



# Social Security Contributions and Benefits Act 1992

## 1992 CHAPTER 4

### PART I

#### CONTRIBUTIONS

##### *Preliminary*

#### **1 Outline of contributory system**

(1) The funds required—

- (a) for paying such benefits under this Act as are payable out of the National Insurance Fund and not out of other public money; and
- (b) for the making of payments under section 162 of the Administration Act towards the cost of the National Health Service,

shall be provided by means of contributions payable to the Secretary of State by earners, employers and others, together with the additions under subsection (5) below.

(2) Contributions under this Part of this Act shall be of the following five classes—

- (a) Class 1, earnings-related, payable under section 6 below, being—
  - (i) primary Class 1 contributions from employed earners; and
  - (ii) secondary Class 1 contributions from employers and other persons paying earnings;
- (b) Class 1A, payable under section 10 below in respect of cars made available for private use and car fuel by persons liable to pay secondary Class 1 contributions and certain other persons;
- (c) Class 2, flat-rate, payable weekly under section 11 below by self-employed earners;
- (d) Class 3, payable under section 13 below by earners and others voluntarily with a view to providing entitlement to benefit, or making up entitlement; and

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- (e) Class 4, payable under section 15 below in respect of the profits or gains of a trade, profession or vocation, or under section 18 below in respect of equivalent earnings.
- (3) The amounts and rates of contributions in this Part of this Act and the other figures in it which affect the liability of contributors shall—
- (a) be subject to regulations under sections 19(4) and 116 to 120 below; and
  - (b) to the extent provided for by Part IX of the Administration Act be subject to alteration by orders made by the Secretary of State from year to year under that Part,
- and the provisions of this Part of this Act are subject to the provisions of Part III of the Pensions Act (contracting-out - reduced rates of contributions).
- (4) Schedule 1 to this Act—
- (a) shall have effect with respect to the computation, collection and recovery of contributions of Classes 1, 1A, 2 and 3, and otherwise with respect to contributions of those classes; and
  - (b) shall also, to the extent provided by regulations made under section 18 below, have effect with respect to the computation, collection and recovery of Class 4 contributions, and otherwise with respect to such contributions, where under that section provision is made for contributions of that class to be recovered by the Secretary of State and not by the Inland Revenue.
- (5) For each financial year there shall, by way of addition to contributions, be paid out of money provided by Parliament, in such manner and at such times as the Treasury may determine, amounts the total of which for any such year is equal to the aggregate of all statutory sick pay and statutory maternity pay recovered by employers and others in that year, as estimated by the Government Actuary or the Deputy Government Actuary.
- (6) No person shall—
- (a) be liable to pay Class 1, Class 1A or Class 2 contributions unless he fulfils prescribed conditions as to residence or presence in Great Britain;
  - (b) be entitled to pay Class 3 contributions unless he fulfils such conditions; or
  - (c) be entitled to pay Class 1, Class 1A or Class 2 contributions other than those which he is liable to pay, except so far as he is permitted by regulations to pay them.

## **2 Categories of earners**

- (1) In this Part of this Act and Parts II to V below—
- (a) “employed earner” means a person who is gainfully employed in Great Britain either under a contract of service, or in an office (including elective office) with emoluments chargeable to income tax under Schedule E; and
  - (b) “self-employed earner” means a person who is gainfully employed in Great Britain otherwise than in employed earner’s employment (whether or not he is also employed in such employment).
- (2) Regulations may provide—
- (a) for employment of any prescribed description to be disregarded in relation to liability for contributions otherwise arising from employment of that description;

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- (b) for a person in employment of any prescribed description to be treated, for the purposes of this Act, as falling within one or other of the categories of earner defined in subsection (1) above, notwithstanding that he would not fall within that category apart from the regulations.
- (3) Where a person is to be treated by reference to any employment of his as an employed earner, then he is to be so treated for all purposes of this Act; and references throughout this Act to employed earner's employment shall be construed accordingly.
- (4) Subsections (1) to (3) above are subject to the provision made by section 95 below as to the employments which are to be treated, for the purposes of industrial injuries benefit, as employed earner's employments.
- (5) For the purposes of this Act, a person shall be treated as a self-employed earner as respects any week during any part of which he is such an earner (without prejudice to his being also treated as an employed earner as respects that week by reference to any other employment of his).

### **3 “Earnings” and “earner”**

- (1) In this Part of this Act and Parts II to V below—
  - (a) “earnings” includes any remuneration or profit derived from an employment; and
  - (b) “earner” shall be construed accordingly.
- (2) For the purposes of this Part of this Act and of Parts II to V below other than those of Schedule 8—
  - (a) the amount of a person's earnings for any period; or
  - (b) the amount of his earnings to be treated as comprised in any payment made to him or for his benefit,shall be calculated or estimated in such manner and on such basis as may be prescribed.
- (3) Regulations made for the purposes of subsection (2) above may prescribe that payments of a particular class or description made or falling to be made to or by a person shall, to such extent as may be prescribed, be disregarded or, as the case may be, be deducted from the amount of that person's earnings.

### **4 Payments treated as remuneration and earnings**

- (1) For the purposes of section 3 above there shall be treated as remuneration derived from employed earner's employment—
  - (a) any sum paid to or for the benefit of a person in satisfaction (whether in whole or in part) of any entitlement of that person to—
    - (i) statutory sick pay; or
    - (ii) statutory maternity pay; and
  - (b) any sickness payment made—
    - (i) to or for the benefit of the employed earner; and
    - (ii) in accordance with arrangements under which the person who is the secondary contributor in relation to the employment concerned has made, or remains liable to make, payments towards the provision of that sickness payment.

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- (2) Where the funds for making sickness payments under arrangements of the kind mentioned in paragraph (b) of subsection (1) above are attributable in part to contributions to those funds made by the employed earner, regulations may make provision for disregarding, for the purposes of that subsection, the prescribed part of any sum paid as a result of the arrangements.
- (3) For the purposes of subsections (1) and (2) above “sickness payment” means any payment made in respect of absence from work due to incapacity for work, within the meaning of section 57 below.
- (4) For the purposes of section 3 above there shall be treated as remuneration derived from an employed earner’s employment any sum paid to or for the benefit of an employed earner which is chargeable to tax by virtue of section 313 of the Income and Corporation Taxes Act 1988 (taxation of consideration for certain restrictive undertakings) otherwise than by virtue of subsection (4) of that section.
- (5) For the purposes of section 3 above regulations may make provision for treating as remuneration derived from an employed earner’s employment any payment made by a body corporate to or for the benefit of any of its directors where that payment would, when made, not be earnings for the purposes of this Act.