



EXPLANATORY NOTES

National Insurance Contributions (Secondary Class 1 Contributions) Act 2025

Chapter 11

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NATIONAL INSURANCE CONTRIBUTIONS (SECONDARY CLASS 1 CONTRIBUTIONS) ACT 2025

EXPLANATORY NOTES

What these notes do

These Explanatory Notes relate to the National Insurance Contributions (Secondary Class 1 Contributions) Act 2025 which received Royal Assent on 3 April 2025 (c. 11).

- These Explanatory Notes have been prepared by HM Revenue and Customs (HMRC) to assist the reader in understanding the Act. They do not form part of the Act and have not been endorsed by Parliament.
- These Explanatory Notes explain what each part of the Act will mean in practice; provide background information on the development of policy; and provide additional information on how the Act will affect existing legislation in this area.
- These Explanatory Notes might best be read alongside the Act. They are not, and are not intended to be, a comprehensive description of the Act.

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These Explanatory Notes relate to the National Insurance Contributions (Secondary Class 1 Contributions) Act 2025 which received Royal Assent on 3 April 2025 (c. 11)

Overview of the Act

- 1 The Act deals with the following matters:
 - An increase in the rate of secondary Class 1 contributions
 - A reduction in the secondary threshold for Class 1 contributions
 - An increase in the Employment Allowance and removal of the eligibility threshold of secondary Class 1 NICs liabilities of less than £100,000 in the previous tax year

Policy background

- 2 The Act is intended to deliver part of the Government's long-term plan to repair the public finances and increase investment in public services and the economy in order to unlock growth. To achieve this, the government is asking employers to contribute more. This means, from April 2025, the rate of Employer NICs will increase to 15%, and the per-employee threshold at which employers become liable to pay NICs on employees' earnings will be reduced to £5,000.
- 3 The government will protect many of the smallest businesses by increasing the Employment Allowance to £10,500. More than half of employers will see no change overall from these measures in the next tax year. Eligibility for the Employment Allowance will also be expanded to allow more businesses to claim, with the removal of the threshold of £100,000 of employer NICs bills in the previous tax year.

Legal background

- 4 Legislation relating to the existing system of NICs and social security benefits is set out in a combination of primary and subordinate legislation. The most relevant provisions are:
 - a. Social Security Contributions and Benefits Act 1992 (SSCBA 1992).
 - b. Social Security Contributions and Benefits (Northern Ireland) Act 1992 (SSCB(NI)A 1992).
 - c. National Insurance Contributions Act 2014 (NICA 2014)
 - d. Social Security (Contributions) Regulations 2001 (S.I. 2001/1004).
- 5 These provisions will continue to be the main legislation dealing with NICs.

Territorial extent and application

- 6 The Act extends to, that is forms part of, the law of England and Wales, Scotland and Northern Ireland. Amendments the Act makes to the legislation of Great Britain and Northern Ireland have the same extent as the enactments they amend. The Act applies in England, Wales, Scotland and Northern Ireland.
- 7 See the table in Annex A for a summary of the position regarding territorial extent and application in the United Kingdom.

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Commentary on provisions of the Act

Section 1: Rate of secondary Class 1 contributions

- 8 Section 1(1) amends section 9(2) SSCBA 1992 to increase the main secondary percentage of Class 1 NICs paid by employers from 13.8% to 15%.
- 9 Section 1(2) makes equivalent provisions for Northern Ireland by amending SSCB(NI)A 1992.
- 10 Section 1(3) specifies that the amendments that are made by section 1 take effect from 6 April 2025.

Section 2: Secondary threshold for secondary Class 1 contributions

- 11 Section 2(1) introduces amendments to S.I. 2001/1004.
- 12 Section 2(2) amends regulation 10(d) of S.I. 2001/1004 by changing the weekly secondary threshold for secondary Class 1 NICs from £175 to £96.
- 13 Prescribed equivalents ensure the threshold is reflective of an employment pay period. Section 2(3) amends regulation 11(3A) of S.I. 2001/1004 by replacing the monthly and annual prescribed equivalents of the secondary threshold as follows:
 - a. In sub-paragraph (a), the monthly prescribed equivalent of £758, is replaced with £417.
 - b. In sub-paragraph (b), the yearly prescribed equivalent of £9,100, is replaced with £5,000.
- 14 Section 2(4) specifies the changes made by this section apply for the tax year 2025-2026 only.

Section 3: Increase of employment allowance and removal of £100,000 threshold etc

- 15 Section 3(1) introduces amendments to the National Insurance Contributions Act 2014.
- 16 Section 3(2) amends section 1(2)(a) NICA 2014 to increase the amount of employment allowance from £5,000 to £10,500.
- 17 Section 3(3)(a) removes subsections (4B) to (4G) of section 2 of NICA 2014 which relates to the exclusion of persons from claiming the employment allowance where their secondary Class 1 NICs liability in the previous tax year is £100,000 or more. This also removes the associated state aid restrictions.
- 18 Section 3(3)(b) removes the italicised heading which precedes sub-section 2(4B) NICA 2014.
- 19 Section 3(4) specifies that the amendments made by section 3 come into force on 6 April 2025.

Section 4: Short title

- 20 Section 4 gives the short title as the National Insurance Contributions (Secondary Class 1 Contributions) Act 2025

Commencement

- 21 All the provisions in the Act come into force on 6 April 2025.

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Related documents

22 The following documents are relevant to the Act and can be read at the stated locations:

- A Tax Information and Impact Note has been published by HM Revenue and Customs

<https://www.gov.uk/government/publications/changes-to-the-class-1-national-insurance-contributions-secondary-threshold-the-secondary-class-1-national-insurance-contributions-rate-and-the-empl>

Annex A - Territorial extent and application in the United Kingdom

Provision	England	Wales	Scotland	Northern Ireland
	Extends to E & W and applies to England?	Extends to E & W and applies to Wales?	Extends and applies to Scotland?	Extends and applies to Northern Ireland?
Section 1	Yes	Yes	Yes	Yes
Section 2	Yes	Yes	Yes	Yes
Section 3	Yes	Yes	Yes	Yes
Section 4	Yes	Yes	Yes	Yes

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Annex B - Hansard References

23 The following table sets out the dates and Hansard references for each stage of the Act's passage through Parliament.

Stage	Date	Hansard Reference
<i>House of Commons</i>		
Introduction	13 November 2024	Vol. 756 Col. 823
Second Reading	3 December 2024	Vol. 758 Col. 199
Public Bill Committee	17 December 2024	Vol. 759 Col. 191
Report and Third Reading	17 December 2024	Vol. 759 Col. 280
<i>House of Lords</i>		
Introduction	18 December 2024	Vol. 842 Col. 266
Second Reading	6 January 2025	Vol. 842 Col. 526
Committee Stage	21 January 2025	Vol. 842 Col. 343GC
Committee Stage	29 January 2025	Vol. 843 Col. 67GC
Committee Stage	4 February 2025	Vol. 843 Col. 223GC
Committee Stage	6 February 2025	Vol. 843 Col. 263GC
Report Stage	25 February 2025	Vol. 843 Col. 1594 Vol. 843 Col. 1661
Third Reading	4 March 2025	Vol. 844 Col. 135
Royal Assent	03 April 2025	House of Commons Vol. 765 Col. 443
		House of Lords Vol. 845 Col. 357

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Annex C - Progress of Bill Table

24 This Annex shows how each section and Schedule of the Act was numbered during the passage of the Bill through Parliament.

Section of the Act	Bill as Introduced in the Commons	Bill as amended in Committee in the Commons	Bill as introduced in the Lords	Bill as amended in Committee in the Lords	Bill as amended on Report in the Lords
Section 1	Clause 1	Clause 1	Clause 1	Clause 1	Clause 1
Section 2	Clause 2	Clause 2	Clause 2	Clause 2	Clause 2
Section 3	Clause 3	Clause 3	Clause 3	Clause 3	Clause 3

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