

# Contributions: Self-employed people no. 41

This leaflet tells you about the contribution requirements for self-employed people



States of Guernsey  
Social Security

If, after reading this leaflet, you still have unanswered questions, please contact us on **732504**.

This leaflet should be read with Leaflet 50, which contains all the current benefit payments and contribution rates, available from **[www.gov.gg/SScontributions](http://www.gov.gg/SScontributions)**

---

***This leaflet is for guidance and must not be treated as a complete and authoritative statement of the law.***

# Contents

Self-employed people - where you fit in .....	2
Self-employed people <u>not</u> liable to pay contributions .....	3
How and when must I pay? .....	3
How much do I pay? .....	5
How do I apply to pay contributions based on my earnings? ...	5
Dividends .....	5
What if my earned income is reassessed? .....	6
What happens if I set up a new business? .....	6
What happens if I have more than one job? .....	6
What happens if I am sick, or unable to work? .....	7
What must I do if I stop being self-employed? .....	7
What benefits am I entitled to? .....	8
Appendix: Earned income .....	9
For further information .....	11
What to do if you have a complaint .....	11

## **Self-employed people - where you fit in**

Generally speaking, the payment of social insurance contributions applies to all people in Guernsey, Alderney, Herm, and Jethou, who are over school leaving age. There are three classes of insured people, paying different rates of contribution. These are:

### **Class 1: Employed people**

Most people who work for wages or a salary under a contract of service are in this class.

### **Class 2: Self-employed people**

Those people who are in business for themselves and other people who are working for gain but not under the control of an employer.

### **Class 3: Non-employed people**

All insured people who are not employed or self-employed.

**This leaflet is only concerned with Self-Employed People and their liability to pay Class 2 contributions.**

## Self-employed people not liable to pay contributions

You do not have to pay a Class 2 contribution for any week during the whole of which you are:

- A. over pension age (Class 3 over pension age contributions are payable instead);
- B. out of the Island for a period of 13 complete contribution weeks or more, unless you are a fisherman working on a Guernsey registered fishing boat;
- C. receiving certain benefits or credits from Social Security;
- D. a labour only contractor in the building & construction industry, who is treated as an employed person, (see Leaflet 59).

**Note:** If you have only recently arrived in the Island, there are rules which may affect your liability to pay contributions. Please contact Social Security for further details.

## How and when must I pay?

Everyone who is liable to pay Class 2 contributions must contact Social Security to obtain a Class 2 contribution card, or complete a Direct Debit mandate.

The card, which covers a complete calendar quarter, lists each of the thirteen weeks, giving the week number along with the starting and finishing dates of each week. The card also shows the value of the weekly contribution, and the total amount due for the quarter.

The card and the total amount due for the quarter must be returned to Social Security within 15 days after the end of the quarter. Shortly before you are due to return the contribution card for one quarter, you will be sent a new card for the next quarter.

If you decide to pay by Direct Debit, you will not be issued with a card. Instead, once you've signed a Direct Debit instruction, payment of contributions will be arranged between Social Security and your bank or building society. You will be able to choose between quarterly or monthly payments. These will be collected on the fifteenth day of the month following the quarter, or the fifteenth day of the month if you have chosen to pay monthly.

You will always be notified in advance of the amount to be debited from your account, and when this will happen. You will always be able to cancel a Direct Debit at any time.

In addition to making payments by cheque or Direct Debit, payments can also be made by debit or credit card in the office, over the telephone, or online. Pay by debit/credit card by phoning **732504** or log on to: **[www.gov.gg/howtopaycontributions](http://www.gov.gg/howtopaycontributions)**.

## **How much do I pay?**

The maximum rate of contribution payable by a self-employed person is calculated by dividing the annual Upper Earnings Limit by 52 weeks, and multiplying it by the percentage rate set for the year. See Leaflet 50 for the current annual Upper Earnings Limit and the percentage rate.

If you expect to earn less than the annual Upper Earnings Limit, you can apply to have your rate of contribution based on your earnings, rather than paying at the maximum rate. In this case, your rate is calculated by dividing your earned income as assessed by Income Tax in the relevant year of charge (see Appendix) by 52 weeks, and multiplying it by the percentage rate set for the current year.

## **How do I apply to pay contributions based on my earnings?**

Simply fill in an application form available from Social Security or the Alderney States Office. The form contains an authorisation for the Director of Income Tax to disclose to the Administrator of Social Security the amount of your earned income from self-employment in the relevant year of charge. You will be issued annually with a notification showing your earned income and the weekly rate of contribution for the year.

Self-employed contributions must be paid within fifteen days after the end of the quarter. If, however, your assessable earnings are not available from Income Tax, Social Security will estimate a figure. This figure will be based upon your assessment for the previous year, and increased by a percentage to be decided by the Committee each year. A refund or account will be issued when your actual weekly liability is established.

You are advised to submit your tax return early, so that the information needed to accurately assess your rate of contribution is available in good time.

## **Dividends**

Dividends made to you from a company relating to your self-employment are included as part of your earnings when calculating your contribution rate.

## **What if my earned income is reassessed?**

If your tax assessment for a year of charge is revised, Social Security will send you a notification of how this affects your contribution payments. If your revised figure is less than the original, you will be entitled to a refund of overpaid contributions, but if the figure is more than the original you will be liable to make up the difference.

## **What happens if I set up a new business?**

In this case, there is likely to be a delay before income from your new business can be included in the Income Tax assessments, which will be used to determine the rate of your earnings-related Class 2 contributions. Social Security will therefore use estimates of your income for up to the first three years of self-employment.

Your contribution rate will be revised as soon as your actual earned income has been established. If this is assessed by Income Tax as exceeding the Social Security estimate, you will be required to make up the amount of contributions underpaid. On the other hand, you will receive a refund if your actual earned income is less than the estimate.

## **What happens if I have more than one job?**

If you are both employed and self-employed you must pay a Class 2 self-employed contribution as well as your Class 1 contribution as an employed person.

This does not apply if your self-employed earnings are less than the annual lower earnings limit.

You must continue to pay your self-employed contributions either quarterly by Credit/Debit card, or by Direct Debit.



Your combined earnings from both your employment and your self-employment will be assessed up to the annual upper earnings limit. If your employment increases your earnings over this limit you will be refunded annually any Class 2 contributions you have overpaid.

For more information on employment, see Leaflet 40.

### **What happens if I am sick, or unable to work?**

You are not liable to pay Class 2 contributions for any contribution week during which you are incapable of work for four or more days, and you are:

- A. receiving sickness benefit, incapacity benefit, or industrial injury benefit; or
- B. entitled to receive an incapacity credit.

In the same way, a woman receiving maternity allowance is not liable to pay Class 2 contributions, but will receive a 'credit' for each week covered by the benefit.

Anyone receiving 'credits' should delete the relevant week shown on the contribution card and reduce their quarterly payment accordingly.

### **What must I do if I stop being self-employed?**

If, for any reason, you stop being self-employed, you should contact Social Security or the Alderney States Office, so that your classification can be amended accordingly.

## What benefits am I entitled to?

As a self-employed person, you are entitled to the following benefits, subject to having fulfilled the appropriate contribution conditions:

- A. Sickness benefit
- B. Incapacity benefit
- C. Industrial injury benefit
- D. Industrial medical benefit
- E. Industrial disablement benefit
- F. Old age pension
- G. Bereavement benefit
- H. Death grant
- I. Parental benefits
- J. Travelling allowance grant

Leaflets and further information about all these benefits are available from Social Security or the Alderney States Office, and online at [www.gov.gg/benefits](http://www.gov.gg/benefits).

## Appendix: Earned income

This is the amount of income you earned from your self-employment, and which is included in your assessable income for tax purposes in the relevant year of charge.

Income Tax accepts accounts for a period of up to 18 months when a business first commences. If an income assessment is for a period of more than 12 months, it will be apportioned to reflect only 12 months earned income.

Sometimes, an assessment will not be produced in respect of the year of charge relating to the first part year of trading. Again, in these circumstances, the first income tax assessment produced in respect of the business will be apportioned to reflect this part year of trading, in order to calculate your contribution rate.

The following table outlines the rules applied to the first three years of business, up to 31 December 2018:

<b>Financial Year Ending</b>	<b>Income Tax Year of Charge</b>	<b>Contribution Year 1 Jan - 31 Dec</b>
2018	2018 if no assessment then 2019 pro rata	2018
2019	2019	2019
2019	2019	2020

Other than the people starting up a new business, where the rules set out in the previous table will apply, Social Security uses income from 2 years previous to establish your rate of contribution for the current year.

The following table explains this:

<b>Financial Year Ending</b>	<b>Income Tax Year of Charge</b>	<b>Contribution Year 1 Jan - 31 Dec</b>
2016	2016	2018
2017	2017	2019
2018	2018	2020

Leaflet 50 sets out the current contribution rates for employed, self-employed and non-employed people. It also details the earnings and income limits.

## For further information

If you are unsure of the meaning of any particular point in this leaflet, please contact Social Security, or the Alderney States Office, where staff will be pleased to help you, and from where copies of other leaflets may be obtained.

More information is also available on the States website here: [www.gov.gg/SScontributions](http://www.gov.gg/SScontributions).

If you are writing to Social Security, please quote your social insurance number, if known.

## What to do if you have a complaint

If you are dissatisfied with any aspect of our services please let a member of staff know at the time so that we can try to resolve the issue immediately. If you wish to make a formal complaint to Social Security, please contact us for a complaints leaflet and return the completed complaints form to **Social Security, Edward T. Wheadon House, Le Truchot, St Peter Port, GY1 3WH**.

You can also request more information by email and return your complaint form to [socialsecuritycomplaints@gov.gg](mailto:socialsecuritycomplaints@gov.gg) or send your complaint or a compliment to us online at the States website, by visiting [www.gov.gg/cc](http://www.gov.gg/cc) and completing the electronic form.





## How we collect and use information

Social Security processes personal information for social security purposes in order to carry out functions relating to the relevant social security and associated legislation that it administers. The information collected will depend on your business with us, but will be no more than is required for that purpose. We may get information about you from others for any of our purposes if the law allows us to do so. We may also share information with certain other organisations if the law allows us to. Any personal information you give to us will be processed in accordance with the Data Protection (Bailiwick of Guernsey) Law, 2001. If you wish to know more about the information we have about you, or about the way we use it, you can ask at the Office of the Committee for Employment & Social Security or by emailing:

**[employmentandsocialsecurity@gov.gg](mailto:employmentandsocialsecurity@gov.gg)**

This leaflet is for guidance and must not be treated as a complete and authoritative statement of the law.