



TAXREP 47/15 (ICAEW REPRESENTATION 130/15)

CLASS 1 NIC ZERO RATING FOR APPRENTICES AGED UNDER 25

ICAEW welcomes the opportunity to respond to the technical consultation on draft secondary legislation for the zero-rating of Class 1 employer national insurance contributions (NIC) for apprentices aged under 25 [*The Social Security \(Contributions\) \(Amendment\) Regulations 2016 No. \[xxxx\]*](#) published by HMRC on 24 July 2015.

This response of 18 September 2015 has been prepared on behalf of ICAEW by the Tax Faculty. Internationally recognised as a source of expertise, the Faculty is a leading authority on taxation. It is responsible for making submissions to tax authorities on behalf of ICAEW and does this with support from over 130 volunteers, many of whom are well-known names in the tax world. Appendix 1 sets out the ICAEW Tax Faculty's Ten Tenets for a Better Tax System, by which we benchmark proposals for changes to the tax system.

We should be happy to discuss any aspect of our comments and to take part in all further consultations on this area.

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ICAEW members operate across a wide range of areas in business, practice and the public sector. They provide financial expertise and guidance based on the highest professional, technical and ethical standards. They are trained to provide clarity and apply rigour, and so help create long-term sustainable economic value.

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KEY POINT SUMMARY

1. We have no comments on the text of the regulations as far as they go, but we feel that the definition of apprentice is too restrictive, and should include not only apprentices as defined but also common law apprenticeships and apprenticeships which are not directly funded by the Government, provided the terms of the apprenticeship meet recognised standards and are set out in a written agreement.

COMMENTS

2. We support the Government's policy intention to support the growth of quality apprenticeships for young people which provide a high level of training and skills development. Indeed, ICAEW has been working with BIS to develop the apprenticeship route into accountancy, and has been involved in apprenticeship trailblazers.
3. We have no comments on the text of new regulation 154A(2), which provides that NIC zero rating will apply to apprenticeships that fall within the government recognised UK apprenticeships, or new regulation 154A(3), which requires there to be a written agreement between the apprentice, the employer and the training provider.
4. However, we note that the proposed NIC relief focuses on apprentices engaged in government-approved apprenticeships to the exclusion of apprenticeships which do not follow such frameworks, often colloquially referred to as common law apprenticeships, and non-government funded apprenticeships.
5. We feel that more needs to be done to encourage employers that provide common law or non-government funded apprenticeships which meet a recognised standard, for example school leavers taken on by the professional firms who are given formal training leading to qualifications such as ACA, CTA, lawyer, actuary, etc.

APPENDIX 1

ICAEW TAX FACULTY'S TEN TENETS FOR A BETTER TAX SYSTEM

The tax system should be:

1. **Statutory:** tax legislation should be enacted by statute and subject to proper democratic scrutiny by Parliament.
2. **Certain:** in virtually all circumstances the application of the tax rules should be certain. It should not normally be necessary for anyone to resort to the courts in order to resolve how the rules operate in relation to his or her tax affairs.
3. **Simple:** the tax rules should aim to be simple, understandable and clear in their objectives.
4. **Easy to collect and to calculate:** a person's tax liability should be easy to calculate and straightforward and cheap to collect.
5. **Properly targeted:** when anti-avoidance legislation is passed, due regard should be had to maintaining the simplicity and certainty of the tax system by targeting it to close specific loopholes.
6. **Constant:** Changes to the underlying rules should be kept to a minimum. There should be a justifiable economic and/or social basis for any change to the tax rules and this justification should be made public and the underlying policy made clear.
7. **Subject to proper consultation:** other than in exceptional circumstances, the Government should allow adequate time for both the drafting of tax legislation and full consultation on it.
8. **Regularly reviewed:** the tax rules should be subject to a regular public review to determine their continuing relevance and whether their original justification has been realised. If a tax rule is no longer relevant, then it should be repealed.
9. **Fair and reasonable:** the revenue authorities have a duty to exercise their powers reasonably. There should be a right of appeal to an independent tribunal against all their decisions.
10. **Competitive:** tax rules and rates should be framed so as to encourage investment, capital and trade in and with the UK.

These are explained in more detail in our discussion document published in October 1999 as TAXGUIDE 4/99 (see via <http://www.icaew.com/en/about-icaew/what-we-do/technical-releases/tax>).