# NICs: supporting veterans’ transition to civilian life through employment: CIOT response

**Employment Tax**

01 December 2020

The CIOT has supported a government initiative to encourage employment of armed forces veterans through a national insurance contributions relief for employers who hire veterans and recommended that HMRC builds a notification system to verify eligibility for the scheme.

The CIOT has responded to a government consultation on how to encourage employment of armed forces veterans through a national insurance contributions (NICs) relief for employers who hire veterans.

The government proposal is that employer’s Class 1 NICs will be scrapped for a full year for every new employee who has left the armed forces that an employer engages. This is intended to incentivise employers to take veterans on and boost their pay and opportunities. This employer’s NIC relief will be available from April 2021, although employers will not be able to claim the relief until after the end of the 2021/22 tax year. Thereafter, it is proposed that employers will be able to claim the relief in real time.

Given that the government’s policy is to use the NIC system to provide an employer’s NIC relief for employing veterans, we believe that the government should ensure that as many regular armed forces veterans as possible are eligible for the new relief. However, we suggested that the relief should be subject to some form of minimum service requirement, such as completing basic training, or six to 12 month’s service; the intention is to help transition veterans back into civilian life and work, and those that have recently been ‘civilians’ are likely to be better placed to make that transition without the support of this relief.

We agreed with the government that all civilian employments should be eligible to qualify for the relief and that it should be capped at the NIC upper secondary threshold. In addition, we suggested that the relief should also be available from April 2021 to any employments that started prior to this where the veteran would have been eligible for the relief had the employment started on or after 6 April 2021.

As noted above, the government has proposed a two-stage approach to implementing this relief, such that for the 2021/22 tax year relief will have to be claimed back after the end of the year, rather than being claimed during the tax year (which will apply from 2022/23 onwards). We suggested that to encourage take-up of the relief, the government provides the option for those employers that are able to implement the required processes in time to be allowed to make an in-year claim of the relief in 2021/22.

We also suggested that, in order to make the process for claiming the relief as simple as possible, HMRC and the Ministry of Defence work together to establish a notification system from the Ministry of Defence to HMRC of all eligible personnel leaving the armed forces, and that HMRC build a system that allows employers to confirm eligibility of veterans and the period of eligibility. We believe that this would minimise the administrative burdens on employers and should encourage employers to claim the relief, as there would be little fear of mistakes or reclaims of relief from HMRC with such a checking system.

The full CIOT response can be read here.

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