

Contributions: Non-employed people under pension age no. 42

This leaflet details the contribution requirements
for non-employed people under pension age.



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/non-employedcontributions**

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

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Non-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 non-employed people who are under pension age, and their liability to pay Class 3 contributions. Leaflet 21 deals with the position of people over pension age.

Who is regarded as non-employed?

With some exceptions, a non-employed person is someone who is neither employed nor self-employed but instead is living off savings or investments. In addition, there are people who, although employed or self-employed are treated as non-employed. This includes people who:

- A. are employed, but not receiving any wages or salary e.g. doing charitable or social work;
- B. are employed, but receiving earnings below the 'Lower Earnings Limit' (see below);
- C. are normally employed, but temporarily out of work, or between jobs (see below); or
- D. are self-employed, working part time, and earning less than the annual 'Lower Earnings Limit'.

Non-employed people who do not have to pay contributions

You do not have to pay a non-employed contribution for any week in which you are:

- A. a student in full time education (see leaflet 30, Students);
- B. temporarily employed and receiving earnings from a job in excess of the Lower Earnings Limit;
- C. receiving certain benefits with credits from Social Security;

- D. out of the Island for a period of 13 or more complete contribution weeks;
- E. non-employed and your annual income from all sources is below the Annual Lower Income Limit.

Note: If you have only recently arrived in the Island, there are rules which may affect your liability to pay contributions.

Special rate - non-employed contributions

You are treated as non-employed for the weeks concerned, if you are normally employed but:

- A. your earnings fall below the 'Lower Earnings Limit'; or
- B. you are temporarily out of work or between jobs, and you do not wish to claim unemployment benefit, or you are not entitled to receive an unemployment credit.

For these weeks you are entitled to pay a special reduced rate non-employed contribution. If you normally pay full rate contributions, payment of this special reduced rate contribution will enable you to protect your insurance record for future claims of social insurance benefits, although in certain circumstances special rate contributions cannot be used to determine short term benefit entitlement. Please check with Social Security if you are unsure about your own circumstances.

You will continue to be treated as an employed person and you will not be required to hold a non-employed card. You will receive a computer produced account each quarter for any non-employed weeks, at the special rate. This of course should be returned to Social Security with payment.

How and when must I pay?

Everyone who is liable to pay Class 3 contributions must contact Social Security to obtain a Class 3 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 **732502** or log on to: www.gov.gg/howtopaycontributions.

Allowance

If you have made an income related claim, the value of the allowance will be deducted from the income figure provided by Income Tax, with liability being calculated on the balance. It is important to remember that it is only the people whose income, before the deduction of the allowance, falls below the Lower Income Limit who will be exempt from paying contributions.

See Leaflet 50 for details of the allowance along with current annual limits and percentage rates.

How much do I pay?

The maximum rate of contribution payable by a non-employed person is calculated by deducting the allowance from the annual Upper Income Limit, dividing it by 52 weeks, and multiplying it by the percentage rate set for the year. See Leaflet 50 for details of the allowance along with the current annual Upper Income Limit and percentage rate.

If you have made an income related claim and your income is equal to, or above, the Lower Income Limit, the value of the allowance will be deducted from the income figure provided by Income Tax from 2 years previous (see Appendix), and your rate of contribution will be calculated based on the balance (please see above for calculation method). If your income before the deduction of the allowance is less than the Lower Income Limit, you will not have to pay contributions.

Where a married woman wants to pay income related contributions, she must make a separate application, even though her income may be declared to Income Tax on the same form as her husband's income. In these cases, Income Tax will tell us the amount of her own income only.

Can I still pay a contribution if I want to?

If you do not have to pay a contribution because your assessable income is below the Lower Income Limit you can still choose to pay a voluntary contribution at the minimum rate to protect your insurance record. If you do wish to pay this voluntary contribution, you should contact Social Security to make arrangements.

How do I apply to pay contributions based on my income?

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 assessable income in the relevant year of charge. You will be issued annually with a notification showing your income and the weekly rate of contribution for the year.

Non-employed contributions must be paid within fifteen days after the end of the quarter. If, however, your assessable income is not available from Income Tax, we 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.

Where Income Tax are unable to provide Social Security with details of your income, an estimated figure may be used, uplifted from the previous contribution year. 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.

What if my income is reassessed?

If your tax assessment for a Year of Charge is revised with the result that your income for that year is changed, Social Security will send you a notification of how this affects your contribution payments. If your revised income 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 when I become non-employed?

In this case, there is likely to be a delay before your Income Tax assessments reflect your new circumstances. Social Security will therefore use estimates of your income for up to the first three years of non-employment.

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

What happens if I am temporarily employed?

If you are normally non-employed, but start working for an employer, and the job is only temporary e.g. seasonal work, you will not be liable to pay a full rate Class 3 contribution for any week during which your earnings from that employment are greater than the Lower Income Limit.

The Class 1 contribution that will be deducted from your wages or salary by your employer will take the place of the Class 3 contribution that you would normally have paid. In this case, you should delete the relevant weeks on your contribution card, and reduce the amount of your quarterly payment accordingly.

What happens if I'm sick?

If you are receiving sickness or incapacity benefit, you will be entitled to a 'credit', and therefore will not be liable to pay your Class 3 contribution. As such, you should delete the relevant week on your contribution card and reduce your payment accordingly.

What must I do if I stop being non-employed?

If, for any reason, you stop being non-employed, and take up full time employment for example, 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 non-employed person paying full rate contributions, you are entitled to the following benefits, subject to having fulfilled the appropriate contribution conditions:

- A. Old age pension;
- B. Bereavement benefit;
- C. Death grant;
- D. Travelling allowance grant;

And if you have recently become non-employed you may still be entitled to:

- E. Sickness benefit; or
- F. Incapacity benefit

Investment company income

If you have a beneficial interest in an investment company, the appropriate income from that company will be included in your assessment as well. If total income is below the annual Upper Income Limit, and you wish to pay income related contributions, the name of the investment company (or companies) and the extent of that beneficial interest will need to be provided. You will need to complete a release form allowing Income Tax to disclose the relevant details of the investment company.

Appendix: Income

For the purposes of income related contributions income means total personal income, as assessed by Income Tax, in the relevant year of charge, before any deduction of tax allowances.

Income for people under pension age will not include earnings from employment which will already have been subject to insurance deduction.

Where a contributor becomes non-employed i.e. is neither employed nor self-employed, the same contribution year and year of charge will be used for the first two years and the previous year of charge for the third year, as shown in the table on the following page:

Income Tax Year of Charge	Contribution Year 1 Jan - 31 Dec
2018	2018
2019	2019
2019	2020

Other than for newly non-employed people where the rules set out in the previous table apply, we use income from 2 years previous to establish your rate of contribution for the current year, as set out in the table below:

Financial Year Ending	Income Tax Year of Charge	Contribution Year 1 Jan - 31 Dec
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/non-employedcontributions.

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** or send your complaint or a compliment to us online at the States website, by visiting **www.gov.gg/ccs** 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

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