

# Employer NIC holidays

## Freedom to flourish



The Government believes that sustainable and balanced growth must be based on private sector enterprise and investment. The creation of new enterprises in areas most dependent on public sector employment will support transition to a new, sustainable model of economic growth. The Government is therefore helping new businesses in these areas to create jobs, by reducing the costs of employing staff.

On the 22 June 2010 the Chancellor announced the Regional Employer National Insurance contributions (NIC) Holiday for New Businesses (the Holiday). It will last from the date of the Emergency Budget on 22 June 2010 until 5 September 2013. The Holiday will target help on certain 'new businesses' who are also employers and who start up outside Greater London, the South East and <<Company name>> <<Company name>> the Eastern regions of the UK.

New businesses will be able to make National Insurance contributions (NICs) savings under the Holiday from earnings paid to employees on or after 6 September 2010. The Holiday will operate by allowing a deduction against the amount of Class 1 NICs that an employer is required to pay to HMRC each month or each quarter. With two main modifications, new businesses that were started between 22 June 2010 (the date of the Chancellor's Emergency Budget) and the 5 September 2010 will benefit to the same extent as a new businesses started on or after 6 September 2010 provided they satisfy the eligibility tests.

For the first ten qualifying employees that a new business employs in its first year of business, following start up, it will be entitled to an individual Holiday for each of those employees. The Holiday period for each employee will last for the shorter of the employee's first year of employment or the time left until the Holiday scheme ends on 5 September 2013.

The Holiday will apply to all relevant earnings paid to a qualifying employee during the first year of the employee's employment but there will be a maximum saving of £5,000 in employer NICs in respect of each employee.

The Holiday will be administered as a de minimis State Aid. New businesses wishing to enjoy a Holiday will need to make an application to HMRC when they engage their first employee. Full guidance will be available on the Business Link website for those interested in applying.

The draft legislation includes anti-avoidance measures to prevent existing businesses making arrangements to exploit the Holiday.

The Holiday will be entirely voluntary and will enable qualifying new businesses that choose to participate to reduce the amount of secondary (employer) NICs liability that they would otherwise have to pay over to HMRC. If a new business does not wish to participate in the Holiday scheme it will be required to meet its employer NICs liabilities in full in the same way as any other employer.