

U-Turn On Self Employed Class 4 NIC Increases

Wednesday 15 March 2017

The Chancellor has announced on 15 March that he would not be going ahead with his Budget proposal to increase the National Insurance Contribution rates for self-employed people.

In the Budget of 8 March 2017, he announced that Class 4 NIC rate for the self-employed would rise by 1% to 10% in 2018/19 and by a further 1% in 2019/20. The proposed increases provoked a widespread outcry, not least because the Conservatives 2015 election manifesto stated “we can commit to no increases in VAT, Income Tax or National Insurance.”

A week later, perhaps appropriately on the Ides of March, the Chancellor issued a letter to MPs saying that there would be no increase to Class 4 NICs “in this Parliament”. However, the abolition of Class 2 NICs will still go ahead from April 2018, meaning that the self-employed will generally see their NICs bill *fall* from 2018/19.

At Prime Minister’s Questions, Mrs May has said that the government would review areas of difference in the treatment of the employed and self-employed following a forthcoming report of modern working practices being prepared by Martin Taylor. Mrs May’s comments reiterated a point made by the Chancellor, who also wrote in his letter that “The cost of the changes ... will be funded by measures to be announced in the Autumn Budget.”