



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

Sarah Elliott and Jane Ide OBE
Chief Executive NCVO and Chief Executive ACEVO
NCVO, Society Building, 8 All Saints Street
London N1 9RL

25 November 2024

Dear Sarah and Jane,

Impact of increased employer National Insurance contributions on the voluntary sector

Thank you for your letter of 1 November regarding the impact of increased employer National Insurance contributions (NICs) on the voluntary sector.

The government recognises the important role charities play in our society. We have made it a priority to reset the relationship with civil society and build a new partnership to harness their full potential by developing a Civil Society Covenant, recognising the sector as a trusted and independent partner.

The government has taken a number of difficult but necessary decisions on tax, welfare, and spending to fix the public finances, fund public services, and restore economic stability after the situation we inherited from the previous administration.

One of the toughest decisions we took was to raise the rate of employer NICs from 13.8% to 15%, whilst reducing the per-employee threshold at which employers start to pay NICs (the Secondary Threshold) from £9,100 to £5,000.

We recognise the need to protect the smallest businesses and charities, which is why we have more than doubled the Employment Allowance to £10,500, meaning more than half of businesses (including charities) with NICs liabilities either gain or see no change next year. Businesses and charities will still be able to claim employer NICs reliefs including those for under 21s and under 25 apprentices, where eligible.

The government also provides support to charities through a range of reliefs and exemptions, including reliefs for charitable giving. The tax reliefs available to charities are a vital element in supporting charitable causes across the UK, with more than £6 billion in charitable reliefs provided to charities, CASCs and their donors in 2023 to 2024.

You have asked if the government will provide further support to the voluntary sector by exempting or reimbursing the sector for the increase in employer NICs. The government has committed to provide support for departments and other public sector employers for

additional employer NICs costs only. This is the usual approach the government takes to supporting the public sector with additional employer NICs costs, as was the case with the previous government's Health and Social Care Levy.

More broadly, the government delivers a number of grant and support programmes which help VCSEs, including the Community Organisations Cost of Living Fund last year and the ongoing Social Enterprise Boost Fund. Across 2023-24 The National Lottery Community Fund (TNLCF) made grant awards totalling over £900 million, 84% of which were under £10,000, with the majority supporting grassroots organisations.

We remain committed to ensuring that the sector is recognised and valued for the crucial support it provides to so many people and look forward to continuing to work together.

I hope this response is helpful and I thank you for taking the time to make me aware of both your and the wider sector's concerns.

Best wishes,

A handwritten signature in cursive script that reads "Rachel Reeves".

RT HON RACHEL REEVES MP
Chancellor of the Exchequer