schedule to S.I. 2002/1457.
(**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).

(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 secondary Class 1 contributions for salary related contracted-out schemes

2. In section 41(1B) of the 1993 Act (reduced rates of secondary Class 1 contributions in contracted-out employment) for "3.5 per cent" substitute "3.7 per cent".

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 each of the relevant tax years is 1.6 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 each of the relevant tax years is 1.4 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 a relevant tax year is the percentage given in the table in Schedule 1 by reference to—

(a) that tax year, and

(b) 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 a relevant tax year, the appropriate age-related percentage in respect of earnings of an earner is determined in accordance with paragraph (3), (4) or (5).

(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, but do not exceed the upper 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;

(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) If the earnings exceed the low earnings threshold and the upper 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;

(b) in respect of the part of the earnings that exceeds the low earnings threshold but does not exceed the upper earnings threshold, the appropriate age-related percentage is the column C percentage; and

(c) in respect of the part of the earnings that exceeds the upper earnings threshold, the appropriate age-related percentage is the column D percentage.

(6) For a relevant tax year, in respect of earnings of an earner—

(a) the column B percentage is the percentage given in column B of the appropriate table by reference to the age of the earner on the day immediately before the start of that tax year;

(b) the column C percentage is the percentage given in column C of the appropriate table by reference to the age of the earner on the day immediately before the start of that tax year;

(c) the column D percentage is the percentage given in column D of the appropriate table by reference to the age of the earner on the day immediately before the start of that tax year.

(7) The appropriate table is the table in—

(a) Schedule 2, if the relevant tax year is 2007-2008;

(b) Schedule 3, if the relevant tax year is 2008-2009;

(c) Schedule 4, if the relevant tax year is 2009-2010;

(d) Schedule 5, if the relevant tax year is 2010-2011;

(e) Schedule 6, if the relevant tax year is 2011-2012.

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

5. In section 37(1B) of the Northern Ireland Act(**9**) (reduced rates of secondary Class 1 contributions) for "3.5 per cent" substitute "3.7 per cent".

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

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 in contracted-out employment).

(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 each of the relevant tax years is 1.6 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 each of the relevant tax years is 1.4 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 a relevant tax year is the percentage given in the table in Schedule 1 by reference to—

(a) that tax year, and

(b) the age of the earner on the day immediately before the start of that tax year.

(**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 2 of S.I. 2001/1356.

(**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 and paragraph 42 of Schedule 1 to the 2002 Act.

Appropriate age-related percentages for appropriate personal pension schemes

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

(2) For a relevant tax year, the appropriate age-related percentage in respect of earnings of an earner is determined in accordance with paragraph (3), (4) or (5).

(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, but do not exceed the upper 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;

(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) If the earnings exceed the low earnings threshold and the upper 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;

(b) in respect of the part of the earnings that exceeds the low earnings threshold but does not exceed the upper earnings threshold, the appropriate age-related percentage is the column C percentage; and

(c) in respect of the part of the earnings that exceeds the upper earnings threshold, the appropriate age-related percentage is the column D percentage.

(6) For a relevant tax year, in respect of earnings of an earner—

(a) the column B percentage is the percentage given in column B of the appropriate table by reference to the age of the earner on the day immediately before the start of that tax year;

(b) the column C percentage is the percentage given in column C of the appropriate table by reference to the age of the earner on the day immediately before the start of that tax year;

(c) the column D percentage is the percentage given in column D of the appropriate table by reference to the age of the earner on the day immediately before the start of that tax year.

(7) The appropriate table is the table in—

(a) Schedule 2, if the relevant tax year is 2007-2008;

(b) Schedule 3, if the relevant tax year is 2008-2009;

(c) Schedule 4, if the relevant tax year is 2009-2010;

(d) Schedule 5, if the relevant tax year is 2010-2011;

(e) Schedule 6, if the relevant tax year is 2011-2012.

(**11**) Section 41(1) was substituted by article 135(2) of the 1995 Order. Section 41 was amended by article 135 of, and Part III of Schedule 5 to, the 1995 Order and paragraph 56 of Schedule 1 to the 1999 Order.