



**Isle of Man  
Government**

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# The Treasury *Yn Tashtey*

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## **INCOME TAX DIVISION**

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## **PRACTICE NOTE**

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**PN 173/12**

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

#### **INTRODUCTION**

In the 2012 Budget, the Treasury Minister announced the introduction of a scheme to encourage employers to recruit additional employees. The Employer National Insurance Holiday Scheme will begin on 6 April 2012 and end on 5 April 2014. 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.

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

The employer must complete application form R231(NI) and send it 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/treasury/incometax/sections/forms.xml>. 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 3 years after scheme ends on 5 April 2014.

There is no limit to the number of employees that an employer may apply for 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:
- must not have been employed by the employer making the application, or any person connected with that employer, at anytime within the 2 years prior to the start of the new employment;
  - must not have provided services to the employer making the application, or any person connected with that employer, at anytime within the 2 years prior to start of the new employment; for example: if the individual provided consulting services to the employer or was engaged by them as a sub-contractor, the employment would not qualify.
- c) The employment must:
- take place in the Island;
  - have commenced on or after 6 April 2012 and before 5 April 2014;
  - require the employee to work at least 30 hours each week;
  - be expected to last for at least 12 months; however, if an employee does not satisfy any probationary requirements of the employer and their employment is terminated before 12 months, the employer will not be required to pay the employer NICs for the period of the employment;
  - increase the number of employees above the maximum number employed by that employer in the preceding tax year.

## **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 1d 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 1d 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.

**M Couch**

**Assessor of Income Tax**

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.