



Isle of Man
Government

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The Treasury *Yn Tashtey*

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Self-employed people with small earnings

Introduction

The attached form is intended for self-employed people with small earnings, and the guidance notes should give you enough information to help you make a decision about applying for a certificate of Small Earnings Exception.

If after reading the guidance, you decide you want to apply for a certificate, please fill in the attached application form.

If you need more information please contact the National Insurance section by phoning 01624 685400.

Who pays Class 2 contributions?

If you are aged 16 or over and self-employed you must pay Class 2 contributions, for 2024/25 this will be £6.20 per week unless

- you are over State Pension Age, or
- you are entitled to reduced contribution liability as a married woman or widow, or
- you have applied for and been given a certificate of Small Earnings Exception for the period concerned.

If you pay Class 2 contributions more than a year late then you may have to pay at the higher rate in force between the due date and the date of payment.

Self-employed in your spare time

You have to pay Class 2 contributions if you are self-employed in your spare time. This applies even if you are also paying Class 1 earnings-related contributions as an employee, or office holder. But you do not have to pay Class 2 contributions if

- you apply for and are given a certificate of Small Earnings Exception

Self-employed and claiming Jobseeker's Allowance

- If you are self-employed and get Jobseeker's Allowance (JSA) you may be

awarded JSA credits but you remain liable for Class 2 contributions. However, if your earnings from self-employment are below the small earnings exception level, you can apply for a certificate of Small Earnings Exception. If awarded, you need not pay Class 2 contributions.

Why pay Class 2 Contributions?

Class 2 contributions count towards

- **Incapacity benefit**
- **Manx state pension**
- **Bereavement benefit**
- **Maternity allowance**

If you are only liable for Class 2 contributions, you should consider your position carefully before applying for a certificate of Small Earnings Exception.

If you apply for and are granted exception from Class 2 National Insurance contributions, **you may lose entitlement to benefits by not paying Class 2 contributions.**

For example, if you do not pay contributions your State Pension may be affected. Even if you receive a certificate of Small Earnings Exception, you can still pay Class 2 contributions voluntarily to keep your entitlement to some benefits.

If you want to pay Class 2 contributions voluntarily, tell us at part 12 on the attached application form.

Small Earnings

Do I have small earnings?

You will be classed as having small earnings and may not have to pay Class 2 contributions if your earnings, that is money left after expenses,

- were less than £7,540 for the period from 6 April 2023 to 5 April 2024, and/or are expected to be less than **£8,320.00** in the tax year 6 April 2024 to 5 April 2025.

Working out your earnings

Your right to a certificate of Small Earnings Exception depends on your total net earnings from self-employment as shown, for example, on a profit and loss account.

You cannot apply for small earnings exception if your net earnings from self-employment during the period 6 April 2024 to 5 April 2025 have already reached £8,320.00 by the time you apply for exception.

If you are self-employed in more than one business, you should add together the net earnings from each so that a loss incurred in one may be offset against a profit in another.

Do not count as earnings any income from sources other than self-employment.

To work out your total net earnings, deduct from gross earnings any business expenses that you incurred whilst self-employed. For example, you can deduct rent and rates, insurance, employee's wages, printing and stationery, repairs and postage. You should also make an allowance for depreciation of equipment such as a vehicle if it is used for your business.

You should not make deductions for any of your own drawings, income tax payments or for Class 2 or Class 4 contributions payable.

Where you also have earnings from employed earner's employment in the same year and those earnings are shown in the accounts of your business as a business receipt, those earnings should be disregarded when calculating the profits from your self-employed business.

After receiving your estimate of what you are likely to earn during the period from 6 April 2024 to 5 April 2025, we may take into account your earnings during earlier years and any changes that have occurred since.

Postponing payment

If you do not qualify for exception, you may be able to postpone payment of Class 2 contributions if you expect to be employed (earnings above £48,776) and self-employed during the 2024/2025 tax year and believe that you will pay too much National Insurance in the year.

For more information, contact the Division's Contributions section by phoning 01624 685400 and ask about National Insurance Deferment.

Certificate of Small Earnings Exception

If your application is approved, we will give you a certificate of Small Earnings Exception. The certificate will show the period it covers and will normally end in April at the end of a tax year. The certificate will usually be effective from the date of your application although it may be backdated for up to 13 weeks. It cannot be issued to cover any week for which you have already paid Class 2 contributions.

But, you may be able to get a refund of the contributions you have already paid – see "Getting a refund".

As a certificate can only be backdated up to 13 weeks, you will remain liable for payment of Class 2 contributions for any period of low earnings not covered by the certificate. We may, however, decide not to insist on the payment of Class 2 contributions that were due before the start of the certificate if your self-employed earnings were below the exception limit for the year (6 April to 5 April) concerned. We will let you know if this applies to you.

If you make a renewal application and your earnings are still low enough you will be sent a new certificate.

Getting a refund

It is possible to get a refund of Class 2 contributions paid during a period of small earnings, you should consider the effect on future benefit entitlement before applying for a refund of Class 2 contributions.

How to apply

If you think you are entitled to a refund **you**, not your agent, need to send us

- a signed letter, stating that you want a refund

Form CF10, attached to this information, is **not** an application for a refund.

Time limits

There are strict limits for refunds.

You must apply no later than the 31 January following the end of the tax year (6 April to 5 April) in question. For example, a refund of Class 2 contributions paid for the period 6 April 2023 to 5 April 2024 must be claimed after 5 April 2024, **but before 31 December 2024**.

Application for exception for liability for Class 2 contributions

If you are newly self-employed you need to contact us so we can confirm the self-employed status, unless you have already done so.

THIS FORM IS NOT AN APPLICATION FOR A REFUND.

Personal details

1.	Surname	<input type="text"/>
2.	Forename(s)	<input type="text"/>
3.	Mr/Mrs/Miss/Ms/Other (please specify)	<input type="text"/>
4.	National Insurance Number	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>
5.	Date of birth	<input type="text"/> <input type="text"/> <input type="text"/>
6.	When did your present self-employment begin?	<input type="text"/> <input type="text"/> <input type="text"/>
7.	Address	<input type="text"/>
8.	Telephone numbers (including national dialling code)	
	(a) Home	<input type="text"/>
	(b) Office	<input type="text"/>
	(c) Mobile	<input type="text"/>
9.	Business address (if different from 7)	<input type="text"/>
	Telephone number (including national dialling code)	<input type="text"/>
10.	What is your occupation when self-employed? If you have more than one occupation please give details on a separate sheet.	<input type="text"/>
11.	What are your expected net earnings from self-employment for the period from 6 April 2024 to 5 April 2025?	<input type="text"/>

NOTE: You do not have to produce evidence of earnings to support your application, unless this is specifically requested by us. If we need to see evidence of your earnings, we will contact you.

In accordance with the Social Security (Contributions) Regulations 2001, regulation 44(5)(a) as applied in the Isle of Man, the Division will revoke any decision not to collect Class 2 National Insurance contributions if a false declaration of earnings has been made and/or conditions affecting this decision change. This means that the Division will take any necessary action to collect arrears of contributions where appropriate.

Please turn over ➤

12. Do you want to pay contributions voluntarily? Yes No
13. Have you been self-employed for less than 12 months? Yes No
14. Complete if you have been self-employed for more than 12 months. What is the last tax or accounting year for which you have earnings figures? (Enter dates)
 From

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 to

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In that period what were your total earnings after deductions? £

15. Complete this question if you have earnings in addition to your self-employment. If you work for one or more employer and your self-employment is only a spare-time activity, please give estimates for the year beginning 6 April 2024.

Gross earnings from employment* £

Name of employer

Gross earnings from employment* £

Name of employer

*If more than £48,776 put 'over £48,776' (If you have more than two employers please give details on a separate sheet of paper).

Ensure you read the note on the previous page before you complete the declaration below

16. Declaration

I declare that the information given on this form is true and complete to the best of my knowledge and belief.

I am newly self-employed Yes No

Date

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 Signature

	From	To	Initials	Date
For official use				
Application received				
Self-employment disregarded				
See allowed – M/F noted				
Waiver allowed – M/F noted				
Approval/waiver issued				
Application rejected				
Rejection issued				
See cancelled				
M/F noted				

Personal details on this form will be used by officers working in the Income Tax Division of The Treasury for the purposes of maintaining your Income Tax and National Insurance records. This information may also be shared with third parties such as those stated within the privacy notice below.

Privacy Notice: To find out more about how we collect and use personal information, contact our office or visit our website at: www.gov.im/treasuryprivacynotice We will send you a paper copy if you telephone us or write to us using the contact details provided on this form.