

# NATIONAL INSURANCE HOLIDAYS FOR VETERANS EMPLOYER NATIONAL INSURANCE RELIEF

## Briefing for Software Developers

### 1. Background

This relief provides a zero-rate of secondary Class 1 National Insurance contributions (NICs) on the earnings of a qualifying veteran for 12 consecutive months from the first day of their first civilian employment after leaving the regular armed forces. This zero-rate can be applied up to the (new) Veteran's Upper Secondary Threshold (VUST).

This relief is available from April 2021 so that employers can qualify for the relief as early as possible. From April 2021 to March 2022, employers will need to pay the associated Secondary Class 1 NICs as normal and then claim it back retrospectively from April 2022 onwards.

From April 2022 onwards, employers will be able to apply the relief in real time through RTI.

HMRC request that payroll software is updated for April 2022 to allow the NICs Class 1 secondary veteran category to be applied to 21/22 tax year in retrospect (through an amended FPS submission). While not mandated by HMRC, allowing for retrospective application of the veteran category within payroll software would provide a smooth customer journey.

Further information on how employers will be able to retrospectively claim the veteran category for 21/22 outside of RTI will be published before April 2022.

The calculation of primary Class 1 NICs is unaffected.

Policy guidance was published on the 10<sup>th</sup> February 2021 and can be found at: <https://www.gov.uk/government/publications/national-insurance-contributions-relief-for-employers-who-hire-veterans/national-insurance-contributions-relief-for-employers-who-hire-veterans>

### 2. Eligibility

#### 2.1. Employer criteria

Employers will only be able to claim this relief on the earnings of qualifying veterans. A person qualifies as a veteran if they have served at least one day in the regular armed forces, this includes anyone who has completed at least one day of basic training.

The relief is available to all employers of veterans regardless of when the veteran left the regular armed forces, providing they have not previously been employed in a civilian capacity.

## **2.2. Limits on the relief**

This relief will apply on earnings up to the new Veterans Upper Secondary Threshold (VUST). If a veterans' earnings are above the VUST, their employer can apply this relief on the part of the earnings below the VUST. This approach is in line with existing reliefs for the under 21s and under 25s apprentices.

Employers can claim this relief (for the period that they employ a veteran) if they employ a veteran during the qualifying period. The qualifying period starts on the first day of the veteran's first civilian employment since leaving the regular armed forces and ends 12 months later.

The first day of employment will be the start date taken from the employment contract between the employer and the employee.

This 12-month period is set and does not change if an employment ceases. This means that subsequent and concurring employers can claim this relief if they employ a veteran within the veteran's qualifying period.

Subsequent employers will need to determine the first day of the veteran's first civilian employment and determine if the veteran is employed with their business during the qualifying period.

HMRC does not require payroll software developers to perform validation on qualifying dates and will not be requesting this within their schema. However, incorporating validation within the software may be beneficial for the customer journey.

## **3. Delivery and new NIC Category Letters**

The relief will be delivered by introducing a new veteran's specific NIC category letter:

- **V** - (standard category letter),

The new category letter will mirror existing NIC category letter A only.

In rare cases, employers may have a veteran employee which they would normally use a different NIC category letter where there is no veterans equivalent for (B, T, C, W, J, Q). In this instance, they should continue to apply the existing standard category for the tax year (including in their payroll software). If employers are also eligible for veteran relief they will need to contact HMRC at the end of the tax year to engage in a manual process for adjustment, to enable the relief to be claimed outside of a software solution. It

is HMRC's belief that such cases will be minimal, due to the eligibility criteria and likelihood of occurring.

#### 4. Appendix

In the appendix we have included diagrams to demonstrate how the NIC calculation works for the new National Insurance Holiday for Employers relief NIC Category letter "V". Employers and employees will pay Class 1 National Insurance depending on how much the employee earns. This is calculated at the associated rate between each of the appropriate thresholds.

The diagrams include:

For tax year **2021-22**:

- annual Primary Employee NICs rates based on tax year 2021-22
- annual Secondary Employer NICs rates based on tax year 2021-22
- existing annual thresholds (Upper Earnings Limit (UEL), Upper Secondary Threshold (UST) and Apprentice Upper Secondary Threshold (AUST))
- tax year 2021-22 Veterans Upper Secondary Threshold (VUST) of £50,270

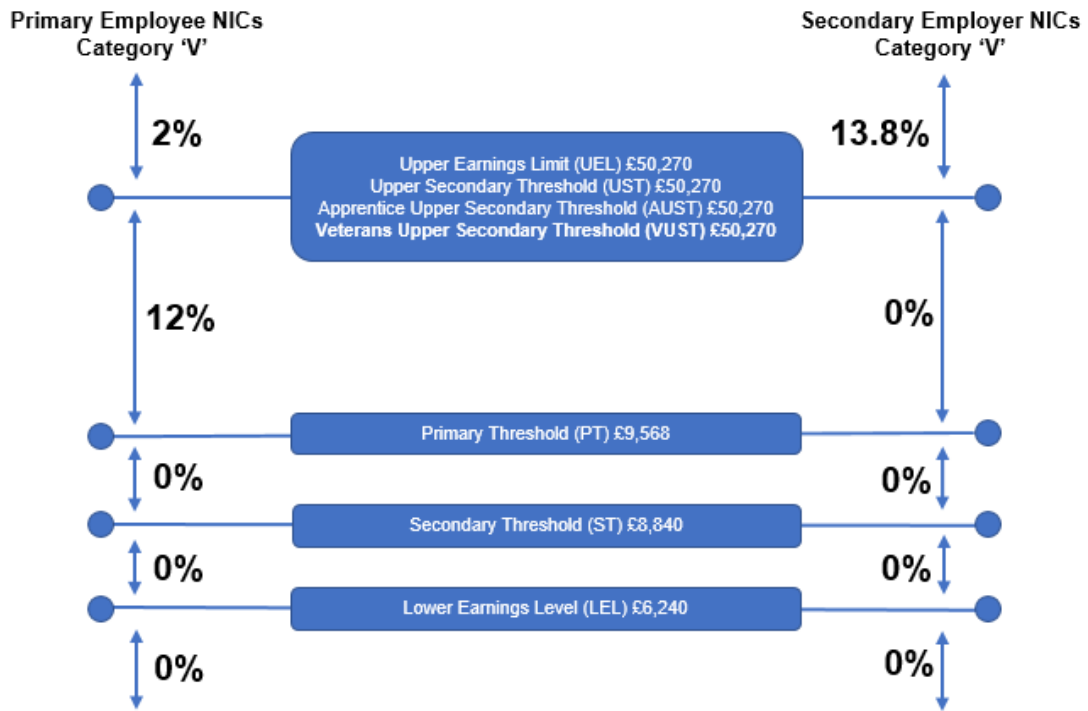
For tax year **2022-23\***:

- expected annual Primary Employee NICs rates based on tax year 2021-22
- expected annual Secondary Employer NICs rates based on tax year 2021-22
- expected annual thresholds (Upper Earnings Limit (UEL), Upper Secondary Threshold (UST) and Apprentice Upper Secondary Threshold (AUST)) based on tax year 2021-22
- expected tax year 2022-23 Veterans Upper Secondary Threshold (VUST) of £50,270
- Further change for 2022-23 sees the introduction of the Freeports Upper Secondary Threshold (FUST). There are no retrospective Freeports impacts prior to 2022-2023
- A Communications product relating specifically to the introduction of the FUST will be issued separately

\* the threshold statements are illustrative at this time and do not reflect Government policy and may therefore be subject to change.

<b>4.1</b>	NHEV NIC's Category 'V' - (standard rate for employees eligible for NHEV NICs Relief) <b>for 2021-22 tax year</b>
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**4.1 VETERANS NIC CATEGORY LETTER 'V' (Standard rate for employees eligible for Veterans Employer NICS Relief) 21/22 tax year**



<b>4.2</b>	NHEV NIC's Category 'V' - (standard rate for employees eligible for NHEV NICs Relief) <b>for 2022-23 tax year</b>
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**4.2 VETERANS NIC CATEGORY LETTER 'V' (Standard rate for employees eligible for Veterans Employer NICs Relief) 22/23 tax year**

