

Anonymous 2 – 12th August 2022

Dear Sirs

I have just seen a request on Facebook for feedback regarding the impact of small businesses (I'm a self-employed start up / management owned and run) in the mini budget.

There is absolutely no assistance for small businesses here on Class 2 contributions, let alone with the **mini-budget**.

A very brief example...my ramblings...

Class 1 (employed): pays a maximum of £285pcm for social security (out of their own pocket), with 6.5% + 2.5% (for those over the threshold) paid by the employer.

Example: Lisa earns £35,000pa and will pay £174pcm on social, Craig earns £65,000pa, and will pay £285.84pcm on social, Dave earns £500,000pa, and will pay £285 on social (employee social is capped at 285) but **not for the employee part of class 2 as I have recently been told by the SS department**.

Class 2 (self-employed): pays a maximum of £1,019 per month for social security (out of their own take home pay/pocket).

Example: Angela earns 35k pa, and will pay £364.50pcm on social, Steven earns £65,000pa, and will pay £611.81, and Claire earns 500,000pa, and will pay £1019.50pcm on social (all out of take home pay).

Also, Class 2 social security payments are calculated on your income 2 years ago, which isn't ideal for start-ups. Again, no help in the mini-budget...

Obviously, I'm aware that Employers top up, but that's not really helping individuals with the cost of living!

With the mini budget, Class 2 will reduce by 2%, down to 10.5% if you earn below the threshold (57k pa) and down from 14.5% to 12.5% if you earn more than 57k pa - but as you can see from my workings above, it's not really helpful when we're the smaller businesses and 500k income on employed pays a flat 285 for employee contribution. In the UK, the NI is 10.25% on 11,909 and 50,270 and an additional 3.25% on income over 50,270...which is 13.5% at the highest, which is lower than Jersey.

In practice, if you earn 58,000pa and self employed, 36.5 pence of every pound you earn goes on tax and social.

My view is, Gov won't reduce fuel duty as it will not help 'everyone' and will only help those with money to have cars and drive. Why then, do they help those who are earning 500k plus a year with the social security element, but not those who are already paying much higher social security payments by being self employed on a much lower income. I'm not even going to start on the 11k's social payments..!

I've recently done an FOI request, regarding income received from Class 2 contributions and the variance between Class 1 and 2 to see if I can get some insight.

On top of the above, I have now been advised by Social Security that they are **double charging on Class 1 (paid) earnings / Class 2** on the start-up plan - apparently, it's the law. No one can explain why on earnings (class 1) that have already had 15% social security paid on, I have to pay another 12.5% on the same amount due to being on the start up plan later on in the year, after being made redundant due to Government Covid lockdown - not really start up or business friendly. Also, why is Class 2 based on the previous 2 years' income, when Class 1 is PAYE? I could put myself on Class 1 as I own my own business, and you still wouldn't be able to tell me my rate as I take different amounts out each month, some months I don't withdraw anything - but still have to pay my fixed social. This is not the place to bring this up, but note there is also no additional provision for maternity for Class 2 self-employed either. Its fantastic that the family friendly law has come in to give adequate time for mothers after birth, but again, no additional support for Class 2 earners who run their own businesses and can't close/take time off - it's not necessary about the money, it's about being able to take time off even though we pay more on personal take home pay - anyway, that's for another day!

Please, please can you review this? No one ever supports the small businesses and self employed, and we pay more in our take home pay than everyone else!

Thank you for taking the time to read this. I look forward to hearing from you.