



ALIGNING THE TIME LIMITS FOR RECOVERY OF NICS WITH INCOME TAX

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ICAEW welcomes the opportunity to comment on **Aligning the time limits for recovery of NICs with Income Tax**, published by HMRC on 13 July 2026, a copy of which is available from this [link](#).

ICAEW supports simplifying the current national insurance contributions (NICs) recovery process. Aligning the time limits with income tax could help achieve simplification to a certain extent. We do, however, have reservations over the application of some of the time limits for recovery on a unilateral basis, and are resistant to the introduction of different, but equally complex appeal procedures. Working towards a unified process for determination, appeal, recovery and repayment is likely to achieve a more equitable simplification.

We have not considered the position in Scotland in our response due to the different legislative framework but would recommend that further specific engagement with suitable representatives in Scotland is sought by HMRC if the proposals move ahead as outlined in the consultation.

ICAEW

Chartered Accountants' Hall Moorgate Place London EC2R 6EA UK
T +44 (0)1908 248 250 F +44 (0)20 7920 0547 icaew.com

The Institute of Chartered Accountants in England and Wales (ICAEW) incorporated by Royal Charter (RC000246)
Registered office: Chartered Accountants' Hall Moorgate Place London EC2R 6EA UK

This response of 12 October 2026 has been prepared by ICAEW's Tax Faculty.

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KEY POINTS

1. The current process for recovery of NICs is outdated, not transparent and requires simplifying.
2. Alignment with the PAYE income tax time limits goes some way towards achieving the simplification goal but also raises questions about process and equity.
3. A unified recovery and appeals process for NICs and PAYE income tax where the liability has arisen from the same income would be welcome.
4. We are not supportive of the 12 years offshore matter time limit applying to NICs.
5. We have some concerns about the reduction of the time period for NICs repayments and would welcome a transitional period.

ANSWERS TO SPECIFIC QUESTIONS

Question 1: To what extent do you consider that the current differences between NICs and PAYE income tax recovery processes create administrative complexity?

6. The current differences in the recovery processes for PAYE income tax and NICs do create administrative complexity and do not always seem logical to the employers or taxpayers who need to engage with them. This is especially true if the debts are incurred from the same income or resulting from the same error or mistake. The main difference employers are aware of is the time frame for recovery being six years for NICs and four years for PAYE income tax. This can be difficult to manage when dealing with enquiries or voluntary disclosures, when it comes to obtaining historic records, particularly from external providers (eg, payroll bureaus), or if it is necessary to engage with former employees, which can be more difficult the more time has passed.
7. In a lot of cases, especially for larger employers, the likelihood is that the employer will be represented by an agent or specialist tax adviser who is familiar with the different processes and would be dealing with HMRC directly. However, this is not always the case for smaller organisations or taxpayers who are more likely to find the different processes and timeframes difficult to manage, without necessarily understanding the legislative framework behind it. For example, reg 80, The Income Tax (Pay As You Earn) Regulations 2003 determines an enforceable PAYE debt whereas there is a separate process to determine a NICs liability under s8, Social Security Contributions (Transfer of Functions, etc.) Act 1999, but the recovery is currently limited to a six-year period under the Limitation Act 1980. This is arguably not always transparent and raises the question as to whether it is fair that employers may not be aware of their actual legal position and how it applies to the different liabilities relating to the same case or issue. We agree that overall transparency and simplification is needed.
8. We also acknowledge that the current process of establishing a NICs debt and a separate process to recover a NICs debt using a protective claim can also be burdensome for HMRC and that aligning these processes would also reduce the burden for HMRC when it comes to protective claims or engaging in standstill agreements.

Question 2: Do you agree that HMRC should introduce a statutory Notice of NICs Liability and align the time limits for the collection of NICs debts with those for income tax?

9. We agree that the process of notifying of a NICs liability needs to be simplified. We also agree that it makes sense to align the time limits for the collection of NICs debts with those for income tax when it comes to the four-year time limit for ordinary errors. Restricting the recovery of NICs debts to four tax years rather than six makes it a more transparent and

streamlined process for those impacted and is more logical for employers operating PAYE under RTI, even if the recovery of the debt itself would not be subject to a time limit.

10. We are, however, not in support of extending the twelve years offshore matters time period to NICs debts where there is no carelessness or deliberate error. Extending this unequal treatment to NICs debts is not a competitive approach in the global marketplace. The current six-year look back period is already fairly generous when compared to other jurisdictions and reducing this to a four-year period to establish a liability (despite the no time limit debt on actual debt recovery) brings closer alignment with other countries. Having a twelve-year time limit where there is an overseas element completely negates this benefit.
11. In accordance with the TMA time limits, HMRC would also have up to six years to issue a Notice where an inaccuracy was careless and 20 years where it was deliberate, with no time limit on the recovery of the debt. In some cases, the error or behaviour leading to the liability Notice will be the same issue that has led to the reg 80 determination for income tax purposes. In these cases, it is difficult to challenge the proposals. However, we remain of the view that the use of these time limits should be proportionate and transparent. Should these proposals go ahead, there must be adequate communication to make employers and other organisations aware of the changes to legislative framework so they can consider whether they need to review their processes or record keeping in anticipation of the change. We also highlight the perceived inequity between the recovery and repayment time limits as explored further in the answer to Question 4.

Question 3: Do you anticipate any disadvantages to the route of appeal for the Notice of NICs Liability being to appeal the associated Section 8 decision, rather than a right of appeal being directly linked to the Notice itself?

12. The requirement to appeal the associated Section 8 decision rather than the Notice itself seems to add complexity rather than simplify the appeal process, which should be a goal underpinning the new measure. We appreciate the need for the employee to also retain a right of appeal due to the potential impact to their NICs record which does not apply to PAYE income tax. However, we consider that there may be other ways to simplify the process and allow employees to also retain this right.
13. Without clear communication, employers may not initially appreciate that there is a separate process required to appeal the Notice of NICs Liability. In addition, the 30-day time frame seems tight if an initial response to the Notice itself is not considered to be a sufficient appeal. If an employer is issued with a Notice of NICs Liability this should include clear instructions on how to appeal using the linked Section 8 decision. This measure should not be used to dissuade employers from appealing by overcomplicating the process.
14. It would also need to be clearly explained to the recipient of the Notice if the appeal mechanism for PAYE income tax is to remain separate so the recipient is aware what further steps must be taken in order to appeal both an income tax and NICs liability, or indeed if there are concerns over other matters relating to the Notice (eg, the period it covers, the employees impacted, the class of NICs the liability is for).
15. We would suggest consideration is given to a simpler, combined appeal option with clear and transparent instructions, even where the underlying legislation is different. This would allow employers and agents to streamline evidence collection and appeals or other submissions (including voluntary disclosures) as well as mitigate the risk of duplication and reduce the burden on HMRC of having to deal with two separate appeals processes for the same issue.

Question 4: Do you see any administrative difficulties arising from aligning the time limit for NICs repayments with those given in the TMA?

16. We agree that aligning the time limit for NICs repayments to those within the TMA would be a simplification. The consultation states that this means that repayment of NICs paid in error will therefore only be available for up to four tax years rather than the current six tax year period. There is no mention of the twelve-year time period for offshore matters in this regard though this will apply to the recovery of NICs debts. We would suggest that where the

timeframe for recovery of a NICs debt can be extended due to an overseas matter then same timeframe should apply to NICs repayments where there is an overseas element. The overpayment or payment of NICs in error can often be the result of the complication of globally mobile employees' circumstances, and in some cases needing to review their overall position after the event. In such cases, corrections may be required in various countries and over various time frames, so the repayment period needs to be aligned with the recovery period. ICAEW's preference is that the twelve-year offshore time limit will not apply for either recovery or repayment.

17. We would highlight that there is also the risk of perceived lack of equity between the rights of HMRC to determine NICs debts for periods of up to six or 20 years where there has been carelessness or deliberate error, whereas the repayment period is limited to four years. Consideration should be given to a transitional period for claiming repayments or particular circumstances which could warrant an extended time frame as well as clear explanations to any consequences (eg, if repayments are not claimed in time but the NICs were not due, do the contributions still count towards qualifying years?). A further related question that this is likely to invite is whether the time period for payment of voluntary NICs will remain the previous six tax years. Individuals may have concerns over the impact of reducing the time period on their personal contribution records in some cases.

Question 5: Do these proposals have any specific disadvantages or unintended consequences for taxpayers, aside from the reduced repayment period for NICs paid in error?

18. The reduced repayment period for NICs paid in error should not be underestimated. It might take time for employers to understand the new framework and the fact that the time limits for recovery and repayment would not be consistent with each other, but rather that the alignment is for the debt collection of PAYE income tax and NICs. It is important that it is clear to employers and taxpayers that the rules for determining and calculating tax and NICs on the same income may still differ despite aligning the recovery and repayment periods (ie, the alignment can only go so far).
19. Employment tax disputes and PAYE enquiries (which include NICs) can take several years to bring to resolution, and the notice of liability means there is no time limit by which to enforce recovery of the debt. This could have a significant impact on businesses when quantifying the risk of historic liabilities for due diligence reports for example, particularly in the context of an IR35 or employment status review where additional employer NICs could be in point.
20. We would also be interested in understanding whether HMRC will propose any transitional provisions to protect ongoing cases where an employer has submitted a claim for a repayment for NICs paid in error as well how employers involved in ongoing enquiries will be impacted. Any transitional rule would need to be clear whether the time limits will apply retrospectively as this would make it very difficult to qualify certain risks.
21. An existing inequality is the inability to reclaim NICs on repaid foreign tax paid by employers as the current HMRC position is that the NICs liability was due at the time of payment. It would be advantageous if this longstanding issue could be addressed as part of the reform.

Question 6: Do you agree that the Section 8 process should be simplified, and if so which aspects of the current framework do you find add the most complexity?

22. Yes, we do agree that the Section 8 process is currently too complicated, including the practice of varying a decision to nil, but would also like to highlight that in reality, employers and employees do not always review the procedural mechanisms or comprehend the different legislative terminology but follow external advice or HMRC guidance. The process should be simplified where possible but there also needs to be transparent and reliable guidance and a simplified process with clear rights and responsibilities of HMRC, employers and employees, where appropriate.

Question 7: Are there further improvements the government could make to NICs debt recovery processes?

23. As far as possible we would support a common, unified process so that the recovery processes for PAYE income tax and NICs debts and timeframes are properly aligned, while retaining the employee's right of appeal with regard to the NICs debt. We would advocate for clear and well considered transitional rules, so it is unequivocally clear which tax years are subject to any new rules and which debts are irrecoverable. We would also suggest the appeal deadline is extended beyond 30 days, especially if the Section 8 process outlined in the consultation document is going to be used or a more integrated approach for both income tax and NICs is considered.

APPENDIX 1

ICAEW TAX FACULTY'S TEN TENETS FOR A BETTER TAX SYSTEM

The tax system should be:

1. **Statutory.** Tax legislation should be enacted by statute and subject to proper democratic scrutiny by Parliament. A clear statutory basis ensures legitimacy, accountability, and public trust in the tax system.
2. **Certain.** As far as possible, the application of tax rules and compliance processes should be certain. Taxpayers should not normally need to resort to the courts to understand how the rules apply to their affairs.
3. **Simple.** The tax system should be easy to understand for all taxpayers and advisers. Complexity undermines trust, creates unfairness, and discourages compliance.
4. **Easy to administer.** Tax liabilities should be straightforward to administer for HMRC, agents, and all taxpayers. Taxes should be designed to work effectively in a digital environment, while administration must remain accessible to those with limited digital capability.
5. **Properly targeted.** Anti-avoidance rules and other targeted measures should be proportionate, clearly defined, and carefully scoped to achieve their policy objective without undermining simplicity or certainty. Poorly targeted measures add complexity and uncertainty, harming compliance.
6. **Stable.** Changes to the tax system should only be made when clearly justified by economic, social, or environmental goals. Transparent, purposeful reforms build confidence and move the system toward greater coherence and long-term stability.
7. **Subject to proper consultation.** Other than in exceptional circumstances, tax changes should be subject to open and meaningful consultation. Adequate time for stakeholder input improves policy quality, practicality, and public trust.
8. **Regularly reviewed.** Tax rules, reliefs, and policy-driven interventions should be subject to regular, transparent review to assess whether they remain relevant, effective, and aligned with current policy goals. Outdated or unjustified provisions should be reformed or repealed to maintain coherence.
9. **Fair and accessible.** The tax system should be fair and accessible in design and in operation, ensuring equitable treatment of taxpayers. Revenue authorities must exercise their powers proportionately, and all taxpayers should have timely access to HMRC assistance, independent appeal, and redress.
10. **Efficient.** The tax system should raise revenue in a way that minimises unnecessary distortions, compliance burdens, and resource misallocation. While all taxes affect behaviour to some degree, tax design should avoid cliff edges, unintended incentives, or inefficiencies that reduce economic wellbeing unless these serve a clearly defined policy aim.

For more information, please see [Ten Tenets for a Better Tax System | ICAEW](#)