National Insurance Contributions (Secondary Class 1 Contributions) Bill 2024

Employment Tax



22 January 2025

CIOT submitted a briefing to Parliament on the National Insurance Contributions (Secondary Class 1 Contributions) Bill.

The National Insurance Contributions (Secondary Class 1 Contributions) Bill 2024 includes measures to:

- increase the rate of secondary (employers) Class 1 contributions;
- reduce the secondary (employers) threshold for Class 1 contributions;
- increase the Employment Allowance; and
- remove the Employment Allowance eligibility threshold of having secondary Class 1 NICs liabilities of less than £100,000 in the previous tax year.

While the CIOT does not comment on rates of tax, we noted that the increase in secondary Class 1 national insurance contributions extends the differential in the burden of tax and national insurance borne by those in employment compared to those engaged as self-employed.

We were concerned that increasing the rate of secondary Class 1 national insurance contributions, and reducing the threshold at which it begins to be paid by employers, could cause employers to seek ways to mitigate or absorb the burden, such as limiting wage rises, outsourcing and managing with fewer workers. We also thought that it may increase the instances of 'false self-employment', or the use of non-tax compliant intermediary arrangements.

We also suggested that the government should work with stakeholders to agree a sustainable solution to how earnings should be taxed, and how we might 'level the playing field' between the burden of tax on the employed, the self-employed and those working through their own personal service company.

The CIOT was mentioned during the Committee stage debate of the Bill, and four attempts by opposition parties were made to create exemptions from the national insurance increase for some businesses; ultimately the Bill was passed without amendment. A full report on the debate can be read on our website at: tinyurl.com/ypv9awkm.

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