

Introduction

This 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 phone the Self Employed Helpline on **0845 915 4655**, or go to www.hmrc.gov.uk/selfemployed

Why pay Class 2 contributions?

Class 2 contributions count towards:

- Incapacity Benefit/Employment and Support Allowance
- basic State Pension
- bereavement benefits
- 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 National Insurance contributions, **you may lose your entitlement to benefits by not paying Class 2 contributions.**

For example, if you do not pay contributions for any period, your basic State Pension may be affected. If you leave a widow, widower or civil partner he or she may get a reduced rate of benefit or no benefit at all.

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 14 on the attached application form or return your Certificate of Small Earnings Exception with item 1 completed.

Who pays Class 2 contributions?

If you are aged 16 or over and self-employed you must pay Class 2 contributions, currently £2.40 per week, unless:

- you are over State Pension age, currently 65 for a man and 60 for a woman, even if you have not retired, 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.

Contributions paid on time will be payable at the rate in force at the time the contributions were due. If you pay Class 2 contributions more than a year late you may have to pay them at a higher rate, which is the highest rate in force between the date the contributions were due and the date you pay them.

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 granted 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.

But, 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.

Special circumstances

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 2009 and 5 April 2010, it may be worthwhile applying for a Certificate of Small Earnings Exception.

If you are granted exception in these circumstances, you will be given contribution credits automatically to protect your basic State Pension and other benefits. But credits cannot be given if you spend more than 182 days abroad within a year.

Caring for someone - Home Responsibilities Protection / Carer's Credit (from 6 April 2010)

Home Responsibilities Protection (HRP) can help to protect your basic State Pension and your spouse or civil partner's right to bereavement benefits if you:

- do not work, or
- your earnings are not enough to count for basic State Pension.

HRP will no longer be available for tax years that commence on or after 6 April 2010. This will be replaced by new crediting arrangements that will enable customers qualifying to build up entitlement to basic State Pension and State Second Pension by receiving weekly National Insurance Credits. For further information, please go to www.thepensionservice.gov.uk

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 £4,825 for the period from 6 April 2008 to 5 April 2009 and/or
- are expected to be less than £5,075 in the tax year period from 6 April 2009 to 5 April 2010.

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 earnings from self-employment during the period from 6 April 2009 to 5 April 2010 have already reached £5,075 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 the New Deal scheme or from sources other than self-employment.

To work out your total net earnings, deduct from gross earnings any business expenses you incurred whilst self-employed. For example, you can deduct rent and rates, insurance, employees' 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.

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, those earnings can 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 2009 to 5 April 2010, we may take into account your earnings during earlier years and any changes that have occurred since.

How to apply for Small Earnings Exception

Fill in the attached application form and send it to:

HM Revenue & Customs
National Insurance Contributions Office
Self Employment Services
Benton Park View
Newcastle upon Tyne
NE98 1ZZ.

When to apply

If you can show that your net earnings from self-employment for the period from 6 April 2009 to 5 April 2010 are expected to be less than £5,075, you will not have to pay Class 2 contributions. You can apply for exception as soon as possible.

Your Certificate of Small Earnings Exception

If your application is approved, we will send 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 the 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 that you have already paid a Class 2 contribution.

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 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, although you may not have applied to be excepted from liability 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 2008 to 5 April 2009 was less than £4,825. 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, and
- proof of earnings for the relevant tax year, for example
 - business receipts
 - profit and loss accounts
 - some other form of evidence that shows your income.

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

Do not delay writing to us as proof can be sent later.

The address to write to is:

HM Revenue & Customs
National Insurance Contributions Office
Self Employment Services
Benton Park View
Newcastle upon Tyne
NE98 1ZZ.

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 contributions paid for the period 6 April 2008 to 5 April 2009 must be claimed after 5 April 2009 **but before 31 January 2010**.

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 contributions. 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 £5,075.

If you expect your self-employed earnings to be less than £5,075 deferment is **not** applicable and you may qualify for Small Earnings Exception (SEE). You will need to apply for SEE. Please complete the attached application form and send it to the address given above.

To find out about deferring Class 2 and / or Class 4 contributions, please contact Deferment Services on **0845 915 7141**.

How we use your information

HM Revenue & Customs is a Data Controller under the Data Protection Act 1998. For more information go to www.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, call the Self Employed Helpline on 0845 915 4655 or go to www.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) *please specify*

5 National Insurance number

6 Date of birth *DD MM YYYY*

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

8 Home address

 Postcode

9 Phone numbers
 Home

 Mobile

10 Business address *if different from 8*

 Postcode

 Phone number

11 What is your occupation when self-employed?
If you have more than one occupation and need more space please give details on a separate piece of paper and attach it to this form.

12 What are your **expected** net earnings from self-employment for the period from 6 April 2009 to 5 April 2010? *This should be below £5,075.*
 £

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 contributions voluntarily?
 No Yes

15 If you work for one or more employers please give estimates for the year beginning 6 April 2009.

Gross earnings from employment*

£

Name of employer

Gross earnings from employment*

£

Name of employer

*If more than £40,040 put 'over £40,040'.
If you have more than two employers please give details on a separate piece of paper and attach it to this form.

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 Office 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 HM Revenue & Customs, National Insurance Contributions 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 Office
Self Employment Services
Benton Park View
Newcastle upon Tyne
NE98 1ZZ.

Please keep the guidance for reference.

For official use

	From	To	Initials	Date
Application received Management inhibition set				
NIRS amended if appropriate				
SEE allowed - NIRS noted				
Waiver allowed - NIRS noted				
CA6812 issued				
Management inhibition unset				
Application rejected C2GL0013 issued				
Management inhibition unset				
SEE cancelled - NIRS noted				