



DOS.

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

31 October 1988

Dear Rod,

NATIONAL INSURANCE CONTRIBUTIONS
REVIEWING 1989-90

Thank you for your letters of 28 and 31 October. The Prime Minister was grateful for the details of the outcome of the annual review of national insurance contributions.

I am copying this letter to Alex Allan (HM Treasury), Andy McKeon (Department of Health) and Martin Donnelly (Northern Ireland Office).

*Yours,
P.G.*

PAUL GRAY

Rod Clark, Esq.
Department of Social Security

5



DEPARTMENT OF HEALTH AND SOCIAL SECURITY

Richmond House, 79 Whitehall, London SW1A 2NS

Telephone 01-210 3000

From the Secretary of State for Social Services Security

Paul Gray Esq
Private Secretary
10 Downing Street
LONDON
SW1A

31 October 1988

Dear Paul

NATIONAL INSURANCE CONTRIBUTIONS RERATING 1989-90

I regret that a line slipped out of my letter of 28 October, the third sentence of which should have read:

"No change is proposed to the main NIC rates, but some flat rates will go up in line with the normal rerating of earnings limits."

I apologise for any confusion this may have caused.

A copy of this letter goes to Alex Allan (Treasury), Andy McKeon (Health) and Martin Donnelly (Northern Ireland).

Yours sincerely

Rod Clark

ROD CLARK
Private Secretary



DEPARTMENT OF HEALTH AND SOCIAL SECURITY

Richmond House, 79 Whitehall, London SW1A 2NS

Telephone 01-210 3000

From the Secretary of State for Social Services Security

CONFIDENTIAL

Paul Gray Esq
Private Secretary
10 Downing Street
LONDON
SW1A

Prime Minister²
Simply confirms what the
Chancellor has already told you.

28 October 1988

RCCG
28/10

Dear Paul

NATIONAL INSURANCE CONTRIBUTIONS RERATING 1989-90

now attached
My Secretary of State has now conducted the annual review of National Insurance contributions, and the proposals, which will come into effect from April 1989, are summarised in the attached table. The Chancellor will refer to the proposals in his oral Autumn Statement, and a written PQ will be answered on the same day. No change is proposed to the main rerating of earnings limits. With one exception all the changes will be implemented by secondary legislation; the abolition of the Treasury Supplement to the National Insurance Fund will be effected by the next session's Social Security Bill. The supplement, which is a contribution from the taxpayer to the National Insurance Fund, has been steadily cut since 1981. The Fund, which pays for contributory benefits, has substantial resources from contributions, and the supplement is no longer required.

I am copying this letter to Alex Allan (Treasury), Andy McKeon (Health) and Martin Donnelly (Northern Ireland).

Yours sincerely

Rod Clark

ROD CLARK
Private Secretary

CONFIDENTIAL

NATIONAL INSURANCE CONTRIBUTIONS RERATING 1989-90

CLASS 1 EMPLOYED EARNERS CONTRIBUTIONS

<u>Rate</u>		<u>Present Band</u> <u>(weekly earnings)</u>	<u>Proposed Band for 1989-90</u> <u>(weekly earnings)</u>
Employees	Employers		
5%	5%	£ 41 (LEL) to £ 69.99	£ 43 (LEL) to £ 74.99
7%	7%	£ 70 to £104.99	£ 75 to £114.99
9%	9%	£105 to £154.99	£115 to £164.99
9%	10.45%	£155 to £305 (UEL)	£165 to £325 UEL
9% to UEL	10.45%	Above £305 (UEL)	Above £325 UEL
		<u>Present</u>	<u>Proposed</u>
Class 2 (Self employed)		£4.05 a week	£4.25 a week
Small earnings exception ⁶ level (annual)		£2250	£2350
Class 3 (voluntary)		£3.95 a week	£4.15 a week
Class 4:			
Lower profits limit (annual)		£4750	£5050
Upper profits limit (annual)		£15860	£16900
Rate		6.3%	6.3%
NHS allocation (Class 1 Contributions)			
Employees		0.95%	1.05%
Employers		0.80%	0.90%
Treasury Supplement		5% (of gross contributions)	Nil (to be abolished)