

Policy Circular

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Subject: National Insurance Contributions

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Please note: From 17 June 2010 the ILF is closed to new applications.

1.0 Background

National Insurance contributions (NIC) are made in two parts-, one being that which is deducted directly from an employee's salary- and the other part made in addition to this by the employer.

All workers who are directly employed by an employer and earn over the Earnings Threshold must make National Insurance contributions to Her Majesty's Revenue and Customs (HMRC).

2.0 Policy

The ILF aims to support its Users in their role as employers and will therefore seek to ensure that a sum of money is made available for the employer NIC where this is required.

Independent Living Fund

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The Independent Living Fund is an Executive Non-Departmental Public Body of the Department for Work and Pensions

2.1 Inclusive Rates

Under circumstances where the ILF is asked to pay an inclusive rate the ILF will assume that an inclusion has been made within the rate for NI costs so a separate amount need not be added into the ILF offer.

2.2 Directly employed PAs

Where a User has an established care package and can identify the amount of money they require for NIC costs or state they are content for the established amount being paid to continue the ILF will honour this.

Where a set amount has been built into a joint care package for NI purposes funded by the LA and ILF, the ILF will not pay any extra for NIC.

For all other Users who directly employ PA's the ILF will automatically include a set amount of money within the offer based on the cost of the care package.

2.3 Self Employed PAs

Where a PA is self-employed ILF will assume that the requested hourly rate will already include a component for National Insurance. ILF will not pay a separate amount of money for employers NIC where a PA is self-employed.

It is the ILF User's responsibility to determine the correct employment status of the PA. Guidance on this matter can be obtained from the HMRC website (leaflet IR56). Advice on this matter can be sought from a local status inspector or status officer.

The ILF will accept on word that the PA is self-employed and calculate the offer accordingly.

3.0 Procedure

When queries are received about the ILF policy regarding National Insurance contributions the above policy should be relayed.

For more detailed information about National Insurance contributions Users and interested parties should be advised to approach the HMRC. ILF staff should not act as advisers on such matters.

3.1 Visits

The ILFA should inform the User that a sum of money will be included within their offer for employers NI costs.

3.2 Calculation

Where an existing User already has an amount of money built into the care package and can confirm that the stated amount or a newly specified amount is what they need to cover their NI costs ILF can continue to pay this amount. Likewise if a new applicant can clearly state the amount that they need for NI purposes the ILF will honour this request.

This is because the main purpose behind this policy is to ensure that everyone who should be paying employer's NI has a sum of money built into their offer so they can do so. It is not the intention to restrict or inflate the amount of money a User may need for NI where they can specifically identify the sum required.

Where the User cannot specifically identify the exact amount of money they require for NI costs the ILF will include a set amount of money (as specified in the table below) within the offer for NI costs. Although this will not be the exact amount of money the User will require it will bear a relationship to the cost of the package and is paid so that every User who will need it will have some money available for NI costs. It will not be necessary to identify the number of PAs who will provide the care nor for any further calculations to be carried out by ILFAs or caseholders.

It is the User's responsibility to calculate the true amount of NI that needs to be paid in respect of employees and the ILF role is to provide adequate finances to cover these statutory costs. If a User notifies the ILF that the amount of money provided for NI is inadequate and that extra monies are required the User should specify the exact amount of monies required per week and the ILF will arrange for this

to be added into the offer upon request. (Assuming there is scope within the maximum sum to do so). Evidence of the amount will not normally be required, however if the sum requested appears to be unreasonably high further queries may need to be raised.

Where a User requests a large sum of backdated money be paid the normal backdating policy should be applied.

3.3 NI rate chart

Where the User cannot state the amount of money they require for NI purposes or there is new confusion about the amount that should be paid the standard table costs should be applied. See below:

ILF Package Cost	NI Input
Up to 135.99	£0.00 to pay
£136-199.99	£5.00 to pay
£200-249.99	£8.00 to pay
£250-349.99	£12.00 to pay
£350 - £449.99	£15.00 to pay
£450-549.99	£19.00 to pay
£550 +	£24.00 to pay

It will not be necessary to identify the number of PAs who will be providing the care the NI figure should be selected based on the total cost of the ILF care package.

The NIC cost should be detailed separately when the offer is input on to the computer. (A specific component has been developed for this purpose).

All letters should make a specific reference to the amount of money that has been included for NIC costs within the offer and should inform Users that this money needs setting aside.

Where the request is for the ILF to contribute towards a joint total care package, if it is clear that an inclusion has been made for NI for the whole package ILF will accept this and no further additions will need to be made. Reference should be made in the offer letter to the NI inclusion. If a breakdown has not been provided it will be necessary to clarify the following:

- Is there an amount included within the package for employer's NI costs?
- Is the amount based on the whole of the package?

Where the answer is yes to both of these questions the ILF need not build an inclusion for NI into the package- however a statement should be made within the offer letter to notify the User that an amount has been included within their package for NI costs and they should contact their social worker to obtain this figure if they do not already have it.

Where there is either no NI built into the package or where an amount has only been included to cover the LA side of the package the ILF will need to add on an amount in line with the NI table instructions (based on the ILF requested amount only).

Where it is not appropriate to input the NIC costs separately within the actual offer (e.g. where ILF are matching DP rates) Users should be informed in their offer letter that the ILF offer has been made matching DP rates and that they should contact the LA to obtain information about how much they should set aside from the hourly rate for NIC costs.

3.4 Unspent monies and overpayment of grant

Monies that are to be issued for NIC purposes that are not used in full may either be returned to the ILF as unspent monies or used to purchase additional care that may be required.

Unused NIC monies will not be considered to be overpayment of grant as they are issued in full knowledge that they are unlikely to reflect exactly the amount that is required for NIC purposes.

3.5 Implementation

This policy will be implemented at the first available opportunity to all individual Users.

For existing Users the ILF should ensure that an inclusion for NI costs already exists and where it does not ensure this is included as soon as possible. For some this will be at the point that the ILF is approached with an increase request for others it will be at the point of the next regular re-visit. The ILF will not be taking proactive action to seek out those who do not have such an inclusion and see that this policy will be fully implemented over the natural course of time.

3.6 Above the Maximum Sum

When considering a case where there is currently no inclusion for NI costs and where to introduce these would take the package costs over the ILF maximum sum or where the User is already receiving the maximum sum the package will need to be re-negotiated so the NI costs can be accommodated.

This may mean that either the LA or a third party may need to contribute additional monies or that an element of the care is provided on a voluntary basis. These arrangements will need to be discussed between the ILF, social worker and User. Where the circumstances appear to be particularly complicated it may be advisable to instigate a re-visit to discuss the case in detail.

4.0 Source

Trustees meeting 13 December 2006
Trustees meeting 13 September 2006

5.0 Cross References

Holiday entitlement policy
Tax Policy
HMRC Website
HMRC Employer Helpline 0845 7143143

6.0 History Date Reviewed

NI bands amended 15 May 2007

NI bands amended 8 May 2008

NI bands amended 20 May 2009

Reviewed June 2010

NI bands amended 4 April 2011