These notes refer to the Child Support, Pensions and Social Security Act 2000 (c.19) which received Royal Assent on 28th July 2000

CHILD SUPPORT, PENSIONS AND SOCIAL SECURITY ACT 2000

EXPLANATORY NOTES

ANNEX GLOSSARY OF TERMS:

Administration Act

The Social Security Administration Act 1992: the Act that contains most of the rules and regulation-making powers to specify how social security benefits should be claimed, paid and administered. It consolidated the existing legislation in 1992, and has been amended subsequently. See also the Contributions and Benefits Act.

Attendance Allowance (AA)

A non-contributory, tax free, non-means-tested benefit paid to meet the extra costs arising from the care needs of elderly and disabled people. Paid at two rates: higher rate (needing care day and night) and lower rate (needing care day or night).

Basic Retirement Pension (Basic Pension)

The flat rate state pension paid to people who have met the minimum contribution requirements. Married women, widows and some widowers can receive a pension based on their spouse’s contribution record.

Child Benefit

A non-contributory, non-means tested, non-taxable benefit payable for each child in a family from birth up to age 19, or to a fixed termination date related to the end of non-advanced secondary education.

Community Sentence

A community sentence means a sentence which consists of, or includes, one or more community orders. Community orders may be imposed by the Courts on persons aged 16 or over who have been convicted of an offence. A community service order is an order requiring a person to perform unpaid work for not less than 40 hours and not more than 240 hours. A probation order requires a person to be supervised by the probation service for a period of between 6 months and 3 years. A combination order comprises elements of both community service and probation orders.

Contributions and Benefits Act

The Social Security Contributions and Benefits Act 1992: contains most of the provisions for setting out the rules for National Insurance contributions and entitlement to social security benefits (with the main exception of Jobseeker's Allowance). It consolidated the existing legislation when it was introduced in 1992, and has been amended since then. See also the Social Security Administration Act.

Deductions from earnings order

An instruction from the Secretary of State to a non-resident parent's employer to make deductions directly from his salary to pay his liability. Used where voluntary arrangements have broken down. A non-resident parent may also choose to pay by this method.

Disability Living Allowance (DLA)

A non-contributory, tax free, non-means-tested benefit, introduced in April 1992, to meet the extra costs of care and mobility needs of people who became disabled before the age of 65. There are two components: a care component (paid at higher, middle or lower rate) and a mobility component (paid at a higher or lower rate).

Financial Services Authority

The FSA is a statutory authority established by the Financial Services and Markets Act to regulate the UK financial services industry. It has powers to authorise financial service providers, to regulate their actions and impose disciplinary sanctions. Part of their role is to investigate complaints from individuals who believe they have been given wrong or bad advice by the company that sold them their personal pension.

Home Responsibilities Protection

Home Responsibilities Protection protects the basic retirement pension position of someone caring for a child under 16 or a sick or disabled person. It is not a National Insurance credit or benefit in its own right, but works by reducing the number of qualifying years needed for a full basic retirement pension.

Incapacity Benefit (IB)

A taxable contributory benefit introduced in April 1995 to replace Sickness and Invalidity Benefits for people who are unable to work because of illness or disability. Payable weekly at 1 of 3 rates:

— a short-term lower rate: payable to those who do not qualify for Statutory Sick Pay, for the first 28 weeks of incapacity

— a short-term higher rate: payable from 28 weeks to 52 weeks of incapacity

— a long-term rate: payable after 52 weeks of incapacity

Income Support (IS)

An income-related benefit introduced in 1988, as successor to Supplementary Benefit, to support people not in remunerative work, whose net income is less than a minimum level set by Parliament, and determined by age, family membership and other circumstances.

Invalid Care Allowance (ICA)

A non-contributory, non-means-tested benefit for people who give up the opportunity of full-time work to provide care on a regular and substantial basis (at least 35 hours or more a week) to a severely disabled person.

Jobseekers Act 1995

The Jobseekers Act 1995: established Jobseeker's Allowance.

Jobseeker's Allowance (JSA)

A benefit introduced October 1996 to replace contributory Unemployment Benefit and income-related Income Support for all those over 18 needing financial support because of unemployment, administered jointly by Employment Service and Benefits Agency.

Lower Earnings Limit (LEL)

The level of earnings below which there is not a liability for employees to pay National Insurance contributions. It is also the level at which people secure entitlement to basic contributory benefits. Earnings above this point (and up to the Upper Earnings Limit) accrue entitlement to SERPS or to contracted-out rebates.

Maintenance agreement

An agreement for making, or for securing the making, of maintentance payments, or, in Scotland, aliment, to or for the benefit of any child.

National Insurance contributions (NICs)

Contributions payable by those in work and their employer into the National Insurance fund, which are used to pay contributory social security benefits to qualifying individuals. Self-employed people pay a lower rate but have more limited rights to benefits. Contributions are divided into six classes, which bring access to different benefit entitlements:

The Welfare Reform Act (Section 69 and Schedule 9) introduces a new Primary Threshold as the point from which employees start to pay NICs. This means that from April 2000 employees do not pay contributions on earnings below the new Primary Threshold. It is proposed that from April 2001, the Primary Threshold will be aligned with the Secondary Threshold and as such, the Income Tax Personal Allowance. However, where an employee has earnings between the prevailing Lower Earnings Limit, and the new Primary Threshold, they will be treated as if they had paid contributions on those earnings to protect their ability to build up entitlement to contributory benefits.

Class 1: Payable by employed earners on all earning between the Lower Earnings Limit and Upper Earnings Limit, and by employers on all earnings above the Earnings Threshold. Class 1 contributions give access to all National Insurance benefits, both at a flat rate and with earnings-related increases where relevant (provided that the individual meets the specific conditions of entitlement for each benefit).

Class 1A: Contributions paid by employers in respect of employees' car and fuel benefits. The charge is based on the cash equivalent of the car benefit and the car fuel benefit provided for private use of the employee.

Class 1B: Contributions paid on settlements (PAYE Settlement Agreements) made with the Inland Revenue by an employer. This class of contributions was introduced in April 1999.

Class 2: Flat-rate contribution paid by self-employed earners. Benefits are payable at the basic rate only, and there is no entitlement to certain benefits (for example Jobseeker's Allowance).

Class 3: Flat-rate voluntary contributions payable for any period when people were not liable to pay class 1 or 2 contributions because they were not employed or were outside of the UK.

Class 4: Profit-related additional contributions payable by self-employed earners with profits above an annual threshold, up to an upper threshold equivalent to the Upper Earnings Limit for Class 1 contributors. These contributions do not give entitlement to any additional benefits.

National Insurance Credits

A Class 1 National Insurance credit is a credit of earnings for the sole purpose of assisting a person towards satisfying the contribution conditions for basic Retirement Pension, Widows' Benefits, Incapacity Benefit or Jobseeker's Allowance. A credit is available for weeks where a person is unable to work due to one of a number of specified contingencies, the most common of which is that he is incapable of work through illness or disability or he is unemployed, available for and actively seeking work. Alternatively, a credit may accompany receipt of a particular benefit such as Invalid Care Allowance or Statutory Maternity Pay, or be awarded automatically to a man within five years of state pension age who has no liability to pay contributions. Earnings cannot be credited beyond the extent needed to give a person a Qualifying Earnings Factor for that year.

Non-resident parent

"Non-resident parent" means a parent who is not living in the same household as the child in respect of whom an application for maintenance has been made (the "qualifying child").

Occupational Pensions Regulatory Authority (Opra)

Opra is a statutory body created by the Pensions Act 1995, which is responsible for ensuring that occupational pension schemes comply with the requirements of the relevant legislation. It has the power to investigate and can impose a range of penalties for non-compliance, including prohibition from acting as a trustee and imposition of fines. It may also pursue criminal proceedings.

Occupational Pension Scheme

A scheme organised by an employer or on behalf of a group of employers to provide pensions and/or other benefits for, or in respect of, one or more employees on leaving service or on death or retirement.

Parent with care

"Parent with care" means a parent living in the same household as the qualifying child and who usually provides day-to-day care of the child. When the person caring for the child is not the child's legal parent, she is sometimes known as a "person with care" (PeWC).

Pensions Act 1995

This Act provides a framework of statutory obligations on employers, trustees, scheme professionals and others connected with pension schemes in order to provide greater security for scheme members.

Personal Pension

An arrangement between an individual who is self-employed, in non-pensionable employment or who is not a member of an employer's scheme, and a pension provider (such as an insurance company) which enables the individual to make provision for a pension on a money purchase basis. See also occupational pension scheme.

An Appropriate Personal Pension (APP) is a personal pension scheme that has been certified as suitable for contracting out of SERPS. APPs are not available to the self-employed.

Primary Threshold

The Primary Threshold is the point at which employees begin to pay National Insurance contributions. It is being increased over the 2 years beginning April 2000 to the level of the Income Tax Personal Allowance. The Primary Threshold for 2000/01 is £76.00 per week.

Qualifying child

A child who is living apart from one or both parents and for whom an application for child support has been made.

Severe Disablement Allowance (SDA)

A tax-free, non-contributory benefit for those incapable of work for at least 28 weeks who do not qualify for Incapacity Benefit**.** Severe Disablement Allowance is being withdrawn for new claimants from April 2001 but those already receiving the benefit will continue to do so

Social Security Act 1998

Provided for a new system for making decisions on cases and handling disputes and appeals. Implemented for child support in June 1999.

Tax Year

The tax year is the period within which liability to pay Income Tax arises, and runs from 6 April in one year to 5 April the next. The tax year for 1999-2000 runs from 6 April 1999 to 5 April 2000.

Training Allowance

A weekly allowance paid from public funds to people participating in certain courses of training, instruction or work experience provided by, or in pursuance of arrangements made with, the Secretary of State for Education and Employment under section 2 of the Employment and Training Act 1973. A training allowance consists of a basic element equivalent to the participant's benefit entitlement when unemployed plus, where appropriate, a training premium or top-up, reimbursement of travelling expenses, and living away from home allowance.

Upper Earnings Limit (UEL)

The level of weekly earnings above which there is no liability for employee National Insurance contributions. It sets the upper limit for the weekly earnings on which Additional Pension accrue and which qualify for contracted-out rebates. See also Lower Earnings Limit.

Widows' Benefits

Widows' Benefits are available to working age widows and entitlement is based on the National Insurance contribution record of the deceased husband. They are to be replaced by Bereavement Benefits, which will be available equally to widowed men and women on the same basis – based on the late spouses' National Insurance record.

Welfare Reform and Pensions Act 1999

Introduced a range of measures relating to Social Security benefits, pensions and National Insurance contributions.