

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. If you decide you want to apply for a certificate please fill in the attached application form. If you need more information phone the National Insurance Self-Employed Helpline on **0845 915 4655**, or go to **www.hmrc.gov.uk/selfemployed**

You will still need to complete form CWF1 to register as self-employed.

Why pay Class 2 National Insurance contributions?

Class 2 contributions count towards:

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

If you are only liable for Class 2 contributions, you should consider your position carefully before applying for a Certificate of Small Earnings Exception.

If you apply for and are granted exception from contributions, **you may lose your entitlement to benefits by not paying Class 2 contributions.**

For example, if you do not pay contributions for any period, your basic State Pension 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 Small Earnings Exception, you can still pay Class 2 contributions voluntarily to keep your entitlement to some benefits.

If you want to pay Class 2 contributions voluntarily, tell us at part 14 on the attached application form or return your Certificate of Small Earnings Exception with item 1 completed.

Who pays Class 2 contributions?

If you are aged 16 or over and self-employed you must pay Class 2 contributions, currently £2.40 per week, unless:

- you are over State Pension age, currently 65 for a man or for women born between 6 April 1950 and 5 April 1955 State Pension age depends on when your date of birth falls, even if you have not retired, or
- you are entitled to reduced contribution liability as a married woman or widow, or
- you have applied for and been given a Certificate of Small Earnings Exception for the period concerned.

Contributions paid on time will be payable at the rate in force at the time the contributions were due. If you pay Class 2 contributions more than a year late you may have to pay them at a higher rate, which is the highest rate in force between the date the contributions were due and the date you pay them.

Self-employed in your spare time

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

CF10 (2010-11)

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 contributions.

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

Special circumstances

Protecting your basic State Pension

The Pensions Act 2007 and the Pensions Act (Northern Ireland) 2008 change the United Kingdom basic State Pension system. In the main, these changes only affect you if you reach State Pension age on or after 6 April 2010.

The amount of basic State Pension you receive when you reach State Pension age depends how you have paid, or are treated as having paid, contributions or credits. These are called qualifying years.

Key changes to basic State Pension include:

- reducing to 30 the number of qualifying years needed for a full basic State Pension (as a self-employed contributor you will still be liable to pay Class 2 self-employed contributions)
- replacing Home Responsibilities Protection (HRP) from 6 April 2010 with Credits for Parents and Carers. Credits for Parents and Carers will count towards your basic State Pension and is available to certain people who receive Child Benefit, care for a sick or disabled person or are approved foster carers
- increasing basic State Pension in line with earnings, rather than prices. This means the basic State Pension will rise more quickly than it does now.

HRP

Periods of HRP prior to 6 April 2010 may have been converted to credits which will also count towards your basic State Pension.

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 2010 and 5 April 2011, it may be worthwhile applying for a Certificate of Small Earnings Exception.

If you are granted exception in these circumstances, you will be given contribution credits 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.

For further information on:

- the Pensions Act 2007 and the Pensions Act (Northern Ireland) 2008, go to **www.direct.gov.uk**
- Carer's Credit, go to **www.jobcentreplus.gov.uk**
- HRP go to, **www.hmrc.gov.uk**

Bereavement benefits

The changes in the Pensions Act 2007 and the Pensions Act (Northern Ireland) 2008 do not apply to the rules for certain bereavement benefits. For further information on bereavement benefits, go to **www.jobcentreplus.gov.uk**

Small earnings

Do I have small earnings?

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

- were less than £5,075 for the period from 6 April 2009 to 5 April 2010 and/or
- are expected to be less than £5,075 in the tax year period from 6 April 2010 to 5 April 2011.

Working out your earnings

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

You cannot apply for small earnings exception if your earnings from self-employment during the period from 6 April 2010 to 5 April 2011 have already reached £5,075 by the time you apply for exception.

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

Do not count as earnings any income from the New Deal 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 or Class 4 contributions 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 receiving your estimate of what you are likely to earn during the period from 6 April 2010 to 5 April 2011, we may take into account your earnings during 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 2010 to 5 April 2011 are expected to be less than £5,075, you will not have to pay Class 2 contributions and should apply as soon as possible.

Your Certificate of Small Earnings Exception

If your application is approved, we will send you a Certificate of Small Earnings Exception. The certificate will show the period it covers and will normally end in April at the end of the tax year. 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 a Class 2 contribution.

However, you may be able to get a refund of the contributions 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 contributions for any period of low earnings not covered by the certificate. We may decide not to insist on the payment of Class 2 contributions 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 contributions paid during a period of small earnings, although you may not have applied to be excepted 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 2009 to 5 April 2010 was less than £5,075. You should consider the effect on future benefit entitlement before applying for a refund of Class 2 contributions.

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.

CF10 tear-off which is attached to this form, is **not** an application for a refund. If applying for a refund or for a Small Earnings Exception the address to use is shown on CF10 tear-off at the bottom of page 4.

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 contributions paid for the period 6 April 2009 to 5 April 2010 must be claimed after 5 April 2010 **but before 31 January 2011**.

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 contributions. 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 £5,075.

If you expect your self-employed earnings to be less than £5,075 deferment is **not** applicable and you may qualify for Small Earnings Exception (SEE) and will need to apply.

To find out about deferring Class 2 and/or Class 4 contributions, please contact Deferment Services on **0845 915 7141**.

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** and look for *Data Protection Act* within the *Search* facility.



Application for exception from liability for Class 2 contributions

This form is not an application for a refund

1	Surname	<input type="text"/>
2	First forename	<input type="text"/>
3	Other forenames	<input type="text"/>
4	Title (Mr, Mrs, Miss, Ms or other) <i>please specify</i>	<input type="text"/>
5	National Insurance number	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>
6	Date of birth <i>DD MM YYYY</i>	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>
7	When did your self-employment start? <i>DD MM YYYY</i>	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>
8	Home address	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>
9	Phone numbers	
	Home	<input type="text"/>
	Mobile	<input type="text"/>

10	Business address <i>if different from 8</i>
<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	
Postcode	
Phone number	
<input type="text"/>	
11	What is your occupation when self-employed? <i>If you have more than one occupation and need more space please give details in 'Additional information' on page 4.</i>
<input type="text"/> <input type="text"/>	
12	What are your expected net earnings from self-employment for the period from 6 April 2010 to 5 April 2011? <i>This should be below £5,075.</i>
£ <input type="text"/>	
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? <i>The information you give will be treated as confidential.</i> From DD MM YYYY <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> To DD MM YYYY <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> In that period what were your total earnings after deductions? <i>see page 1</i> £ <input type="text"/>
14	Do you want to pay Class 2 contributions voluntarily?
No	<input type="checkbox"/>
Yes	<input type="checkbox"/>

- 15 If you work for one or more employers please give estimates for the year beginning 6 April 2010.

Gross earnings from employment*

£

Name of employer

Gross earnings from employment*

£

Name of employer

*If more than £43,875 put 'over £43,875'.

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 Office will revoke any decision not to collect Class 2 National Insurance contributions 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 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

Tear-off this form and send it to:

HM Revenue & Customs
National Insurance Contributions 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.