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BRIEFING PAPER

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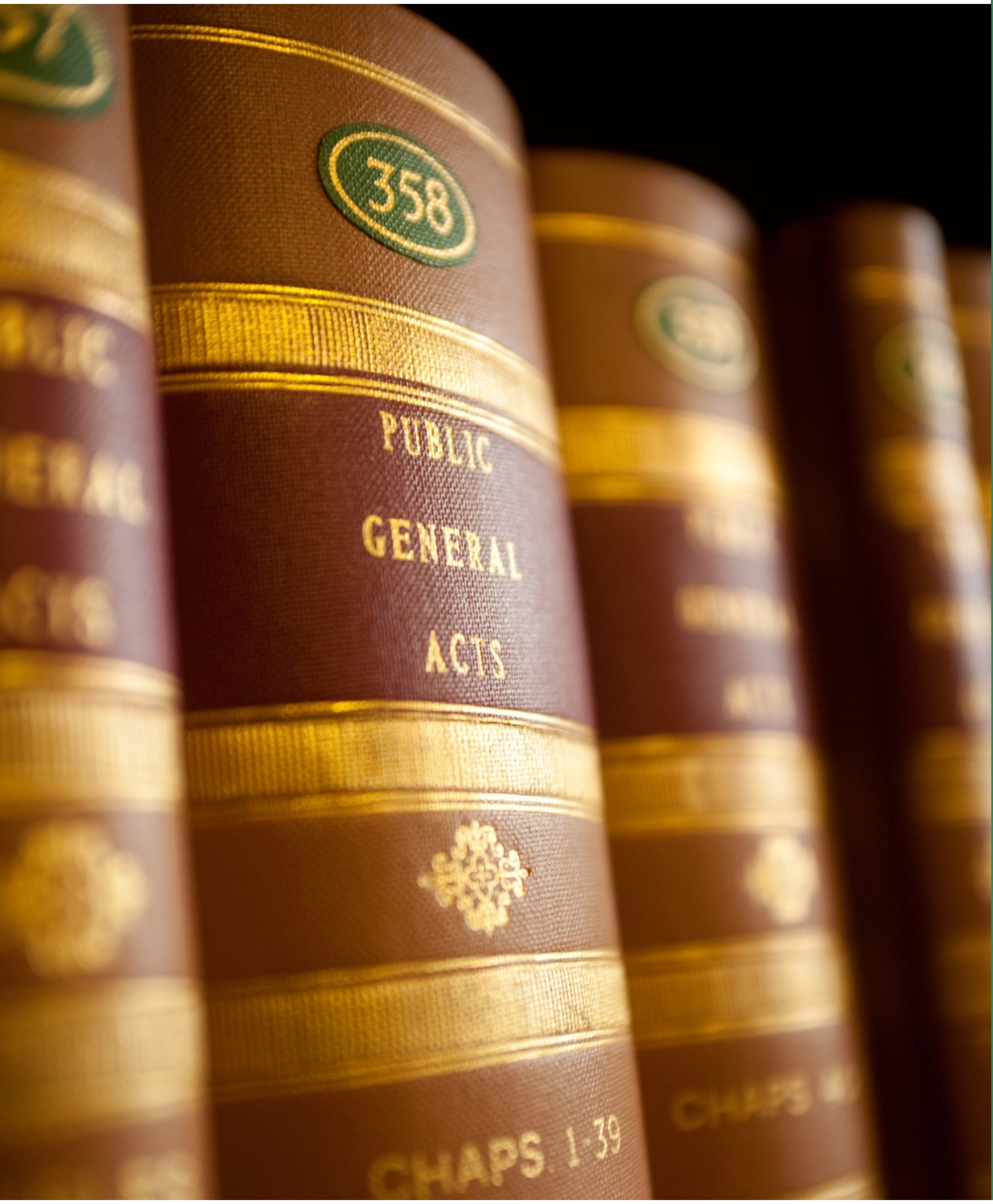
National Insurance Contributions (Rate Ceilings) Bill 2015-16

By Antony Seely



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Summary

The *National Insurance Contributions (Rate Ceilings) Bill* [Bill 54 of 2015-16] would prevent any increase in the current rates of Class 1 National Insurance contributions (NICs) paid by employees and employers for the duration of the 2015-20 Parliament. It would also provide that for each year the annual Upper Earnings Limit could not exceed the higher rate threshold - the sum of the personal allowance and the income tax basic rate limit - as proposed by the Government of the day in its pre-Budget proposals.

The Bill was published on 14 July 2015. It received a Second Reading on 15 September 2015. It completed its Committee stage on a single day, 27 October, when it was agreed, unamended, without a division. In turn the *National Insurance Contributions (Rate Ceilings) Act 2015* received Royal Assent on 17 December 2015.

The text of the Bill, explanatory notes, and details of its Parliamentary scrutiny are collated on its Parliament page.

1. NICs: rates, receipts, benefits

National Insurance contributions (NICs) raised an estimated £109 billion in 2014/15. This compares with estimated Exchequer receipts from income tax of £163 billion, from VAT of £111 billion and from corporation tax of £42 billion, in the same year.[1]

1.1 Rates

Employees pay National Insurance contributions (NICs) on their earnings if they exceed the lower earnings limit (LEL), which is set at £112 per week for 2015/16. A zero rate of NICs is charged on earnings between the LEL and the primary threshold (PT), which is set at £155 per week. A notional primary Class 1 NIC is deemed to have been paid in respect of earnings between LEL and PT to protect benefit entitlement. Earnings above the PT are charged NICs at a rate of 12%, subject to a cap at the upper earnings limit (UEL), which is set at £815 per week. Earnings *above* the UEL are charged NICs at a rate of 2%. Employees contracted out of the state second pension (S2P) pay a reduced rate of NICs.[2]

Employers pay NICs on employee earnings at a rate of 13.8% on earnings above the secondary threshold (ST), set at £156 a week for 2015/16. There is no upper ceiling on secondary Class 1 NICs.

Self-employed people pay a weekly flat rate Class 2 NIC. They may apply for exemption from paying Class 2 contributions if their annual profits are less than, or expected to be less than, the level of the 'small profits threshold' (set at £5,965 for 2015/16).[3] In addition they may be liable to pay a separate Class 4 profits-related contribution. Class 4 NICs are charged at a rate of 9% on profits between a lower profits limit and an upper profits limit, and at 2% on profits above the upper limit.

Further to these categories, individuals may be entitled to make voluntary Class 3 contributions to avoid or fill gaps in their National Insurance record, to ensure that they qualify for basic retirement pension and bereavement benefits.

From April 2011 the rates of NICs paid by employees, employers and the self-employed rose by 1 percentage point. This increase had been announced in two stages by the Labour Government in its Pre-Budget reports in December 2008 & 2009. It was confirmed by the Coalition Government in its first Budget in June 2010. To mitigate the impact on individuals on lower incomes, and on the incentives for employers to

1 OBR, *Economic & Fiscal Outlook*, Cm 9024, March 2015 p106 (Table 4.5)
2 This rebate applies for individuals paying into a salary-related scheme only (see, *Contracting out of the State Second Pension*, Commons Briefing Paper SN4822, 23 March 2011). With the introduction of the single-tier pension from April 2016, the additional State Pension will close and, by extension, the option to contract out of it (see, *Single-tier state pension*, Commons Briefing Paper SN6525, 1 December 2015).
3 This replaced the 'small earnings exception' from April 2015. For details see, Commons Briefing Paper 14/45, 21 August 2014.

take on new staff, both the primary and secondary threshold were increased substantially above inflation.[4]

NICs are charged on earnings from employment and self-employment only. By comparison income tax is charged on one's total income which includes savings and investment income, state and occupational pensions as well as earnings-replacement benefits. All UK residents are liable to pay income tax, whereas only people over 16 and under state pension age working in the UK are liable to pay NICs. An employer's liability to pay secondary Class 1 NICs in respect of earnings paid to or for the benefit of an employed earner is *unaffected* by the employed earner's attainment of pensionable age.

1.2 Receipts

The majority of the receipts from NICs are paid into the National Insurance Fund, which is separate from all other revenue raised by taxation. The Fund is used exclusively to pay for contributory benefits.

However, one portion of the income from NICs is not paid into the Fund, but goes to the National Health Service. For example, in the case of Class 1 NICs, the NHS allocation is 2.05% of earnings between the primary threshold and UEL, and 1% of earnings above the UEL. In January 2015 the Government Actuary's Department estimated that NICs would raise just under £105 billion in 2014/15, of which £84 billion would go into the NI Fund and £21 billion would go to the NHS.[5]

The proportion of health spending accounted for by NICs has risen in recent years, due largely to an increase in this NHS allocation.[6] In his 2002 Budget the then Chancellor Gordon Brown proposed that UK NHS spending should rise from £65.4 billion in 2002/03 to £105.6 billion in 2007/08. Several tax measures were introduced, by far the most important of which were increases in the rates of NICs from April 2003.

For employees the rate of NICs rose by 1 percentage point to a rate of 11% on all earnings between the primary threshold and the UEL – *and* a new 1% rate was charged on earnings above the UEL. For employers the rate of NICs rose by 1 percentage point to a rate of 12.8% on earnings above the secondary threshold. For the self-employed the rate of NICs rose by 1 percentage point to a rate of 8% on all earnings between the lower profits limit and the upper profits limit – *and* a new 1% rate was introduced on earnings above the upper profits limit. It was estimated that taken together these changes would raise around £7.9 billion in 2003/04.[7]

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[4] For details see two Library papers: Commons Briefing Paper 10/76, 17 November 2010 & Commons Briefing Paper 10/83, 14 December 2010.

[5] GAD, *Report on draft of the social security benefits up-rating Order 2014*, January 2015 pp29-30

[6] The share of NHS spending in England accounted by NICs rose from 12.1% to 18.4% from 2000/01 to 2006/07 (DoH *Departmental Reports*: 2001 report Cm 5103 May 2001 para 3.16 & 2006 report Cm 6814 May 2006 para 3.36)

[7] *Budget 2002*, HC 592 April 2002 p121, pp154-5. Further detail on this reform is given in, Commons Briefing Paper 02/32, 8 May 2002.

1.3 Benefits

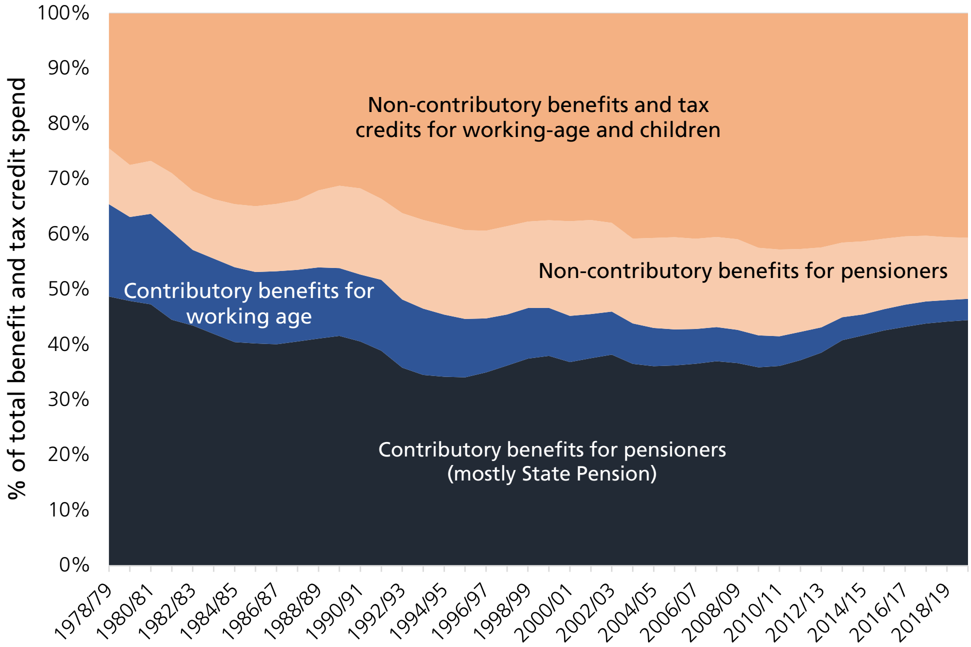
Employees' contributions entitle them to the range of contributory benefits, including contributions-based jobseeker's allowance, incapacity benefit, retirement pensions and bereavement benefits. The flat rate Class 2 contributions of self-employed people entitle them to all benefits apart from jobseeker's allowance – though Class 4 contributions do not count towards benefit entitlement.[8]

There are three elements to social security expenditure:

- **Contributory benefits** – entitlement for which is dependent on the claimant's NI record;
- **Income-related / means-tested benefits** (such as Housing Benefit, Pension Credit or Tax Credits), which are non-contributory and depend upon the income of the claimant and their personal characteristics such as age and family type;
- Benefits that are **neither contributory nor income-related** (such as Disability Living Allowance and Personal Independence Payment) which are available to all people who meet some qualification criteria.

Over the last 30 years, contributory benefits have declined in importance relative to other categories of government benefit spending. The share of benefit expenditure accounted for by contributory benefits fell from 65% in 1978/79 to a low of 42% in 2010/11. Since then, State Pension spending has driven an increase in the contributory share – to 46% this year (2015/16) and 48% (forecast) by the end of this Parliament.

Benefit and tax credit expenditure, Great Britain, % of total

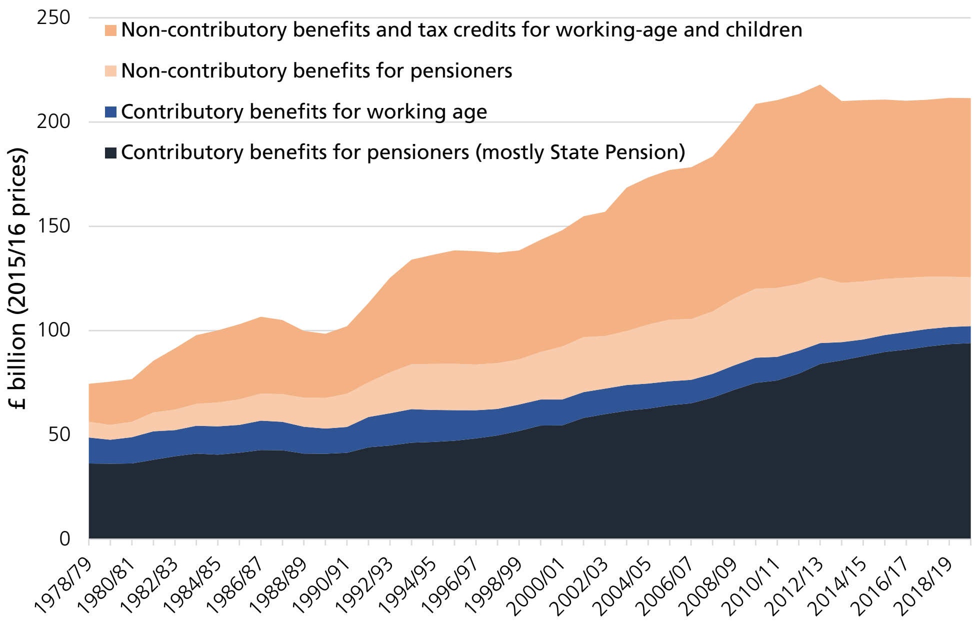


8 For more details see, *Self-employed people and contribution-based Jobseeker's Allowance*, Commons Briefing Paper SN547, 16 July 2014

Total spending on contributory benefits in Great Britain (including overseas recipients) is around £98 billion this year (out of total benefit and tax credit spend of £211 billion). Around £90 billion of the contributory spend is accounted for by the State Pension.

Working-age people will receive around £8 billion of contributory benefit spend in 2015/16 (consisting of contributory ESA, Statutory Maternity Pay and Maternity Allowance, Bereavement benefit and contributory JSA).

Benefit and tax credit expenditure, Great Britain, £ billion, real terms (2015/16 prices)



Not all contributory benefit expenditure is predicated on the payment of National Insurance contributions. This is because there are circumstances when individuals are credited with NICs without having actually paid them: either from claiming credits when, say, on Jobseeker's Allowance, or from being on earnings above the LEL but below the primary threshold (as earnings in this band are charged NICs at a zero rate).

Further background on the National Insurance system is given in two Commons Briefing Papers:

- *National Insurance contributions: an introduction*, SN4517, 21 December 2015
- *National Insurance Fund: 1975 to 2014*, SN797, 20 May 2014

2. The Bill

2.1 Background

In its 2015 General Election manifesto the Conservative Party stated that, in government, it would "not increase the rates of VAT, Income Tax or National Insurance in the next Parliament."[9] In a speech the Prime Minister David Cameron confirmed that this 'tax lock' also meant that there would not be any extension to the scope of VAT, or an increase in the ceiling set for the main rate of National Insurance contributions (NICs) by employees - the 'Upper Earnings Limit' (UEL).[10]

Similarly in its manifesto the Labour Party stated that, in government, it would "not increase the basic or higher rates of Income Tax or National Insurance. Nor will we raise VAT", though it would reverse the Coalition Government's decision to cut the additional rate of income tax from 50p to 45p.[11]

In its analysis of the parties' tax and spending proposals the Institute for Fiscal Studies (IFS) noted that these commitments did not discount increases in these taxes through other measures:

> The Conservatives … have pledged not to increase the rates of income tax, National Insurance contributions (NICs) or value added tax (VAT) during the next parliament … Like the Conservative Party, Labour has pledged *not* to implement certain kinds of tax rises … their manifesto rules out increases to the basic and higher rates of income tax or rates of National Insurance; and it rules out increasing rates of VAT, as well as extending the VAT base to include food, children's clothes, books, newspapers or public transport fares.
>
> This does not rule out raising more revenue from these taxes in other ways: they could, for example, change income tax or National Insurance thresholds, or implement further restrictions to income tax relief on pension contributions. These could affect many of the same people, via the same tax, as the hypothetical tax rises that they have ruled out.[12]

Writing in the *Financial Times*, the paper's economics editor, Chris Giles, argued that such pledges were "positively dangerous":

> Britain's income tax already bears the hallmarks of commitments not to increase the main rates. Labour and Tory-led governments since 2000 have complicated the levy, introducing higher rates over large slices of income, necessary to remove the financial benefits of child benefit and the personal allowance from richer people.
>
> Income taxation is further complicated by national insurance, an income tax in all but name, from which pensioners are exempt and which uses a different definition of income: all of which encourages the tax avoidance industry that politicians say they abhor. When individuals arrange their affairs quite legitimately to avoid taxation,

9 Conservative Party, *2015 General Election Manifesto*, April 2015 p27
10 "Cameron pledges to ban tax rises until 2020", *Financial Times*, 29 April 2015. Mr Cameron also publicised this commitment on Twitter.
11 Labour Party, *2015 General Election Manifesto*, April 2015 p18, p27
12 *Taxes and Benefits: The Parties' Plans - IFS Briefing Note BN172*, April 2015 p12, p29. See also, "Triple tax lock puts other revenue sources in spotlight", *Financial Times*, 28 May 2015.

> it is no surprise productivity suffers as they waste time minimising tax bills rather than doing something more productive.[13]

Following the General Election, the Chancellor George Osborne presented the Conservative Government's first Budget on 8 July. In his Budget speech Mr Osborne confirmed that "in the coming weeks" the Government would legislate to "prohibit any increase in the main rates of income tax, national insurance and VAT for the next five years."[14] The Budget report explained that provision to this effect would be included in a Summer *Finance Bill*, to be presented on the conclusion of the Budget debates:

> The government will legislate to set a ceiling for the main rates of income tax, the standard and reduced rates of VAT, and employer and employee (Class 1) NICs rates, ensuring that they cannot rise above their current (2015-16) levels. The tax lock will also ensure that the NICs Upper Earnings Limit cannot rise above the income tax higher rate threshold; and will prevent the relevant statutory provisions being used to remove any items from the zero rate of VAT and reduced rate of VAT for the duration of this Parliament. (Summer Finance Bill 2015).[15]

It is worth adding that the Budget included a series of measures to *increase* taxes as well as measures to reduce public expenditure. As Paul Johnson, director of the IFS, noted in his post-Budget presentation:

> The figures are quite clear though – this was a tax raising budget … we told you before the election that post-election budgets tend to raise at least £5bn in tax – and this one expects to bring in a little more than that.[16]

The analysis cited by Mr Johnson was published in the IFS' *Green Budget* in February 2015.[17] The Budget report estimates that, taken together, tax policy measures announced in the Budget are set to raise £5.1bn by 2017/18, rising to £6.5bn by 2020/21.[18]

On 14 July the Government published the *Finance Bill 2015-16*. Clauses 1 & 2 provide for this 'tax lock' for income tax and VAT.[19] At the same time the Government published this separate Bill which would prevent any increase in the current rates of Class 1 NICs, and prevent the UEL exceeding the higher rate threshold for income tax (that is, the point at which individuals start to pay income tax at the higher rate). The higher rate threshold is the sum of the personal allowance and the basic rate limit - the band of income that is charged tax at the 20% rate.

The *National Insurance Contributions (Rate Ceilings) Bill* [Bill 54 of 2015-16] does not make any other provisions, so has only five clauses. The

13 "The battle for Britain's most reckless tax pledge", *Financial Times*, 8 April 2015; see also, "Cameron's pledges unwise or costly or both, says Lawson", *Financial Times*, 29 April 2015
14 HC Deb 8 July 2015 c336
15 *Budget 2015*, HC 264, March 2015 para 2.53. see also, HMRC, *Tax lock: Income Tax, NICs and VAT: tax information & impact note*, 8 July 2015
16 "Paul Johnson's opening remarks", *IFS Summer post-Budget briefing*, 9 July 2105
17 "Chapter 10: Options for increasing tax", *IFS Green Budget*, February 2015 pp228-9 (Figure 10.1. Taxes and the electoral cycle). See also, "Taxes and elections: are they by any chance related?", *IFS Observations*, 15 March 2010.
18 *Budget 2015*, HC 264, March 2015 p74 (Table 2.1: Total Policy Decisions)
19 The Bill, explanatory notes and details of its scrutiny are on its Parliament page

text, explanatory notes, and details of ts Parliamentary scrutiny are collated on its Parliament page.

The lock would apply to a tax year that came after the date of the Bill's Royal Assent, and before the first parliamentary General Election after that date. In the case of the UEL, the lock is set by reference to the 'proposed' higher rate threshold, as announced in the Government's "pre-Budget proposals". This is intended to be the Chancellor's Autumn Statement before the tax year in question.[20] Clause 3 of the Bill, which makes this provision, is worded this way as it is common practice for NI thresholds to be set by secondary legislation, introduced before the start of the tax year, before the annual Budget statement. By contrast, income tax thresholds for the tax year are set, definitively, in the *Finance Bill*, introduced after the Budget.

The reason for this separate Bill is that statutory provisions regarding NI cannot be included in the annual *Finance Bill*. This is because the Bill's remit – as set out in its long title – specifically excludes any tax that does not raise money for financing central government *as a whole*. Usually the long title of the Finance Bill is of the form, "a Bill to grant certain duties, to alter other duties, and to amend the law relating to the National Debt and the Public Finance, and to make further provision in connection with finance." As a consequence the Bill cannot include provisions relating to NICs, as those NI receipts paid into the National Insurance Fund may only be used to meet the costs of contributory benefits. Similarly the *Finance Bill* cannot impose a charge to finance other bodies in the public sector (such as local authorities), or to authorise borrowing.[21]

There has been relatively little comment or debate on the Government's 'tax lock' following the Summer Budget. Speaking for the SNP after the Chancellor's Budget statement, Stewart Hosie observed, "the Chancellor promised at the election that he would introduce a tax lock to prohibit any increase in the main rates of income tax, national insurance and VAT and would legislate for that. He is not a stupid man, and I gently say to him that legislating to stop tax rises is just a gimmick and no one is going to buy it."[22]

There was also some mention of the tax lock when the *Finance Bill* received its Second Reading on 21 July. Speaking for the Labour Party Shabana Mahmood said:

> Back in 2009, the current Chancellor was very critical about Chancellors passing laws to ensure that they fulfil the promises they make in general election campaigns, and I think that that criticism applies just as much to him now. However, we support the principle of the lock. We have pledged not to raise VAT, national insurance or the basic and higher rates of income tax, so we welcome those measures.[23]

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[20] Bill 54-EN, July 2015 para 15

[21] For more details on these procedures see, *The Budget and the annual Finance Bill*, Commons Briefing Paper SN813, 10 July 2015.

[22] HC Deb 8 July 2015 c348

[23] HC Deb 21 July 2015 c1401

Ms Mahmood was referring to Mr Osborne's criticism of the legislation the Labour Government introduced in 2009-10 – the *Fiscal Responsibility Act 2010* – which imposed a number of obligations on HM Treasury to reduce government borrowing and debt.[24] Speaking during the debates on the Queen's Speech in November 2009, when the legislation was announced, Mr Osborne argued that these provisions would achieve "a constitutional first of imposing no legal sanction on the person who is likely to break it. No other Chancellor in the long history of the office has felt the need to pass a law in order to convince people that he has the political will to implement his own Budget."[25]

Speaking for the SNP in the Second Reading debate, Tommy Sheppard also discussed the tax lock. Mr Sheppard noted that legislation in one year's Finance Bill to fix income tax and VAT rates could be reversed in the following year's Bill: "If these provisions are included in what will become the Finance Act 2015, it will only take a clause in the 2016 Finance Bill to overturn them. They are therefore literally not worth the paper on which they are written."[26]

As noted, clauses 1 & 2 of the *Finance Bill 2015-16* provide for the 'tax lock' for income tax and VAT. Both clauses were debated and agreed to, without a vote, at the Committee stage of the Bill on 17 September.[27] On this occasion the Treasury Minister, David Gauke, was asked about the Government's position on 'declaratory legislation', in the light of Mr Osborne's criticisms, mentioned above:

> **Nick Thomas-Symonds** (Torfaen) (Lab): On the passing of the Fiscal Responsibility Act 2010, which, like the clause, had declaratory effect, the then shadow Chancellor, who is now the Chancellor of the Exchequer, said that it was "vacuous and irrelevant". Is the Minister as surprised as I am about the Chancellor's U-turn on declaratory legislation?
>
> **Mr Gauke:** I would draw a distinction between a Government who had no reputation for fiscal responsibility seeking to obtain such a reputation by passing such legislation and a Government who have a record of controlling income tax by increasing the personal allowance and not increasing rates, notwithstanding the challenges we face in the public finances. The clause underlines the Government's commitment not to increase taxes, and income tax in particular, on the British people, because that is the wrong response.
>
> That is consistent with what we have done in office. The problem the last Labour Government had was that, in response to the fiscal crisis, rather than coming forward with clear proposals to reduce the deficit or even to accept a need to get to grips with that deficit, they simply sought to pass legislation. That was the wrong response then, whereas this is the right response now.[28]

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24 For details see, *Fiscal Responsibility Bill (Bill 13 of 2009-10)*, Commons Briefing Paper RP09/96, 22 December 2009

25 HC Deb 26 November 2009 c708

26 HC Deb 21 July 2015 c1441

27 On 8 September 2015 the House debated selected clauses of the Bill in the Committee of the whole House but, notably, clauses 1 & 2 were not among those chosen for debate (HC Deb 8 September 2015 cc297-378)

28 Public Bill Committee (*Finance Bill*), *First Sitting*, 17 September 2015 c9

2.2 Scrutiny

The *National Insurance Contributions (Rate Ceilings) Bill* received a Second Reading on 15 September 2015.[29] Introducing the Bill the Economic Secretary, Harriett Baldwin, noted that the Bill "implements our manifesto commitment not to increase national insurance contributions for employers and employees." When asked, the Minister confirmed that the Bill did not freeze NI rates: "It is indeed the case that we will still be able to reduce levels of national insurance." Ms Baldwin went on to explain how the Bill would set a ceiling to the Upper Earnings Limit:

> It has been the convention that the level of the upper earnings limit for national insurance is aligned with the level of the higher rate threshold for income tax. The Bill formally limits increases to the upper earnings limit, so that its annual equivalent amount cannot exceed the level of the higher rate threshold for income tax. Both the restriction on national insurance rate rises and changes to the upper earnings limit come into force on Royal Assent and apply until the start of the tax year following the date of the first parliamentary general election to take place after Royal Assent.[30]

Speaking for the Labour Party, Barbara Keeley, offered support for the Government's decision not to raise NI rates, but argued that putting this commitment in statute was "the height of gimmickry":

> During the election campaign, it was the Labour party that first pledged not to increase national insurance contributions. In fact, we did it before the election campaign, because the pledge was made on 25 March. As such, we will not be opposing the Bill today. Regardless of that, however, there is no doubt that this tax lock has become the height of gimmickry… Nothing better reflects the gimmickry of this measure than the fact that the recent summer Budget included some significant revenue-raising measures that amounted to significant tax rises for millions of people.[31]

Ms Keeley spoke at the close of the debate when she raised concerns that the tax lock would undermine public confidence, and restrict the Government's flexibility to deal with new pressures on the public finances:

> If the Prime Minister commits not to raise income tax, national insurance contributions or VAT in the run-up to an election, surely such a commitment should be taken at face value. The essence of this debate is that what the Prime Minister commits to should not be questioned, but taken at face value. However, other pledges made by the Prime Minister and his party have been broken. The commitment made in 2010 not to raise VAT was followed by an increase in VAT to 20% soon after the Conservatives entered government …
>
> I say to Treasury Ministers—I hope that they will take this serious point away from the debate—that breaking pledges and using gimmicks, such as the so-called tax lock, further undermines people's already reduced belief in government and politics … One

[29] HC Deb 15 September 2015 cc926-963
[30] *op.cit.* c926, cc929-30
[31] *op.cit.* c931, c933

> of the concerns that many people have in this policy gimmick is that it will place a serious constraint on the Treasury and, indeed, on the Government's ability to raise taxes or to maintain the flexibility needed to raise revenue in response to economic events … The Government … will have to resort to measures such as delaying the uprating of thresholds and removing reliefs, as they did in the last Parliament.[32]

Speaking for the SNP, Stewart Hosie concurred that the measures in the Bill were "very sensible", but it was unnecessary to use legislation for the Government to provide "certainty in the tax code for the duration of their term in office":

> The Bill is a gimmick. It also demonstrates, in many ways, a lack of confidence … [In addition] … placing such an arbitrary and unnecessary restriction on the Government's ability to respond to unforeseen events may yet come back to haunt them …
>
> A large number of stakeholders have contributed to this debate, and key from our point of view are the words of Howard Archer, chief European and UK economist at IHS Economics, who said that such a move would restrict the Chancellor's ability to achieve his targets: "In particular, if the public finances fall markedly short of their targets, the chancellor would have to face making even more spending cuts and/or raising other taxes. Or just accepting the missed targets. There really still needs to be a lot more clarity on the whole Conservative fiscal policy". That is absolutely right.[33]

Mr Hosie also raised concerns about the Government's plans for National Insurance as a whole. In the July Budget the Government announced that the Office for Tax Simplification would "review the closer alignment of income tax and NICs."[34] Mr Hosie suggested that the review had 'sensible objectives' but asked for "a cast-iron guarantee … that this legislation is not and will not be the start of an attack on, or an erosion of, the contributory principle that applies to national insurance contributions?"[35]

Responding to the debate, the Financial Secretary, David Gauke, set out the Government's purposes to putting this commitment in legislation, and to considering options for closer integration between NICs and income tax:

> We are underlining our commitment not to increase the rate of class 1 NICs by introducing this Bill. The hon. Lady asks why we are legislating rather than making a pledge. She could apply exactly the same argument to the legislative commitment to spend 0.7% of gross national income on overseas aid[36], yet that was actively supported by the Labour party …
>
> The hon. Member for Dundee East … asked about the potential for integration between income tax and national insurance contributions, and the work being undertaken by the Office of Tax Simplification … The overall aim of the project is to build on earlier work undertaken in that area, and to understand the steps

32 *op.cit.* cc958-960
33 *op.cit.* c940, c943
34 *Budget 2015*, HC 264, July 2015 para 2.158. Details are on the OTS' site.
35 HC Deb 15 September 2015 c942, c9444
36 see, *The 0.7% aid target*, Commons Briefing Paper SN3714, 28 July 2014. Two other Library papers give more detail on the passage of this legislation: RP14/18, 10 September 2014 & SN7034, 14 January 2015.

> needed to achieve closer alignment of the taxes, as well as the costs, benefits and impact of each step. The terms of reference were published on 21 July, and the OTS will publish a final report ahead of the 2016 Budget.[37]

In the event, the House approved the Bill's Second Reading without a vote. In turn the Bill completed its Committee stage on a single day, 27 October. No amendments were tabled, by either the Government or the Opposition, and the Bill was agreed, unamended, without a division.

Speaking for the Labour Party during this relatively short debate, Rebecca Long Bailey reiterated that the Party did not object to this measure in principle, but went on to ask whether capping NI rates in this way could pose a risk to funding either contributory benefits, or the NHS, in the event of an economic downturn:

> The national insurance fund is used almost exclusively to pay for contributory benefits. However, one portion … is used for the NHS. Will the Minister assure us that the Government are not tying their own hands should there be another economic crisis? … if the Government are committed to keeping this framework in place regardless, what contingency plans exist to protect the fund if unemployment starts to rise and receipts from national insurance consequently fall?[38]

In response to this, Treasury Minister David Gauke, said:

> The hon. Lady … asked whether we are tying our hands in these circumstances. To the extent that we are not putting up the employers' rate of national insurance contributions … or the employees' rate, for which clause 1 provides, we are making it clear that we do not believe that that would be the right thing to do …
>
> There is no question of the fund not being able to fund pensions or the NHS. The Government will introduce the new state pension from 2016, which will make pensions affordable and improve the sustainability of the national insurance fund in the long term and provide the right support for private saving.
>
> The Government Actuary recommends a working balance of one sixth of benefit expenditure for the national insurance fund … There is provision to top up the national insurance fund from the Consolidated Fund to maintain the balance at that level. For the 2015-16 tax year, a top-up of £9.6 billion has been provided for in legislation. The future funding of contributory benefits, should NICs receipts prove insufficient, is a matter for the Chancellor and that decision would need to be made at the relevant fiscal event, based on the latest projections available at the time, and taking account of this Bill. I hope that that provides some reassurance that there is flexibility.[39]

The Bill completed its Report stage and Third Reading on 3 November. It received a Second Reading in the Lords on 10 November, and, in turn, received Royal Assent on 17 December 2015.

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37 HC Deb 15 September 2015 cc961-2
38 Public Bill Committee, *Second sitting*, 27 October 2015 c17
39 *op.cit.* cc17-18

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