

Abolition of employers National Insurance contributions for the under 21s

Who is likely to be affected?

Employers with employees under the age of 21.

General description of the measure

From 6 April 2015 every employer with employees under the age of 21 will no longer be required to pay Class 1 secondary National Insurance contributions (NICs) on earnings up to the upper earning limit (UEL), for those employees.

Policy objective

The removal of the requirement for employers to pay Class 1 secondary NICs aims to encourage them to employ individuals under the age of 21.

Background to the measure

The abolition of employer Class 1 secondary NICs for employees under the age of 21 earning up to the UEL complements other government policies that seek to encourage youth employment and boost economic development.

Detailed proposal

Operative date

This measure will take effect from 6 April 2015.

Current law

Section 6(1) of the Social Security Contributions and Benefits Act and the Northern Ireland equivalent makes employers liable to Class 1 secondary NICs on all earnings paid to employees over the age of 16 provided the earnings exceed the secondary threshold which is currently £156 per week.

Proposed revisions

Under proposals and subject to earnings up to the UEL, employers who employ or engage employees under the age of 21 at or after 6 April 2015 will not be required to pay employer NICs on the earnings they pay to those employees. The UEL in 2015-16 is £815 per week (annual equivalent £42,385).