## 8.03 Statutory Deductions

This policy is about the deductions that can be made from your pay, some because of legal requirements.

- Section 2 Superannuation is about contributions to the various pension schemes available in NICS
- Section 3 Recovery of Income Support from Pay is about recovering income support by deductions from your earnings awarded in the 15 days following return to work after an industrial dispute
- If you are self employed as well as being an employee of NICS, then you should refer to Section 7 Office Holders Concurrently Self-Employed
- If you are suspended from duty without pay you may if you so wish take up other employment pending consideration of the case – please refer to more information in Section 11 Suspension from Duty without Pay

**The following terms within this policy are defined in the glossary:**

There are currently no terms within this policy defined in the glossary.

**You may also be interested in the following policies:**

Principal Civil Service Pension Scheme (Northern Ireland) (PCSPS(NI) www.civilservicepensions-ni.gov.uk, Her Majesty's Revenue and Customs (HMRC) www.hmrc.gov.uk

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This homepage is only a guide to the policy, not the policy itself. In the event of any discrepancy between the content of this homepage and the associated policy, the wording of the policy shall apply.

# 8.03 STATUTORY DEDUCTIONS

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# 8.03 STATUTORY DEDUCTIONS

## 1 Introduction

**1.1** This policy of the HR Handbook, sets out the rules governing statutory deductions made from your pay or pension. This section applies to both industrial and non-industrial staff (including Senior Civil Servants).

**1.2** Statutory Deductions are defined as deductions made because of a statutory requirement on the employer to deduct and pay over specified amounts to a statutory authority (See Annex 1).

**1.3** Income tax is deducted from your pay or pension as are earnings related national insurance contributions (ERNI).

## 2 Superannuation

**2.1** Contributions to the Principal Civil Service Pension Scheme (Northern Ireland) (PCSPS(NI)), are also deducted from pay. The PCSPS(NI) pension scheme operates on the basis that permanent, eligible members of staff will, usually, be automatically entered into the Premium pension arrangements (Classic and Classic Plus membership being, in general, closed to new members since 1 October 2002). However you may opt to join the Partnership Pension Account (a Money Purchase arrangement) instead of Premium, or, if you choose, you may formally opt out of the pension arrangements.

**2.2** The PCSPS(NI) is a statutory, occupational pension scheme established by virtue of the Superannuation Order (Northern Ireland) 1972. Contributions are made by both the member and their employer to the pension arrangement the individual is a member of.

**2.3** If you are a member of the Classic pension arrangements you must pay 1.5% of pensionable salary to provide for spousal pension benefits (including benefits for civil partners but these benefits may only be paid in respect of service from 6 April 1988). You may also be paying arrears of contributions for service for which contributions were not made or were made at a reduced percentage.

**2.4** If you are a member of the Premium arrangement (including members of the Classic Plus pension arrangement) you are required to make contributions, currently 3.5% of pensionable pay, for provision of the improved benefit package (as compared with Classic) as well as benefits for spouses, civil partners (for Classic Plus members the civil partner benefits are also only paid in respect of service from 6 April 1988) and nominated partners.

**2.5** If you are a member of the Partnership Pension Account you are not required to make contributions, but where you do your employer will increase the employer contribution payable to match your contribution up to a limit of 3% of salary.

**2.6** If you are a member of the Classic, Classic Plus and Premium arrangements you may contract to make additional contributions to purchase added years of service.

**2.7** You may also contract to pay Additional Voluntary Contributions to a provider under the Northern Ireland Additional Voluntary Contributions to a provider under the Northern Ireland Additional Voluntary Contribution Scheme (the NICSAVC Scheme). You must inform your NICSAVC provider if you wish to reduce, cancel or suspend contributions, otherwise payroll sections are required to deduct the contribution and make payment to the particular provider.

**2.8** You may opt out of the pension arrangements but this must be agreed formally with Civil Service Pensions, Department of Finance and Personnel. You may cancel Added Years contracts to make additional contributions, but again this must be agreed formally with Civil Service Pensions. Civil Service pensions will instruct Payroll to cease deductions. Payroll sections will not cessate contributions without a formal instruction from Civil Service Pensions.

**2.9** You may also take out a Stakeholder Pension arrangement with the appointed NICS provider - this can be concurrent with your membership of the PCSPS(NI) or instead of that membership.

**2.10** The employer is required to make all appropriate deductions of member contributions to PCSPS(NI) pension arrangements from payroll. Most contributions (excluding Partnership Pension Account and Stakeholder Pension contributions) are deducted before Income Tax is applied to your salary.

## 3 Recovery of Income Support from Pay

**3.1** The Social Security Contributions and Benefits (Northern Ireland) Act 1992 allows the Department for Social Development in certain cases to recover Income Support awarded in the 15 days following return to work after an industrial dispute. The Act permits the Crown to recover benefit from its own employees.

**3.2** Under part VIII of the Social Security (Payments on Account, Overpayments and Recovery) Regulations (Northern Ireland) 1988, if the amount is not repaid by the claimant, an Income Support Deduction Notice (ISDN) may be served by the Department for Social Development on your employing Department requiring the Department to recover the income support by deductions from your earnings provided that the “available earnings” exceed your “protected earnings” as defined in those Regulations.

## 4 National Insurance Contributions

**4.1** The National Insurance Contributions and Social Security Acts apply to you whether permanent and pensionable staff, in other words if you are a member of the PCSPS(NI) paying contracted out (Code D) rate of national insurance contributions or a casual/temporary/member of the Partnership Pension Scheme paying the Non Contracted-out (Code A) rate of contribution, industrial or non-industrial, full-time or part-time. All civil servants employed in Northern Ireland must be registered for national insurance.

**4.2** From 6 April 1975 flat rate and graduated national insurance contributions ceased to be payable for employed earners and were replaced by a system of wholly earnings related contributions. Her Majesty's Revenue and Customs (HMRC) leaflet CA01 provides further information on the details of contributions for employees and can be obtained from any HMRC Office, Jobs and Benefits Office or larger Post Office. The leaflet is also available to download from www.hmrc.gov.uk. The following paragraphs draw attention to the special arrangements which apply to you.

**4.3** If you are seconded to an outside employer who pays your salary, that employer will also be responsible for the deduction of your national insurance contributions.

**4.4** If you have separate employments with different Departments (for example full-time employment with one Department and a part-time employment with another) there will be liability for employer and employee's Class 1 contributions in each employment in which the remuneration reaches the earnings threshold. Current National Insurance contributions and Social Security rates are set out in leaflet GL23 available from any Jobs and Benefits Office or larger Post Offices.

## 5 Married Women and Widows

**5.1** Married women whose marriage took place before 6 April 1977 and some widows used to be able to choose to pay Class 1 National Insurance contributions at a reduced rate. This choice is no longer available, but if an employee already had a reduced rate liability before 6 April 1977 it may be retained unless:

- The marriage ends in divorce or is annulled; or
- The marriage ends because they are widowed and they do not qualify for bereavement benefits; or
- Bereavement benefit ends (other than on re-marriage); or
- For any two consecutive tax years since 6 April 1978 they have not had any employment for which they have paid or have been treated as having paid Class 1 contributions and they have not been self-employed.

**5.2** Contributions should be deducted at the reduced rate only if you produce a Certificate of Reduced Liability, except where you were an employee of the Northern Ireland Civil Service at 5 April 1975 and had elected to pay only industrial injuries contributions by that date.

**5.3** If you have elected to pay reduced-rate contributions you cannot qualify for any jobseekers' allowance or sickness benefit to which that year's contributions are relevant. However, you may still qualify for Maternity Allowance, Statutory Maternity Pay, Statutory Sick Pay, Statutory Adoption Pay and Statutory Paternity Pay as these payments are based on a period of employment and earnings.

**5.4** You may voluntarily give up your right to reduced liability at any time. If you are thinking of doing so you should read leaflet CA13 "National Insurance Contributions for Married Women with Reduced Elections" or leaflet CA09 "National Insurance Contributions for Widows or Widowers". These leaflets are available from Her Majesty's Revenue and Customs (HMRC) offices, Jobs and Benefits Offices or www.hmrc.gov.uk.

**5.5** It is the duty of every woman who marries, and who is or has been an employed or self employed woman, to notify HMRC National Insurance Contributions Office (Benton Park View, Longbenton, Newcastle-upon-Tyne, NE98 1ZZ) of her marriage not later than 5 weeks thereafter. Departments should ensure that you are made aware of this requirement.

**5.6** A woman whose marriage ends by divorce (in Northern Ireland and England and Wales from the date of the decree absolute) or annulment, immediately loses her right to pay reduced rate contributions and has to pay at the standard rate on all payments of earnings received after that date. She is required by law to inform her employing Department that she is no longer entitled to pay the reduced rate and she should be given her certificate of reduced liability, which she should return to HMRC National Insurance Contributions Office, Longbenton, Newcastle-upon-Tyne local office together with an explanation of her change of status.

## 6 Nil Liability for National Insurance Contributions

**6.1** Some employees over pension age are not liable to pay Class 1 contributions (see HMRC Leaflet CA01). HMRC will issue such individuals with a certificate of earner's non-liability on application. The certificate must be given to your employing Department.

**6.2** If you have more than one employment you should obtain a separate certificate for each employment. Until this is produced contributions should be deducted at the appropriate rate. Any over-deduction of contributions will be refunded when the certificate is received.

## 7 Office Holders Concurrently Self-Employed

**7.1** If you are an office holder and concurrently engaged in self-employment, you may well have a liability in both an employed and self-employed capacity. If as a result, contributions paid in any year exceed a prescribed maximum you may obtain a refund of the excess.

**7.2** To avoid unnecessary payments and refunds you may apply for deferment of payment of your Class 2 contributions and Class 4 liability as a self-employed person. Leaflet CA72 gives details of this facility and may be obtained from HMRC offices and local Jobs and Benefits Offices. It is also available to download from www.hmrc.gov.uk.

## 8 Service in the Forces

**8.1** If you are a reservist, or an officer or paid instructor in the cadet forces, and you are required to attend for training the service authorities will be responsible for the deduction of any contributions which arise from service pay.

**8.2** The employing Department will be responsible for ensuring that contributions are deducted from any civil pay that may be payable to you. You will be given a note of your National Insurance number to hand to the service authorities when you are called up for training. These provisions also apply to full-time and part-time service with the Royal Irish Regiment and the Police Service of Northern Ireland Reserve.

## 9 Call-up of Reservists

**9.1** Military service is treated as special leave without pay and there is no obligation on the employer to pay you your normal salary. You will receive service pay from the Ministry of Defence (MoD). You may be entitled to payment from the MoD to cover the employer's contribution to any pension fund, provided you continue to make any necessary employees' contribution to the fund.

**9.2** Where you are called-out for service in the armed forces, information on the treatment of contributions to the PCSPS(NI) can be found in the NICS Pay and Conditions of Service Code section on Superannuation or by accessing the PCSPS(NI) website at www.civilservicepensions-ni.gov.uk.

## 10 Special Leave without Pay

**10.1** Contributions will be paid for any period containing a period of special leave without pay if earnings in that period reach the appropriate earnings threshold.

## 11 Suspension from Duty without Pay

**11.1** If you are suspended from duty without pay you may if you so wish take up other employment pending consideration of the case. In such circumstances you should ask your employing Department for a statement of earnings.

**11.2** If your employing Department holds a certificate of reduced liability or of earner's non-liability, the certificate will be retained pending the outcome of the case. You may, on application to HMRC National Insurance Contributions Office, Longbenton, Newcastle-upon-Tyne, obtain a separate certificate for any other employment, which you take up during the period of suspension.

**11.3** If you are re-instated or have your services terminated following suspension you will be liable for national insurance contributions on any arrears of pay which are paid for the period of suspension as if these had been paid at the proper time.

## 12 Termination of Service

**12.1** On leaving the Service you will be issued with a P45 to enable a new employer to construct a deduction document for tax/national insurance contribution purposes. Any certificates of reduced liability or earner's non-liability, which are held by your employing Department, will be returned to you on leaving the Service.

## 13 Retired Civil Servants

**13.1** Civil Service Pensions Branch cannot undertake to deduct from your pension if you are retired any National Insurance contributions for which you may be liable.

## 14 Great Britain and The Isle of Man

**14.1** If you go to work in Great Britain (GB) or the Isle of Man (IOM) and remain on a payroll in Northern Ireland, Northern Ireland contributions should continue to be paid for the duration of your stay there. If however, you are transferred to a payroll in GB or the IOM, the contributions of the country to which your payroll has been transferred become payable.

## 15 Channel Islands (Jersey, Guernsey, Alderney, Herm and Jethou)

**15.1** Leaflet SA4, published by the Department for Work and Pensions and available through the Social Security Agency, sets out the Social Security agreement between the United Kingdom (UK) and Jersey and Guernsey (including Alderney, Herm and Jethou). If you are sent from the UK to work In Jersey or Guernsey on a temporary basis, in other words for a period of less than three years, you are not liable for contributions under the Jersey or Guernsey schemes, but remain insurable under the UK scheme and Class 1 contributions are payable for you as if you were serving in the UK.

**15.2** If the period of employment is unexpectedly extended it may be possible, in exceptional circumstances and with the agreement of the Jersey and Guernsey authorities, to extend the period for which the terms of 15.1 apply.

**15.3** If you are employed in the Channel Islands other than Jersey, Guernsey, Alderney, Herm and Jethou, you should be dealt with under the normal rules applicable to persons employed abroad.

## 16 Working Abroad

**16.1** Staff working abroad should refer to leaflets SA29 “Your Security Insurance, Benefits and Healthcare in the European Community and in Iceland, Liechtenstein and Norway” published by the Social Security Agency and NI 38 “Social Security Abroad” published by HMRC.

## 17 Graduated Pension Scheme

**17.1** The Graduated National Insurance Pension Scheme, which was referred to as the Graduated Pension Scheme (GPS), was introduced on 3 April 1961 and wound-up on 5 April 1975.

**17.2** Most persons pensionable under the Civil Service Pension schemes in force at that time were contracted-out of the GPS (in other words they did not pay the basic graduated contributions). They were formally classified as being in “non-participating employment” by virtue of a certificate issued by the Registrar of Non-Participating Employments.

**17.3** In general, all established civil servants who could complete 10 years’ qualifying service by their National Insurance retirement age were contracted out – if contracted out, lower employee and employer National Insurance Contributions were payable.

**17.4** With the introduction on 1 June 1972 of the Principal Civil Service Scheme (Northern Ireland), un-established civil servants became pensionable and the qualifying period for a pension was reduced to five years. The categories of contracted-out staff were consequently redefined.

**17.5** With certain exceptions (see NICS Pay and Conditions of Service Code section on Superannuation or PCSPS(NI) website - www.civilservicepensions-ni.gov.uk all pensionable civil servants who could complete five years' qualifying service by their National Insurance retirement age were henceforth contracted-out. Those who were un-established, (in other words by virtue of the introduction of the PCSPS(NI)), were contracted-out with effect from 25 September 1972 - see NICS Pay and Conditions of Service Code section on Superannuation or PSCPS(NI) website www.civilservicepensions-ni.gov.uk)

**17.6** The PCSPS(NI) has, since 6 April 1988 reduced the qualifying period to two years.

**17.7** If you have any reckonable service under the PCSPS(NI) and were not contracted out of the Graduated Pension Scheme, in other words you paid the basic graduated contributions, you may in certain circumstances have your PCSPS(NI) benefits reduced on account of any graduated pension earned during the service in question.

**17.8** The rates of contribution of the GPS payable during service which was not contracted-out of the Scheme are listed in NICS Pay and Conditions of Service Code section "Superannuation - "Modification of Civil Service Pensions on Account of National Insurance Pensions".

**17.9** If you are a member of the PCSPS(NI) you are contracted out of the State Second Pension (S2P), which was formerly known as the State Earnings Related Pension Scheme (SERPS).

**17.10** The PCSPS(NI) has since 1 October 2002 offered a Partnership arrangement which is not contracted out. This arrangement is an exception to the general contracted out position of other PCSPS(NI) members. The other salary related pension arrangements (Classic, Classical Plus and Premium) remain contracted out.

## 18 Winding-up The Graduated Pension Scheme

**18.1** With the winding-up of the GPS on 5 April 1975, the certificate of non-participation relevant to employment in the civil service – see section 17.2 above - was automatically cancelled.

**18.2** The Civil Service was thereupon required, within a five-year period, to secure on behalf of all its contracted-out employees covered by the PCSPS(NI) on that date, benefits equivalent to the graduated benefits that they would otherwise have earned if they had been participating in the GPS during the relevant service. These benefits, known as equivalent pension benefits (e.p.b's), were secured in the following manner:

**a.** Where you had completed five years' qualifying service, you were given a guarantee that that pension would not be less than your e.p.b; or

**b.** Where you hadf left the PCSPS(NI) before qualifying for a pension, a cash equivalent premium (CEP) (previously known as payment-in-lieu (p.i.l.)) was paid to the National Insurance Fund. This payment purchased for you the graduated pension, which you would otherwise have earned had you paid the basic contributions under the GPS during the relevant service. When a person on whose behalf a CEP (previously p.i.l.) was made took a transfer value, the value was reduced on account of it (see NICS Pay and Conditions of Service Code section on Superannuation - Transfer Arrangements or www.civilservicepensions-ni.gov.uk).

## ANNEX 1

## List of Statutory Deductions

**Income Tax**
**Earnings Related National Insurance Contributions**
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**Court Orders/Tribunal Orders**
**Deduction From Earnings Orders (DEO)**
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