

## Introduction

These notes will help you decide whether to apply for a Certificate of Small Earnings Exception (SEE). If you decide you want to apply, please fill in the attached application form on pages 3 and 4.

## Do I have small earnings?

If your earnings, that is money left after expenses:

- were less than £5,595, for the period from 6 April 2012 to 5 April 2013 and/or
- are expected to be less than £5,725 in the period 6 April 2013 to 5 April 2014

you may not have to pay Class 2 National Insurance contributions (NICs). If this applies you should fill in and send us the application form on pages 3 and 4 as soon as possible. We will check your application and your Self Assessment returns, if available.

**If you have not filed any Self Assessment returns, please send us a copy of your profit and loss accounts with your application, unless you are a new business, in which case, your estimate will be sufficient.**

If you do claim SEE you will still need to register with HMRC as self-employed. It's quick and easy to register online. For more information go to [hmrc.gov.uk/selfemployed](http://hmrc.gov.uk/selfemployed)

## Who pays Class 2 NICs?

If you are aged 16 or over and self-employed (even in your spare time) you must pay Class 2 NICs, currently £2.70 per week, unless:

- you are over State Pension age.
- you applied before 1977 and are entitled to reduced contribution liability as a married woman or widow, or
- you have applied for and been given a Certificate of SEE for the period concerned.

## Why pay Class 2 NICs?

Class 2 NICs count towards:

- employment and Support Allowance
- basic State Pension
- bereavement benefits
- Maternity Allowance.

If you don't pay Class 2 NICs or you apply for, and receive, a Certificate of SEE **you may lose your entitlement to the benefits listed above.**

If your earnings are low and you don't apply for SEE, you must pay Class 2 NICs. If you fail to pay, a private debt collection agency may contact you.

## 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 NICs. However, if your earnings from self-employment are below the small earnings exception level you can apply for a Certificate of SEE. If awarded, you don't need to pay Class 2 NICs.

## Paying to protect benefit entitlement

Even if you receive a Certificate of SEE, you can still pay Class 2 NICs voluntarily to keep your entitlement to some benefits. Before you decide to pay voluntary NICs, you should get information about your State Pension entitlement, including the number of qualifying years you have to date. To do this:

- go to Working, Jobs and Pensions at [gov.uk](http://gov.uk) or
- if you live in the UK phone the Future Pension Centre on **0845 3000 168**, textphone **0845 3000 169**.

Women who hold a Certificate of SEE should get advice from Jobcentre Plus about entitlement to Maternity Allowance before paying Class 2 NICs. If you want to pay Class 2 NICs voluntarily, tell us at question 14 on the application form or return your Certificate of SEE with item 1 completed.

## Working out your earnings

**You cannot apply for SEE if your earnings from self-employment during the period from 6 April 2013 to 5 April 2014 have reached £5,725 by the time you apply.**

If you are self-employed in more than one business, add together the net earnings from each, so a loss incurred in one may be offset against a profit in another. Do not count as earnings any income from the New Enterprise Allowance scheme or from sources other than self-employment.

To work out your total net earnings, deduct from gross earnings any business expenses you have incurred. For example, you can deduct rent and rates, insurance, employees' wages, printing and stationery, repairs and postage. You can also make an allowance for depreciation of equipment or a vehicle if used for your business.

You should not make deductions for any of your own drawings, Income Tax payments or for Class 2 and/or Class 4 NICs that are payable.

You should account for the amount or value of any stock you withdraw from your business for your own use.

Where you also have earnings from employed earner's employment in the same year **and** those earnings are shown in the accounts of the business as a business receipt, you can disregard those earnings when working out the profits from your self-employed business.

After we get your estimate of what you are likely to earn during the period from 6 April 2013 to 5 April 2014, we may take into account your earnings in earlier years and any changes that have occurred since.

If you can show that your net earnings from self-employment for the period 6 April 2013 to 5 April 2014 are expected to be less than £5,725, you will not have to pay Class 2 NICs and should apply as soon as possible. We will check your application and your Self Assessment returns, if available, or we may ask you to send us a copy of your profit and loss accounts.

## Special circumstances

### Protecting your basic State Pension

You need 30 qualifying years to get a full basic State Pension but as a self-employed contributor you must pay Class 2 NICs for the time you are self-employed, even if you already have 30 qualifying years. The rules about qualifying years are not the same for certain bereavement benefits. For more information about State Pension and bereavement benefits go to [gov.uk](http://gov.uk)

From 6 April 2010 credits for Parents and Carers will count towards your basic State Pension and are available to certain people who receive Child Benefit, care for a sick or disabled person or are approved foster carers. There are also credits for family members (other than parents) who care for a child under 12. For more information about National Insurance Credits go to [gov.uk](http://gov.uk)

### Men reaching or over age 60

If your earnings are low and you are aged 60 or over, or will reach that age between 6 April 2013 and 5 April 2014, it may be worthwhile applying for a Certificate of SEE. If you are granted exception in these circumstances, you will benefit from contribution credits which are awarded automatically to protect your basic State Pension and other benefits. Credits cannot be given if you spend more than 182 days abroad within a year.

## Your Certificate of Small Earnings Exception (SEE)

If your application is approved, we will send you a Certificate of SEE. The certificate will usually start from the date of your application although it may be backdated for up to 13 weeks and will normally end at the end of the tax year in April. It cannot be issued to cover any week that you have already paid Class 2 NICs. However, you may be able to get a refund of the NICs you have already paid – see the section *Getting a refund* below.

Certificates can be backdated for a maximum of 13 weeks and you will need to pay Class 2 NICs for any period not covered by a valid SEE certificate. We will let you know if this affects you after we have checked your Self Assessment and/or profit and loss accounts either on your first or renewal application.

### Getting a refund

Before applying for a refund of Class 2 NICs you should consider the effect on future benefit entitlement. If you have paid Class 2 NICs and have small earnings for the same period you can get a refund even though you may not have applied for your certificate at the proper time. For example, if your net self-employed income (that is your profit after deducting expenses) earned in the period 6 April 2012 to 5 April 2013 was less than £5,595.

### 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, and
- proof of earnings for the relevant tax year, for example
  - profit and loss accounts
  - some other form of evidence that shows your income.

**Do not delay writing to us as you can send proof later.**

### Time limits

There are strict time 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 NICs paid for the period 6 April 2012 to 5 April 2013 must be claimed after 5 April 2013 but before 31 January 2014.

## If you are employed and self-employed

The law requires that you meet all National Insurance liabilities as an employee in all of your employments and as a self-employed person. If you work for an employer as well as being self-employed, you may be allowed to delay paying some of your Class 2 and/or Class 4 NICs. This is called 'deferment'. You should only apply for deferment if your net self-employed earnings are expected to be above the small earnings exception level of £5,725. If you expect your self-employed earnings to be less, then deferment is not applicable and you may qualify for SEE and will need to apply. To find out about deferring Class 2 and/or Class 4 NICs, go to [gov.uk](http://gov.uk) and look for *CA72B* in the *Search* facility.

## How we use your information

HM Revenue & Customs is a Data Controller under the Data Protection Act 1998. For more information go to [hmrc.gov.uk](http://hmrc.gov.uk) and look for *Data Protection Act* within the *Search* facility.



Please read the attached guidance before filling in this form using capital letters. If you need more information, phone the National Insurance Self-employed Helpline on 0845 915 4655 or go to hmrc.gov.uk/selfemployed

This form is not an application for a refund

1 Surname

2 First forename

3 Other forenames

4 Title (Mr, Mrs, Miss, Ms or other)

5 National Insurance number

6 Date of birth DD MM YYYY

7 When did your self-employment start? DD MM YYYY

8 Home address

9 Phone numbers  
 Home  
  
 Mobile

10 Business address if different from home address  
  
  
  
  
 Phone number

11 What is your occupation when self-employed?  
 If you have more than one occupation and need more space, please give details in *Additional information* on page 4

12 What are your expected net earnings from self-employment for the period 6 April 2013 to 5 April 2014? This should be below £5,725  
 £

13 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? The information you give will be treated as confidential  
 From DD MM YYYY  
       
 To DD MM YYYY  
       
 In that period what were your total earnings after deductions? See page 1  
 £

14 Do you want to pay Class 2 NICs voluntarily?  
 No  Yes

**15 If you work for more than one employer please give estimates for the year beginning 6 April 2013**

Gross earnings from employment\*

£         .

Name of employer

Gross earnings from employment\*

£         .

Name of employer

\*If more than £41,450 put 'over £41,450'.

*If you have more than two employers please give details in 'Additional information' opposite.*

**Make sure you read the following before you sign and date the Declaration at part 16.**

You do not have to produce evidence of earnings to support your application unless we specifically ask for it. 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), HM Revenue & Customs, National Insurance Contributions & Employer Office will revoke any decision not to collect Class 2 NICs if a false declaration of earnings has been made and/or conditions affecting this decision change. This means that HM Revenue & Customs, National Insurance Contributions & Employer Office will take any necessary action to collect arrears of contributions where appropriate.

**16 Declaration**

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

Signature

Date DD MM YYYY

Tear-off this form and send it to:

HM Revenue & Customs  
National Insurance Contributions & Employer Office  
Self Employment Services  
Benton Park View  
NEWCASTLE UPON TYNE  
NE98 1ZZ.

**Please keep the guidance for reference.**

## Additional information

Use this as the extra space you may need for questions 11 and 15.