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## **PRACTICE NOTE**

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**PN 188/15**

**Date: 17 February 2015**

### **NEW EMPLOYER NATIONAL INSURANCE HOLIDAY SCHEME**

#### **INTRODUCTION**

In the 2015 Budget, the Treasury Minister announced the introduction of a new scheme to encourage employers to recruit individuals who have been in receipt of Jobseeker's Allowance or Incapacity Benefit (qualifying benefits) for at least six months as well as individuals who have been in custody (as defined in the Custody Act 1995) for a minimum of 30 continuous days. The Employer National Insurance Holiday Scheme will begin on 6 April 2015 and end on 5 April 2017. During that period, an employer will not be required to pay the secondary Class 1 National Insurance Contributions ("NICs") due for any newly recruited employees who qualify under the scheme.

This new scheme replaces the existing NIC Holiday Scheme which ceases to operate from 5 April 2015. Employers who have taken on employees under the existing scheme are reminded that they must pay employer NIC for those employees from 6 April 2015.

#### **HOW WILL THE SCHEME WORK?**

Individuals who have been in receipt of a qualifying benefit or benefits for at least six months will be issued with written confirmation from the Social Security Division of the Treasury that they qualify under the scheme. The Department of Home Affairs will issue similar confirmation to all qualifying individuals who have been in custody.

The individual should make any potential employer aware that they qualify under the scheme and should show them the confirmation document. If the individual is offered, and accepts, an employment opportunity, the individual should pass the confirmation document to that employer.

Once an employer has taken on the qualifying individual the employer should complete application form R239(NI) and send it with the confirmation document to the Assessor of Income Tax within 30 days of the new employee starting work. The form can be downloaded from the Income Tax Division's website at: <http://www.gov.im/categories/tax-vat-and-your-money/income-tax-and-national-insurance/forms>. Alternatively, a paper copy can be requested from the Income Tax Division using the contact details at the top of this page.

If the application satisfies the conditions of the scheme (see below), the Assessor will issue a certificate to the employer confirming that no secondary Class 1 NICs are due in respect of the employee in the period specified. This certificate must be kept by the employer for a minimum of three years after the scheme ends on 5 April 2017.

There is no limit to the number of employees that an employer may apply for under the scheme. However, if a qualifying individual has more than one employment at the same time only the employment that began first will be able to qualify under the scheme.

## **WHICH EMPLOYERS CAN APPLY?**

The Holiday Scheme is open to all employers who have a place of business in the Island during the period of the scheme. Employments with the Isle of Man Government and Local Authorities will not qualify under the scheme.

## **WHAT ARE THE CONDITIONS OF THE SCHEME?**

For an application to be approved, all of the following conditions must be met.

- a) The employer must be up-to-date with all payments of both ITIP and NICs when they submit an application and, if an application is approved, they must ensure that they continue to make these payments on time.
- b) The employee:
  - i) must have written confirmation from either the Social Security Division of the Treasury or the Department of Home Affairs that they are a qualifying employee;
  - ii) must be at least 16 years of age;
  - iii) must be under state pension age.
- c) The employment must:
  - i) take place in the Island;
  - ii) have commenced on or after 6 April 2015 and before 5 April 2017;
  - iii) require the employee to work at least 16 hours each week;
  - iv) be expected to last for at least 6 months; however, if an employee does not satisfy any probationary requirements of the employer and their employment is terminated before the expiration of 6 months, the employer will not be required to pay the employer NICs for the period of the employment.

## **RECORD KEEPING**

- a) T35 Remittance card

Each time an employee who has been approved under the scheme is paid, the total amount of NICs should be calculated in the normal way. The employer should then deduct from this sum the amount of secondary Class 1 NICs that would have been due in respect of the employee in the absence of the scheme. The resulting figure should be entered in column C on form T35 and sent to the Income Tax Division each month in the normal way with the appropriate remittance of ITIP and NICs.

- b) T14 Deduction card

When completing a T14 Deduction Card for an employee approved under the scheme, box 1F should include any secondary Class 1 NICs that would have been paid in the absence of the scheme. This will ensure that the individual's NI record is not affected.

c) T37 End of year return

Box 2(b) on the T37 should be completed to show the total amount of NICs entered in box 1F on all the T14s submitted with the return. This will mean that if an employer has an employee approved under the scheme, the figure in box 2(b) will not balance with the payments made by the employer to the Division during the tax year. However, the scheme will be taken into account when processing the return.

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This Practice Note is intended only as a general guide and must be read in conjunction with the appropriate legislation. It does not have any binding force and does not affect a person's right of appeal on points concerning their own liability to National Insurance.

Comments and suggestions for improvements of issued Practice Notes and suggestions for future Practice Notes are always welcome.