



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

Mrs Anne Main MP
House of Commons
London
SW1A 0AA

Your ref: AM/CM

21 APR 2017

Dear Anne,

Thank you for your letter of 10 March to Philip Hammond about self-employed National Insurance contributions (NICs). I am replying as the Minister with strategic oversight of the UK tax system.

As the Chancellor set out in his statement to Parliament on 15 March, the Government has decided not to proceed with the Class 4 NICs measures set out in the Budget. The Government will continue with the abolition of Class 2 NICs from April 2018, meaning a tax cut of £135 on average for the self-employed. At Spring Budget 2017, the Government committed to consulting on options to address differences in parental benefits - the principal outstanding difference between employed and self-employed people that NICs provide access to. The Chancellor confirmed on 15 March that the Government will go ahead with that review.

At the Spring Budget the Chancellor set out that the gap between benefits available to the self-employed and those in employment has closed significantly over the last few years. Most notably, the introduction of the new State Pension in April 2016 is worth an additional £1,800 to a self-employed person for each year of retirement. It remains the Government's judgement that the current differences in benefit entitlement no longer justify the scale of difference in the level of total NICs paid in respect of employees and the self-employed.

Thank you for taking the trouble to make us aware of these concerns.

With kind regards
Jane

JANE ELLISON