

## Introduction

This form is for self-employed people with small earnings. The guidance notes will help you make a decision about applying for a Certificate of Small Earnings Exception (SEE). If you decide you want to apply for a certificate please fill in the attached application form.

You will still need to complete form CWF1 to register if you are a self-employed sole trader. If you are in a partnership, the nominated partner needs to complete SA400 and SA401. All other partners need to complete SA401. For more information go to [www.hmrc.gov.uk/selfemployed](http://www.hmrc.gov.uk/selfemployed)

## Why pay Class 2 National Insurance contributions (NICs)?

Class 2 NICs count towards:

- Employment and Support Allowance
- basic State Pension
- bereavement benefits
- Maternity Allowance.

If you are only liable for Class 2 NICs, you should consider your position carefully before applying for a Certificate of SEE.

If you do not pay Class 2 NICs because you apply for and receive a Certificate of SEE **you may lose your entitlement to the benefits listed above.**

For example, if you do not pay NICs for any period, your basic State Pension or Maternity Allowance 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 SEE, you can still pay Class 2 NICs voluntarily to keep your entitlement to some benefits. Women who hold a Certificate of SEE should get advice from Jobcentre Plus about entitlement to Maternity Allowance before paying Class 2 NICs.

If you want to pay Class 2 NICs voluntarily, tell us at question 14 on the attached application form or return your Certificate of SEE with item 1 completed.

## Who pays Class 2 NICs?

If you are aged 16 or over and self-employed you must pay Class 2 NICs, currently £2.65 per week, unless:

- you are over State Pension age. To find out your State Pension age go to [www.direct.gov.uk/statepension](http://www.direct.gov.uk/statepension)
- you applied before 1977 and are entitled to reduced contribution liability as a married woman or widow, or
- you have applied for and been given a Certificate of SEE for the period concerned.

NICs paid on time will be payable at the rate in force at the time the NICs were due. If you pay Class 2 NICs more than a year late you may have to pay them at a higher rate.

## Self-employed in your spare time

You have to pay Class 2 NICs if you are self-employed in your spare time. This applies even if you are also paying Class 1 earnings related NICs as an employee, or office holder. However, you do not have to pay Class 2 NICs if you apply for and are granted a Certificate of SEE.

## 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 NICs.

However, if your earnings from self-employment are below the small earnings exception level you can apply for a Certificate of SEE. If awarded, you need not pay Class 2 NICs.

## Special circumstances

### Protecting your basic State Pension

You need 30 qualifying years to get a full basic State Pension but as a self-employed contributor you remain liable to pay Class 2 NICs for the time you are self-employed, even if you already have 30 qualifying years. However, the rules about qualifying years are not the same for certain bereavement benefits.

For more information about State Pension and bereavement benefits go to [www.direct.gov.uk](http://www.direct.gov.uk)

From 6 April 2010 Home Responsibilities Protection (HRP) was replaced with Credits for Parents and Carers. Credits for Parents and Carers will count towards your basic State Pension and are available to certain people who receive Child Benefit, care for a sick or disabled person or are approved foster carers.

For more information about Credits for Parents and Carers go to [www.direct.gov.uk](http://www.direct.gov.uk)

### 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 2012 and 5 April 2013, it may be worthwhile applying for a Certificate of SEE.

If you are granted exception in these circumstances, you will benefit from contribution credits which are awarded 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.

## Small earnings

### Do I have small earnings?

You will be classed as having small earnings and may not have to pay Class 2 NICs if your earnings, that is money left after expenses:

- were less than £5,315 for the period from 6 April 2011 to 5 April 2012 and/or
- are expected to be less than £5,595 in the tax year period from 6 April 2012 to 5 April 2013.

## Working out your earnings

Your right to a Certificate of SEE depends on your total net earnings from self-employment as shown, for example, on a profit and loss account.

**You cannot apply for SEE if your earnings from self-employment during the period from 6 April 2012 to 5 April 2013 have reached £5,595 by the time you apply**

If you are self-employed in more than one business, you should add together the net earnings from each so a loss incurred in one may be offset against a profit in another.

Do not count as earnings any income from the New Enterprise Allowance 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 and/or Class 4 NICs that are 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 getting your estimate of what you are likely to earn during the period from 6 April 2012 to 5 April 2013, we may take into account your earnings in earlier years and any changes that have occurred since.

If you can show that your net earnings from self-employment for the period from 6 April 2012 to 5 April 2013 are expected to be less than £5,595, you will not have to pay Class 2 NICs and should apply as soon as possible. You will need to complete the attached application form. We may ask you to send us a copy of your profit and loss accounts.

## Your Certificate of SEE

If your application is approved, we will send you a Certificate of SEE. The certificate will show the period it covers and will normally end at the end of the tax year in April. 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 Class 2 NICs. However, you may be able to get a refund of the NICs you have already paid - see *Getting a refund* opposite.

As a certificate can only be backdated up to 13 weeks, you will remain liable for payment of Class 2 NICs for any period of low earnings not covered by the certificate. We may decide not to insist on the payment of Class 2 NICs 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 NICs paid during a period of small earnings, although you may not have applied to be exempted 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 2011 to 5 April 2012 was less than £5,315. You should consider the effect on future benefit entitlement before applying for a refund of Class 2 NICs.

### 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.

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

### 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 NICs paid for the period 6 April 2011 to 5 April 2012 must be claimed after 5 April 2012 **but before 31 January 2013**.

## 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 NICs. 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 £5,595.

If you expect your self-employed earnings to be less, then deferment is **not** applicable and you may qualify for SEE and will need to apply.

To find out about deferring Class 2 and/or Class 4 NICs, go to [www.hmrc.gov.uk](http://www.hmrc.gov.uk) and enter 'CA72B Guidance Notes' in the *Search* facility.

## 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](http://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 National Insurance 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 home address*  
  
  
  
  
 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 in 'Additional information' on page 4.*

12 What are your **expected** net earnings from self-employment for the period from 6 April 2012 to 5 April 2013? *This should be below £5,595.*  
 £

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 NICs voluntarily?  
 No  Yes

15 If you work for one or more employer please give estimates for the year beginning 6 April 2012.

Gross earnings from employment\*

£

Name of employer

Gross earnings from employment\*

£

Name of employer

\*If more than £42,475 put 'over £42,475'.  
If you have more than two employers please give details in 'Additional information' opposite.

**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 & Employer Office will revoke any decision not to collect Class 2 NICs 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 & Employer 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

<input type="text"/>							
----------------------	----------------------	----------------------	----------------------	----------------------	----------------------	----------------------	----------------------

Tear-off this form and send it to:  
HM Revenue & Customs  
National Insurance Contributions & Employer Office  
Self Employment Services  
Benton Park View  
Newcastle upon Tyne  
NE98 1ZZ.

**Please keep the guidance for reference.**

## Additional information

Use this as the extra space you may need for questions 11 and 15.