



HM Revenue
& Customs

NI guidance for software developers

Effective for the tax year

2014-2015

Format for National Insurance calculations



Notes

Booklet updated December 2013

NI guidance for software developers for 2014-2015

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Glossary of terms

GP	Gross Pay for NI purposes
LEL	Lower Earnings Limit
ST	Secondary Threshold
PT	Primary Threshold
UAP	Upper Accrual Point
UEL	Upper Earnings Limit
NICs	National Insurance contributions

1 Introduction

- 1.1 In April 2013 HM Revenue & Customs (HMRC) introduced a new way of reporting PAYE: Real Time Information, or RTI. 'Real Time Information' means that you submit information about PAYE payments throughout the year as part of your payroll process, rather than at the end of the year. For more information go to www.hmrc.gov.uk/softwaredevelopers/rti/index.htm
- 1.2 This specification sets out the calculation format for National Insurance contributions (NICs) for 2014-2015, and gives instructions for weekly/monthly paid or multiples of weeks or months e.g. 3, 4, 5 weeks etc. It augments the information contained in the Employer Helpbooks and the Employer Further Guide to PAYE and NICs (CWG2).
- 1.3 The 2014-2015 versions are available to download. Go to **Helpbooks/CWG2: www.hmrc.gov.uk/payerti**
- 1.4 This specification also provides guidance for those who wish to develop software that calculates NICs by the tables method. The method of calculation preferred by HMRC is the exact percentage method.
- 1.5 Please note that the manual NIC tables are designed for the convenience of the manual user, incorporating various roundings that make for possible differences to the calculations undertaken by computerised NIC routines. Software packages which use a mixture of NIC tables and the exact percentage method should not allow National Insurance contributions to be deducted for an employee by both methods within one tax year by the same payroll.

2 National Insurance contributions information for tax year commencing April 2014

2.1 This guidance incorporates changes announced in the Chancellor's Autumn Statement of 5 December 2013.

2.2 Accounting for NIC rebates

Employees and employers in contracted-out employments are entitled to a reduction in their NICs on earnings between the LEL and UAP. NICs are paid on earnings above the ST for employers and above the PT for employees. The term 'NICs rebate' is used to describe the reduction in NICs on the earnings between the LEL and the ST and between the LEL and the PT on which no NICs are due.

NIC rebates are only appropriate for contracted-out contributions:

- Employers are entitled to NIC rebates for category letters D, E and L and Mariners' equivalents.
- Employees are only entitled to NIC rebates for category letters D and L and Mariners' equivalent letter N.

Employees in contracted-out employment pay NICs at 10.6% on earnings between the PT and UAP. They are also entitled to a NIC rebate of 1.4% on earnings between the LEL and the PT.

Employee's NIC rebate

The employee's NIC rebate is calculated on earnings between the LEL and the PT. The employee is entitled to that portion of his rebate that can be offset against his NICs. The employer is entitled to any balance of the employee's NIC rebate that cannot be offset against the employee's NICs.

Employer's NIC rebate

The employer's NIC rebate is calculated on earnings between the LEL and the ST. The employer is entitled to his own rebate plus any balance of employee's NIC rebate not offset.

Example

An employee earning £155 per week (category letter D)

Employee's NICs = £2 x 10.6% = £0.21

Employer's NICs = £2 x 10.4% = £0.21

Employee's NIC rebate = £153 - £111 = £42 x 1.4% = £0.59

PLUS £153 - £153 = £0 x 1.4% = £0.00, a total of £0.59

Employer's NIC rebate = £153 - £111 = £42 x 3.4% = £1.43

The employee is entitled to £0.21 of their NIC rebate which reduces their NIC liability to nil.

The employer is entitled to the balance of £0.38, PLUS their own NIC rebate of £1.43 = £1.81

£1.81 employer rebate offset against £0.21 employer NICs = minus £1.60 employer NICs.

Worked examples are included in the supplement to NI guidance for software developers for 2014-2015 at Appendix 2.

3 Completing the payroll record (2014-2015)

- 3.1 The format for the payroll record is reflected in the following paragraphs.
- 3.2 Earnings on the payroll record should contain whole pounds only if NICs are calculated using the tables method. If NICs are calculated using the exact percentage method, earnings at the LEL should contain whole pounds only, and other earnings should contain pounds and pence.
- 3.3 All references to LEL, ST, PT, UAP and UEL in this section are the rates appropriate to the earnings period, ie weekly, monthly or multiples thereof.

Populate the payroll record with:

LEL as soon as earnings reach or exceed LEL. Even when no NICs due.
Earnings above the LEL up to and including the PT.
Earnings above PT up to and including UAP.
Earnings above UAP up to and including UEL.

Please note there is no requirement to record earnings above the UEL.

- 3.4 Contributions on the payroll record should contain pounds and pence

Employer's contributions is all earnings above ST multiplied by the appropriate employer's percentage rates

MINUS

any NIC rebates due on earnings between the LEL and ST
(see paragraph 2.2)

Employee's contributions is all earnings above PT up to and including UEL multiplied by the employee's percentage rates

PLUS

all earnings above the UEL multiplied by the employee's additional
2.0% rate

MINUS

any NIC rebate due to the employee on earnings between the LEL
and PT (see paragraph 2.2)

4 Deferred contracted-out NICs

4.1 All employees who defer are required to pay NICs in the deferred employment at 2.0% on all earnings above the PT, including any earnings above the UEL. Employees in contracted-out employment will be required to pay NICs at the rate of 3.4% on earnings between the PT and the UAP but this will be reduced by the available contracted-out rebate of 1.4% on all earnings between the LEL and the UAP.

NIC due LEL ← 0% → PT ← 3.4% → UAP ← 2.0% → UEL ← 2.0% → ∞

NIC rebate LEL ← 1.4% → PT ← 1.4% → UAP ← 0% → UEL ← 0% → ∞

4.2 The contracted-out rebate is used to

- 1 reduce the not contracted-out % rate from 12.0% to 10.6% on earnings between the PT and UAP, and
- 2 reduce employee’s NICs due in 1 above by a further 1.4% of earnings between the LEL and the PT. The employee’s NICs can be reduced to zero with any balance being transferred to the employer.

4.3 The effect of the 1.4% contracted-out rebate in deferred employment is to reduce the employee’s NIC liability on earnings between the PT and the UAP to 2.0%, any remaining balance of the 1.4% on earnings between the LEL and the PT that can’t be set against the employee’s NICs can be transferred to the employer. NI is then due as follows

Category letter L (COSR)

EE NIC due	LEL - PT	0%
	PT - UAP	2.0%
	UAP - UEL	2.0%
	UEL - ∞	2.0%
EE NIC rebate	LEL - PT	1.4% (any remaining balance not used against EE’s NICs to be transferred to ER)
ER NIC due	LEL - ST	0%
	ST - UAP	10.4%
	UAP - UEL	13.8%
	UEL - ∞	13.8%
ER NIC rebate	LEL - ST	3.4% + any balance of the 1.4% from the EE

5 Description of the differences between calculating NICs using the tables and the exact percentage method

- 5.1 The figures shown in the manual NIC tables may differ from the exact percentage method figures. This is because, with the exception of the LEL, ST, PT, UAP and UEL, the figures in the tables are calculated on the mid point between the earnings bands shown. Therefore, the table figures will only match the exact percentage figures when the mid point is the same as the earnings used in the exact percentage calculation, or where the earnings used match exactly the LEL, ST, PT, UAP or UEL figures. Further information is provided at section 9.

6 Rules for rounding

General NI contributions

- 6.1 The Social Security (Contributions) Regulations 2001 provide specific rules for rounding in the calculation of National Insurance contributions.

Regulation 12(1)(b) provides that:

“primary and secondary Class 1 contributions shall be calculated to the nearest penny and any amount of a halfpenny or less shall be disregarded”.

- 6.2 As the law requires that £0.005 or less is disregarded, as a matter of policy we only look at the third decimal place in calculating NICs due where such calculation results in more than two decimal places.

If it is 5 or less round down.

If it is 6 or more round up.

For example, if the NIC calculated was to result in:

£67.5558 the NIC payable would be £67.55, but if the NIC payable came to £67.5568 the NIC payable would be £67.56.

7 NIC calculation formulae

- 7.1 Changes to NI announced in the Autumn Statement of 5 December 2013 are incorporated in the calculation formulae that follow.
- 7.2 Bands A to F referred to in the formulae can be found in the chart at Appendix 1. You will note there is also a spare tier included. This can be used to accommodate any future changes.

Abbreviations used within the calculation formulae

- GP Gross Pay for NI purposes.
- w/m number of weeks or months in tax year ie 52 weeks or 12 months.
- p number of weeks/months in pay period. Round result of calculation at this point up to nearest whole pound.
- p1 number of weeks/months in pay period. If equals 1 round result of calculation at this point to the nearest whole pound. If equals more than 1 round UP to whole pounds.
- LEL annual Lower Earnings Limit.
- ST annual Secondary Threshold (ie employer's threshold)
- PT annual Primary Threshold (ie employee's threshold)
- UAP annual Upper Accrual Point.
- UEL annual Upper Earnings Limit.
- ptd paid to date.
- c before the change.

For 2014-15, the ST and the PT are the same value. Earnings between these two thresholds will be zero.

Exact percentage method

Step 1 Earnings up to and including LEL

$$\left(GP - \left(\frac{LEL \times p}{w/m} \right)^* \right) =$$

If answer is negative no NICs due and no recording required. Stop.
If answer is zero or positive enter result of calculation at this point* on the payroll record and proceed to Step 2.

Step 2 Earnings above LEL up to and including ST

$$\left(GP - \left(\frac{LEL \times p}{w/m} \right) \right) - \left(GP - \left(\frac{ST \times p^1}{w/m} \right) \right)^{\#} =$$

#If answer is negative treat as zero.
If answer is zero no NICs due and the payroll record should be zero filled. Stop.
If answer is positive proceed to Step 3.

Step 3 Earnings above ST up to and including PT

$$\left(GP - \left(\frac{ST \times p^1}{w/m} \right) \right)^{\#} - \left(GP - \left(\frac{PT \times p^1}{w/m} \right) \right)^{\#} =$$

#If answer is negative treat as zero.
If answer is zero enter result of calculation of Step 2 on the payroll record.
If answer is positive enter the sum of the results of the calculations of both Step 2 and Step 3 on the payroll record and proceed to Step 4.

Step 4 Earnings above PT up to and including UAP

$$\left(GP - \left(\frac{PT \times p^1}{w/m} \right) \right)^{\#} - \left(GP - \left(\frac{UAP \times p}{w/m} \right) \right)^{\#} =$$

#If answer is negative treat as zero.
If answer is zero no employee NICs due and the payroll record should be zero filled.
If answer is positive enter on the payroll record and proceed to Step 5.

Step 5 Earnings above UAP up to and including UEL

$$\left(GP - \left(\frac{UAP \times p}{w/m} \right) \right)^{\#} - \left(GP - \left(\frac{UEL \times p^1}{w/m} \right) \right)^{\#} =$$

#If answer is negative treat as zero.
If answer is zero the payroll record should be zero filled.
If answer is positive enter on the payroll record and proceed to Step 6.

Step 6 Earnings above UEL

$$\left(GP - \left(\frac{UEL \times P^1}{w/m} \right) \right) =$$

If answer is zero or negative no earnings above UEL.

Proceed to Step 7.

If answer is positive proceed to Step 7.

Step 7 Employee's NICs

Step 4 multiplied by employee's band D % rate (round)

PLUS

Step 5 multiplied by employee's band E % rate (round)

PLUS

Step 6 multiplied by employee's band F % rate (round).

Step 8 Employer's NICs

Step 3 multiplied by employer's band C % rate (round)

PLUS

Step 4 multiplied by employer's band D % rate (round)

PLUS

Step 5 multiplied by employer's band E % rate (round)

PLUS

Step 6 multiplied by employer's band F % rate (round).

Step 9 Employee's NIC rebate

Step 2 multiplied by employee's band B % rate (round)

PLUS

Step 3 multiplied by employee's band C % rate (round).

Step 10 Employer's NIC rebate

Step 2 multiplied by employer's band B % rate (round).

Step 11 Employee's net NICs

Step 7

MINUS

Step 9

= net NICs. (If result is negative enter zero on the payroll record and carry forward balance to Step 12).

Step 12 Employer's net NICs

Step 8

MINUS

Step 10 (include any minus figure from Step 11)

= net NICs (enter on the payroll record – this could be a minus figure).

Step 13 Total NICs

Step 11

PLUS

Step 12

= total employer and employee NICs (this could be a minus figure).

8 Director's NIC calculation formulae

- 8.1 For National Insurance purposes, company directors are classified as office holders and, under Section 2(1) of the Social Security Contributions and Benefits Act 1992, office holders fall into the definition of 'employed earner'. As such, provided their earnings reach appropriate levels, they are liable for Class 1 NICs.
- 8.2 The earnings period for calculating NICs is usually determined by the interval between payments. For example an employee who is monthly paid will have a monthly earnings period. However, to calculate NICs for directors you must use either:
- an annual earnings period, or
 - a pro-rata annual earnings period.
- 8.3 This applies regardless of the actual interval between payments.
- 8.4 Under Regulation 8(6) of the Social Security (Contributions) Regulations 2001, contributions can now be deducted on a weekly/monthly basis and the annual calculation completed when the last payment of earnings in the tax year (or directorship, if earlier) is being made to confirm the correct amount has been paid. Any subsequent amendments are then made to the payroll record.
- 8.5 More detailed information about directors can be found in Booklet CA44 which is available to download. Go to www.hmrc.gov.uk/payerti
- 8.6 The following formulae set out the basic rules for calculating directors NICs, using an annual or pro rata annual earnings period.

Step 1 Earnings up to and including LEL

$$GP_{\text{ptd}} - \text{LEL} =$$

If answer is negative no NICs due and no recording required. Stop.
If answer is zero or positive enter LEL on the payroll record and proceed to Step 2.

Step 2 Earnings above LEL up to and including ST

$$(GP_{\text{ptd}} - \text{LEL})^{\#} - (GP_{\text{ptd}} - \text{ST})^{\#} =$$

[#]If answer is negative treat as zero.
If answer is zero no NICs due and the payroll record should be zero filled. Stop.
If answer is positive proceed to Step 3.

Step 3 Earnings above ST up to and including PT

$$(GP_{\text{ptd}} - ST)^{\#} - (GP_{\text{ptd}} - PT)^{\#} =$$

[#]If answer is negative treat as zero.

If answer is zero enter result of calculation of Step 2 on the payroll record.

If answer is positive enter the sum of the results of the calculations of both Step 2 and Step 3 on the payroll record and proceed to Step 4.

Step 4 Earnings above PT up to and including UAP

$$(GP_{\text{ptd}} - PT)^{\#} - (GP_{\text{ptd}} - UAP)^{\#} =$$

[#]If answer is negative treat as zero.

If answer is zero no employee NICs due and the payroll record should be zero filled.

If answer is positive enter on the payroll record and proceed to Step 5.

Step 5 Earnings above UAP up to and including UEL

$$(GP_{\text{ptd}} - UAP)^{\#} - (GP_{\text{ptd}} - UEL)^{\#} =$$

[#]If answer is negative treat as zero.

If answer is zero the payroll record should be zero filled.

If answer is positive enter on the payroll record and proceed to Step 6.

Step 6 Earnings above UEL

$$GP_{\text{ptd}} - UEL =$$

If answer is zero or negative no earnings above UEL treat as zero, proceed to Step 7.

If answer is positive proceed to Step 7.

Step 7 Director's NICs

Step 4 multiplied by employee's band D % rate (round)

PLUS

Step 5 multiplied by employee's band E % rate (round)

PLUS

Step 6 multiplied by employee's band F % rate (round)

= employee's NIC due to date.

Step 8 Director's NIC rebate

Step 2 multiplied by employee's band B % rate (round)

PLUS

Step 3 multiplied by employee's band C % rate (round)

= employee's rebate due to date.

Step 9 Director's net NICs

Step 7

MINUS

Step 8

= employee's net NICs due to date (if result is negative enter zero on the payroll record and carry forward balance to Step 12 (see paragraph 2.2))

MINUS

Employee's net NICs paid to date

= employee's net NICs due this period.

Step 10 Employer's NICs

Step 3 multiplied by employer's band C % rate (round)

PLUS

Step 4 multiplied by employer's band D % rate (round)

PLUS

Step 5 multiplied by employer's band E% rate (round)

PLUS

Step 6 multiplied by employer's band F % rate (round)

= employer's NICs due to date.

Step 11 Employer's NIC rebate

Step 2 multiplied by employer's band B % rate (round)

= employer's rebate due to date.

Step 12 Employer's net NICs

Step 10

MINUS

Step 11 (include any minus figure from Step 9)

= employer's net NICs due to date (enter on the payroll record - this could be a minus figure).

MINUS

Employer's net NICs paid to date

= employer's net NICs due this period (include any minus figure from Step 9).

Step 13 Total NICs

Step 9

PLUS

Step 12

= total employer and employee NICs (this could be a minus figure).

Pro-rata director

- 8.7 For pro-rata director, replace the annual LEL, ST, PT, UAP and UEL with the pro-rata LEL, ST, PT, UAP and UEL and follow the previous formulae.
- 8.8 The following example shows the pro-rata earnings limits for someone who becomes a director during the 2014-2015 tax year with 18 weeks from and including the week of appointment to the end of the tax year:

$$18 \times \pounds 111 = \pounds 1,998 \text{ (pro-rata LEL)}$$

$$\pounds 7,956 \div 52 \times 18 = \pounds 2,754 \text{ (pro-rata ST rounded up to next whole \pounds)}$$

$$\pounds 7,956 \div 52 \times 18 = \pounds 2,754 \text{ (pro-rata PT rounded up to next whole \pounds)}$$

$$18 \times \pounds 770 = \pounds 13,860 \text{ (pro-rata UAP)}$$

$$\pounds 41,865 \div 52 \times 18 = \pounds 14,492 \text{ (pro-rata UEL rounded up to next whole \pounds)}$$

Where the week of appointment to the end of the tax year is 1 week only, the pro rata PT and pro rata UEL is rounded to the nearest whole pound.

(If someone is appointed in week 53 of the tax year, treat as week 52 when working out the pro rata period i.e. the pro rata period is one week).

The supplement to the NI Guidance for software developers for 2014-2015 at appendix 2 contains worked examples of NI calculations using the rates and limits for 2014-2015.

9 NIC calculation formulae

Tables method

9.1 Weekly tables

Earnings in the weekly tables are shown in whole pounds only, with the gross pay being rounded down to the nearest whole pound.

9.2 Monthly tables

The monthly tables are also shown in whole pounds only, but are in bands of four pounds starting at the LEL. Gross pay should be rounded down to the nearest band. However, at the secondary and primary thresholds, where liability for secondary and primary NI arises, there must be calculations at the exact threshold figures.

9.3 Mid-point calculations

NI contributions in the tables are usually calculated on the “mid-point” between the earnings steps. The weekly tables are in steps of £1, therefore the mid-point between each step is the lower step plus £0.50. Similarly, the monthly tables increase mainly in steps of four pounds, therefore the mid-point is the lower step plus £2.00.

9.4 Please note that although not all steps within the monthly table increase by four pounds, the calculation of the NIC is always based on the mid-point, ie if the step was three pounds, the mid-point would be the lower step plus £1.50. This is with the exception of the LEL, ST, PT, UAP and UEL, where the NIC is calculated on the exact earnings (whole pounds.)

9.5 Earnings above UEL

Employer’s and employee’s NICs are due on earnings above the UEL, and are calculated on whole pounds at the rate of 13.8% and 2.0% respectively for the 2014-2015 tax year.

Earnings bands and NICs percentage rates

Tier	Value	2014-15	% Bands	Employee's NI & Rates						Employer's NI & Rates				
				A	D	B/E	C	J	L	A/B/C/J	D/E	L		
8	Spare													
7	UEL+	∞	Band F	2.0%	2.0%	2.0%	Nil	2.0%	2.0%	13.8%	13.8%	13.8%	13.8%	13.8%
6	UEL	41,865	Band E	12.0%	12.0%	5.85%	Nil	2.0%	2.0%	13.8%	13.8%	13.8%	13.8%	13.8%
5	UAP	40,040	Band D	12.0%	10.6%	5.85%	Nil	2.0%	2.0%	13.8%	13.8%	10.4%	10.4%	10.4%
4	PT	7,956	Band C*	0%	1.4%	0%	Nil	0%	1.4%	13.8%	13.8%	10.4%	10.4%	10.4%
3	ST	7,956	Band B#	0%	1.4%	0%	Nil	0%	1.4%	0%	0%	3.4%	3.4%	3.4%
2	LEL	5,772	Band A	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
1	0	0												

Band B gives the appropriate NIC rebate % rates for employers and employees between the LEL and the ST.

* Band C gives the appropriate NIC rebate % rates for employees only and the NI % rates for employers only between the ST and the PT.

• Mariners' rates are not included in this table.

Supplement to NI guidance for software developers for 2014-2015

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1 Introduction

- 1.1 Following the Chancellor's Autumn Statement of 5 December 2013 the NI rates and earnings limits which take effect from 6 April 2014 are reflected in this supplement to the NI guidance for software developers for 2014-2015.
- 1.2 This supplement also contains worked examples which have been updated using the new NI rates and earnings limits for 2014-2015.
- 1.3 Section 3 provides examples using the NIC calculation formulae set out in Sections 7 and 8 of the main NI guidance for software developers for 2014-2015 document.

2 NI rates and earnings limits from 6 April 2014

2.1 The following NI rates and earnings limits will apply from 6 April 2014.

2.2 Earnings limits

	Lower Earnings Limit	Secondary Threshold	Primary Threshold	Upper Accrual Point	Upper Earnings Limit
Weekly	£111	£153	£153	£770	£805
Monthly	£481	£663	£663	£3,337	£3,489
Yearly	£5,772	£7,956	£7,956	£40,040	£41,865

2.3 Rates

	Employee	Employer
Not contracted-out		
(Earnings above ST up to PT)	0%	13.8%
(Earnings above PT up to UAP)	12.0%	13.8%
(Earnings above UAP up to UEL)	12.0%	13.8%
(Earnings above UEL)	2.0%	13.8%
Contracted-out salary related (COSR)		
(Earnings above ST up to PT)	0%	10.4%
(Earnings above PT up to UAP)	10.6%	10.4%
(Earnings above UAP up to UEL)	12.0%	13.8%
(Earnings above UEL)	2.0%	13.8%

2.4 The Contracted-out rebates from 6 April 2014.

Contracted-out salary related (COSR)	Employer	3.4%
	Employee	1.4%

3 Worked examples using the NIC calculation formulae

Example 1

An employee earns £111.53 a week and pays standard not contracted-out NICs

Category A NICs

Step 1 Earnings up to and including LEL

$$\left(GP - \left(\frac{LEL \times p^*}{w/m} \right) \right) =$$
$$\left(£111.53 - \left(\frac{£5,772 \times 1}{52} \right) \right) = £0.53 \text{ (enter weekly LEL } (£111) \text{ on the payroll record)}$$

If answer is negative no NICs due and no recording required. Stop.
If answer is zero or positive enter result of calculation at this point* on the payroll record and proceed to Step 2.

Step 2 Earnings above LEL up to and including ST

$$\left(GP - \left(\frac{LEL \times p}{w/m} \right) \right) - \left(GP - \left(\frac{ST \times p^1}{w/m} \right) \right)^{\#} =$$
$$\left(£111.53 - \left(\frac{£5,772 \times 1}{52} \right) \right) - \left(£111.53 - \left(\frac{£7,956 \times 1}{52} \right) \right)^{\#} = £0.53$$

#If answer is negative treat as zero.

If answer is zero no NICs due and the payroll record should be zero filled. Stop.

If answer is positive proceed to Step 3.

Step 3 Earnings above ST up to and including PT

$$\left(GP - \left(\frac{ST \times p^1}{w/m} \right) \right)^{\#} - \left(GP - \left(\frac{PT \times p^1}{w/m} \right) \right)^{\#} =$$
$$\left(£111.53 - \left(\frac{£7,956 \times 1}{52} \right) \right)^{\#} - \left(£111.53 - \left(\frac{£7,956 \times 1}{52} \right) \right)^{\#} = £0.00 \text{ (enter £0.53 on the payroll record)}$$

#If answer is negative treat as zero.

If answer is zero enter result of calculation of Step 2 on the payroll record.

If answer is positive enter the sum of the results of the calculations of both Step 2 and Step 3 on the payroll record and proceed to Step 4.

Steps 4 to 13 are not applicable as no NICs due. Zero fill the payroll record.

Although no NICs are due, as earnings have reached or exceeded the LEL, they must be recorded on the payroll record.

Example 2

An employee earns £869 a week and pays standard not contracted-out NICs

Category A NICs

Step 1 Earnings up to and including LEL

$$\left(GP - \left(\frac{LEL \times p}{w/m} \right)^* \right) =$$
$$\left(£869 - \left(\frac{£5,772 \times 1}{52} \right)^* \right) = £758 \text{ (enter weekly LEL } (£111) \text{ on the payroll record)}$$

If answer is negative no NICs due and no recording required. Stop.
If answer is zero or positive enter result of calculation at this point* on the payroll record and proceed to Step 2.

Step 2 Earnings above LEL up to and including ST

$$\left(GP - \left(\frac{LEL \times p}{w/m} \right) \right) - \left(GP - \left(\frac{ST \times p^1}{w/m} \right) \right)^{\#} =$$
$$\left(£869 - \left(\frac{£5,772 \times 1}{52} \right) \right) - \left(£869 - \left(\frac{£7,956 \times 1}{52} \right) \right)^{\#} = £42$$

#If answer is negative treat as zero.
If answer is zero no NICs due and the payroll record should be zero filled. Stop.
If answer is positive proceed to Step 3.

Step 3 Earnings above ST up to and including PT

$$\left(GP - \left(\frac{ST \times p^1}{w/m} \right) \right)^{\#} - \left(GP - \left(\frac{PT \times p^1}{w/m} \right) \right)^{\#} =$$
$$\left(£869 - \left(\frac{£7,956 \times 1}{52} \right) \right)^{\#} - \left(£869 - \left(\frac{£7,956 \times 1}{52} \right) \right)^{\#} = £0 \text{ (enter £42 on the payroll record)}$$

#If answer is negative treat as zero.
If answer is zero enter result of calculation of Step 2 on the payroll record.
If answer is positive enter the sum of the results of the calculations of both Step 2 and Step 3 on the payroll record and proceed to Step 4.

Step 4 Earnings above PT up to and including UAP

$$\left(\text{GP} - \left(\frac{\text{PT} \times \text{p}^1}{\text{w/m}} \right) \right)^{\#} - \left(\text{GP} - \left(\frac{\text{UAP} \times \text{p}}{\text{w/m}} \right) \right)^{\#} =$$
$$\left(\text{£}869 - \left(\frac{\text{£}7,956 \times 1}{52} \right) \right)^{\#} - \left(\text{£}869 - \left(\frac{\text{£}40,040 \times 1}{52} \right) \right)^{\#} = \text{£}617 \text{ (enter on the payroll record)}$$

[#]If answer is negative treat as zero.

If answer is zero no employee NICs due and the payroll record should be zero filled.

If answer is positive enter on the payroll record and proceed to Step 5.

Step 5 Earnings above UAP up to and including UEL

$$\left(\text{GP} - \left(\frac{\text{UAP} \times \text{p}}{\text{w/m}} \right) \right)^{\#} - \left(\text{GP} - \left(\frac{\text{UEL} \times \text{p}^1}{\text{w/m}} \right) \right)^{\#} =$$
$$\left(\text{£}869 - \left(\frac{\text{£}40,040 \times 1}{52} \right) \right)^{\#} - \left(\text{£}869 - \left(\frac{\text{£}41,865 \times 1}{52} \right) \right)^{\#} = \text{£}35 \text{ (enter on the payroll record)}$$

[#]If answer is negative treat as zero.

If answer is zero the payroll record should be zero filled.

If answer is positive enter on the payroll record and proceed to Step 6.

Step 6 Earnings above UEL

$$\left(\text{GP} - \left(\frac{\text{UEL} \times \text{p}^1}{\text{w/m}} \right) \right)^{\#} =$$
$$\left(\text{£}869 - \left(\frac{\text{£}41,865 \times 1}{52} \right) \right)^{\#} = \text{£}64$$

If answer is zero or negative no earnings above UEL. Proceed to Step 7.

If answer is positive proceed to Step 7.

Step 7 Employee's NICs

Step 4 multiplied by employee's band D % rate (round)

$$\text{£}617 \times 12.0\% = \text{£}74.04$$

PLUS

Step 5 multiplied by employee's band E % rate (round)

$$\text{£}35 \times 12.0\% = \text{£}4.20$$

PLUS

Step 6 multiplied by employee's band F % rate (round)

$$£64 \times 2.0\% = £1.28$$

$$£74.04 + £4.20 + £1.28 = £79.52 \text{ employee's NICs.}$$

Step 8 Employer's NICs

Step 3 multiplied by employer's band C % rate (round)

$$£0 \times 13.8\% = £0.00$$

PLUS

Step 4 multiplied by employer's band D % rate (round)

$$£617 \times 13.8\% = £85.146 = £85.15$$

PLUS

Step 5 multiplied by employer's band E % rate (round)

$$£35 \times 13.8\% = £4.83$$

PLUS

Step 6 multiplied by employer's band F % rate (round)

$$£64 \times 13.8\% = £8.832 = £8.83$$

$$£0.00 + £85.15 + £4.83 + £8.83 = £98.81 \text{ employer's NICs.}$$

Steps 9 and 10 = £0.00 (rebate not applicable.)

Step 11 Employee's net NICs

$$\text{Step 7} - £79.52$$

MINUS

$$\text{Step 9} - £0.00$$

= £79.52 employee's net NICs (if result is negative enter zero on the payroll record and carry forward balance to Step 12).

Step 12 Employer's net NICs

Step 8 – £98.81

MINUS

Step 10 – £0.00 (include any minus figure from Step 11)

= £98.81 employer's net NICs (enter on the payroll record).

Step 13 Total NICs

Step 11 – £79.52

PLUS

Step 12 – £98.81

= £178.33 total employer and employee NICs.

Example 3

An employee earns £869 a week and pays standard contracted-out NICs (COSR)

Category D NICs

Step 1 Earnings up to and including LEL

$$\left(GP - \left(\frac{LEL \times P}{w/m} \right)^* \right) =$$
$$\left(£869 - \left(\frac{£5,772 \times 1}{52} \right)^* \right) = £758 \text{ (enter weekly LEL } (£111) \text{ on the payroll record)}$$

If answer is negative no NICs due and no recording required. Stop.
If answer is zero or positive enter result of calculation at this point* on the payroll record and proceed to Step 2.

Step 2 Earnings above LEL up to and including ST

$$\left(GP - \left(\frac{LEL \times P}{w/m} \right) \right) - \left(GP - \left(\frac{ST \times P^1}{w/m} \right) \right)^{\#} =$$
$$\left(£869 - \left(\frac{£5,772 \times 1}{52} \right) \right) - \left(£869 - \left(\frac{£7,956 \times 1}{52} \right) \right)^{\#} = £42$$

[#]If answer is negative treat as zero.
If answer is zero no NICs due and the payroll record should be zero filled. Stop.
If answer is positive proceed to Step 3.

Step 3 Earnings above ST up to and including PT

$$\left(GP - \left(\frac{ST \times P^1}{w/m} \right) \right)^{\#} - \left(GP - \left(\frac{PT \times P^1}{w/m} \right) \right)^{\#} =$$
$$\left(£869 - \left(\frac{£7,956 \times 1}{52} \right) \right)^{\#} - \left(£869 - \left(\frac{£7,956 \times 1}{52} \right) \right)^{\#} = £0 \text{ (enter £42 on the payroll record)}$$

[#]If answer is negative treat as zero.
If answer is zero enter result of calculation of Step 2 on the payroll record.
If answer is positive enter the sum of the results of the calculations of both Step 2 and Step 3 on the payroll record and proceed to Step 4.

Step 4 Earnings above PT up to and including UAP

$$\left(\text{GP} - \left(\frac{\text{PT} \times \text{p}^1}{\text{w/m}} \right) \right)^{\#} - \left(\text{GP} - \left(\frac{\text{UAP} \times \text{p}}{\text{w/m}} \right) \right)^{\#} =$$
$$\left(\pounds 869 - \left(\frac{\pounds 7,956 \times 1}{52} \right) \right)^{\#} - \left(\pounds 869 - \left(\frac{\pounds 40,040 \times 1}{52} \right) \right)^{\#} = \pounds 617 \text{ (enter on the payroll record)}$$

[#]If answer is negative treat as zero.

If answer is zero no employee NICs due and the payroll record should be zero filled.

If answer is positive enter on the payroll record and proceed to Step 5.

Step 5 Earnings above UAP up to and including UEL

$$\left(\text{GP} - \left(\frac{\text{UAP} \times \text{p}}{\text{w/m}} \right) \right)^{\#} - \left(\text{GP} - \left(\frac{\text{UEL} \times \text{p}^1}{\text{w/m}} \right) \right)^{\#} =$$
$$\left(\pounds 869 - \left(\frac{\pounds 40,040 \times 1}{52} \right) \right)^{\#} - \left(\pounds 869 - \left(\frac{\pounds 41,865 \times 1}{52} \right) \right)^{\#} = \pounds 35 \text{ (enter on the payroll record)}$$

[#]If answer is negative treat as zero.

If answer is zero the payroll record should be zero filled.

If answer is positive enter on the payroll record and proceed to Step 6.

Step 6 Earnings above UEL

$$\left(\text{GP} - \left(\frac{\text{UEL} \times \text{p}^1}{\text{w/m}} \right) \right)^{\#} =$$
$$\left(\pounds 869 - \left(\frac{\pounds 41,865 \times 1}{52} \right) \right)^{\#} = \pounds 64$$

If answer is zero or negative no earnings above UEL. Proceed to Step 7.

If answer is positive proceed to Step 7.

Step 7 Employee's NICs

Step 4 multiplied by employee's band D % rate (round)

$$\pounds 617 \times 10.6\% = \pounds 65.402 = \pounds 65.40$$

PLUS

Step 5 multiplied by employee's band E % rate (round)

$$\pounds 35 \times 12.0\% = \pounds 4.20$$

PLUS

Step 6 multiplied by employee's band F % rate (round)

$$£64 \times 2.0\% = £1.28$$

$$£65.40 + £4.20 + £1.28 = £70.88 \text{ employee's NICs.}$$

Step 8 Employer's NICs

Step 3 multiplied by employer's band C % rate (round)

$$£0 \times 10.4\% = £0.00$$

PLUS

Step 4 multiplied by employer's band D % rate (round)

$$£617 \times 10.4\% = £64.168 = £64.17$$

PLUS

Step 5 multiplied by employer's band E % rate (round)

$$£35 \times 13.8\% = £4.83$$

PLUS

Step 6 multiplied by employer's band F % rate (round)

$$£64 \times 13.8\% = £8.832 = £8.83$$

$$£0.00 + £64.17 + £4.83 + £8.83 = £77.83 \text{ employer's NICs.}$$

Step 9 Employee's NIC rebate

Step 2 multiplied by employee's band B % rate (round)

$$£42 \times 1.4\% = £0.588 = £0.59$$

PLUS

Step 3 multiplied by employee's band C % rate (round)

$$£0 \times 1.4\% = £0.00$$

$$£0.59 + £0.00 = £0.59 \text{ employee rebate.}$$

Step 10 Employer's NIC rebate

Step 2 multiplied by employer's band B % rate (round)

$£42 \times 3.4\% = £1.428 = £1.43$ employer rebate.

Step 11 Employee's net NICs

Step 7 – £70.88

MINUS

Step 9 – £0.59

= £70.29 employee's net NICs (if result is negative enter zero on the payroll record and carry forward balance to Step 12).

Step 12 Employer's net NICs

Step 8 – £77.83

MINUS

Step 10 – £1.43

= £76.40 employer's net NICs (enter on the payroll record – include any minus figure from Step 11).

Step 13 Total NICs

Step 11 – £70.29

PLUS

Step 12 – £76.40

= £146.69 total employer and employee NICs (this could be a minus figure).

Example 4

An employee earns £541.00 a week and pays standard contracted-out NICs (COSR)

Category D NICs

Step 1 Earnings up to and including LEL

$$\left(GP - \left(\frac{LEL \times P}{w/m} \right)^* \right) =$$
$$\left(£541 - \left(\frac{£5,772 \times 1}{52} \right)^* \right) = £430 \text{ (enter weekly LEL } (£111) \text{ on the payroll record)}$$

If answer is negative no NICs due and no recording required. Stop.
If answer is zero or positive enter result of calculation at this point* on the payroll record and proceed to Step 2.

Step 2 Earnings above LEL up to and including ST

$$\left(GP - \left(\frac{LEL \times P}{w/m} \right) \right) - \left(GP - \left(\frac{ST \times P^1}{w/m} \right) \right)^{\#} =$$
$$\left(£541 - \left(\frac{£5,772 \times 1}{52} \right) \right) - \left(£541 - \left(\frac{£7,956 \times 1}{52} \right) \right)^{\#} = £42$$

[#]If answer is negative treat as zero.
If answer is zero no NICs due and the payroll record should be zero filled. Stop.
If answer is positive proceed to Step 3.

Step 3 Earnings above ST up to and including PT

$$\left(GP - \left(\frac{ST \times P^1}{w/m} \right) \right)^{\#} - \left(GP - \left(\frac{PT \times P^1}{w/m} \right) \right)^{\#} =$$
$$\left(£541 - \left(\frac{£7,956 \times 1}{52} \right) \right)^{\#} - \left(£541 - \left(\frac{£7,956 \times 1}{52} \right) \right)^{\#} = £0 \text{ (enter £42 on the payroll record)}$$

[#]If answer is negative treat as zero.
If answer is zero enter result of calculation of Step 2 on the payroll record.
If answer is positive enter the sum of the results of the calculations of both Step 2 and Step 3 on the payroll record and proceed to Step 4.

Step 4 Earnings above PT up to and including UAP

$$\left(GP - \left(\frac{PT \times p^1}{w/m} \right) \right)^{\#} - \left(GP - \left(\frac{UAP \times p}{w/m} \right) \right)^{\#} =$$
$$\left(\pounds 541 - \left(\frac{\pounds 7,956 \times 1}{52} \right) \right)^{\#} - \left(\pounds 541 - \left(\frac{\pounds 40,040 \times 1}{52} \right) \right)^{\#} = \pounds 388 \text{ (enter on the payroll record)}$$

[#]If answer is negative treat as zero.

If answer is zero no employee NICs due and the payroll record should be zero filled.

If answer is positive enter on the payroll record and proceed to Step 5.

Step 5 Earnings above UAP up to and including UEL

$$\left(GP - \left(\frac{UAP \times p}{w/m} \right) \right)^{\#} - \left(GP - \left(\frac{UEL \times p^1}{w/m} \right) \right)^{\#} =$$
$$\left(\pounds 541 - \left(\frac{\pounds 40,040 \times 1}{52} \right) \right)^{\#} - \left(\pounds 541 - \left(\frac{\pounds 41,865 \times 1}{52} \right) \right)^{\#} = \pounds 0.00$$

[#]If answer is negative treat as zero.

If answer is zero the payroll record should be zero filled.

If answer is positive proceed to Step 6.

Step 6 Not applicable as no earnings above UAP. Proceed to Step 7.

Step 7 Employee's NICs

Step 4 multiplied by employee's band D % rate (round)

$$\pounds 388 \times 10.6\% = \pounds 41.128 = \pounds 41.13$$

PLUS

Step 5 multiplied by employee's band E % rate (round)

$$\pounds 0.00 \times 12.0\% = \pounds 0.00$$

$$\pounds 41.13 + \pounds 0.00 = \pounds 41.13 \text{ employee's NICs.}$$

Step 8 Employer's NICs

Step 3 multiplied by employer's band C % rate (round)

$$\pounds 0 \times 10.4\% = \pounds 0.00$$

PLUS

Step 4 multiplied by employer's band D % rate (round)

$$£388 \times 10.4\% = £40.352 = £40.35$$

PLUS

Step 5 multiplied by employer's band E % rate (round)

$$£0.00 \times 13.8\% = £0.00$$

$$£0.00 + £40.35 + £0.00 = £40.35$$

Step 9 Employee's NIC rebate

Step 2 multiplied by employee's band B % rate (round)

$$£42 \times 1.4\% = £0.588 = £0.59$$

PLUS

Step 3 multiplied by employee's band C % rate (round)

$$£0 \times 1.4\% = £0.00$$

$$£0.59 + £0.00 = £0.59 \text{ employee rebate.}$$

Step 10 Employer's NIC rebate

Step 2 multiplied by employer's band B % rate (round)

$$£42 \times 3.4\% = £1.428 = £1.43 \text{ employer rebate.}$$

Step 11 Employee's net NICs

$$\text{Step 7} - £41.13$$

$$\text{Step 9} - £0.59$$

= £40.54 employee's net NICs (if result is negative enter zero on the payroll record and carry forward balance to Step 12).

Step 12 Employer's net NICs

$$\text{Step 8} - £40.35$$

MINUS

$$\text{Step 10} - £1.43$$

= £38.92 employer's net NICs (enter on the payroll record – include any minus figure from Step 11).

Step 13 Total NICs

Step 11 – £40.54

PLUS

Step 12 – £38.92

= £79.46 total employer and employee NICs (this could be a minus figure).

Example 5

An employee was paid £508 for a 2 week period and pays reduced rate not contracted-out NICs

Category B NICs

Step 1 Earnings up to and including LEL

$$\left(GP - \left(\frac{LEL \times p}{w/m} \right)^* \right) =$$
$$\left(£508 - \left(\frac{£5,772 \times 2}{52} \right)^* \right) = £286 \text{ (enter weekly LEL } (£222) \text{ on the payroll record)}$$

If answer is negative no NICs due and no recording required. Stop.
If answer is zero or positive enter result of calculation at this point * on the payroll record and proceed to Step 2.

Step 2 Earnings above LEL up to and including ST

$$\left(GP - \left(\frac{LEL \times p}{w/m} \right) \right) - \left(GP - \left(\frac{ST \times p^1}{w/m} \right) \right)^{\#} =$$
$$\left(£508 - \left(\frac{£5,772 \times 2}{52} \right) \right) - \left(£508 - \left(\frac{£7,956 \times 2}{52} \right) \right)^{\#} = £84$$

[#]If answer is negative treat as zero.
If answer is zero no NICs due and the payroll record should be zero filled. Stop.
If answer is positive proceed to Step 3.

Step 3 Earnings above ST up to and including PT

$$\left(GP - \left(\frac{ST \times p^1}{w/m} \right) \right)^{\#} - \left(GP - \left(\frac{PT \times p^1}{w/m} \right) \right)^{\#} =$$
$$\left(£508 - \left(\frac{£7,956 \times 2}{52} \right) \right)^{\#} - \left(£508 - \left(\frac{£7,956 \times 2}{52} \right) \right)^{\#} = £0 \text{ (enter £84 on the payroll record)}$$

[#]If answer is negative treat as zero.
If answer is zero enter result of calculation of Step 2 on the payroll record.
If answer is positive enter the sum of the results of the calculations of both Step 2 and Step 3 on the payroll record and proceed to Step 4.

Step 4 Earnings above PT up to and including UAP

$$\left(GP - \left(\frac{PT \times p^1}{w/m} \right) \right)^{\#} - \left(GP - \left(\frac{UAP \times p}{w/m} \right) \right)^{\#} =$$
$$\left(£508 - \left(\frac{£7,956 \times 2}{52} \right) \right)^{\#} - \left(£508 - \left(\frac{£40,040 \times 2}{52} \right) \right)^{\#} = £202 \text{ (enter on the payroll record)}$$

[#]If answer is negative treat as zero.

If answer is zero no employee NICs due and the payroll record should be zero filled.

If answer is positive enter on the payroll record and proceed to Step 5.

Step 5 Earnings above UAP up to and including UEL

$$\left(GP - \left(\frac{UAP \times p}{w/m} \right) \right)^{\#} - \left(GP - \left(\frac{UEL \times p^1}{w/m} \right) \right)^{\#} =$$
$$\left(£508 - \left(\frac{£40,040 \times 2}{52} \right) \right)^{\#} - \left(£508 - \left(\frac{£41,865 \times 2}{52} \right) \right)^{\#} = £0.00$$

[#]If answer is negative treat as zero.

If answer is zero the payroll record should be zero filled.

If answer is positive proceed to Step 6.

Step 6 Not applicable as no earnings above UAP. Proceed to Step 7.

Step 7 Employee's NICs

Step 4 multiplied by employee's band D % rate (round)

$$£202 \times 5.85\% = £11.817 = £11.82$$

PLUS

Step 5 multiplied by employee's band E % rate (round)

$$£0.00 \times 5.85\% = £0.00$$

$$£11.82 + £0.00 = £11.82 \text{ employee's NICs.}$$

Step 8 Employer's NICs

Step 3 multiplied by employer's band C % rate (round)

$$£0 \times 13.8\% = £0.00$$

PLUS

Step 4 multiplied by employer's band D % rate (round)

$$£202 \times 13.8\% = £27.876 = £27.88$$

PLUS

Step 5 multiplied by employer's band E % rate (round)

$$£0.00 \times 13.8\% = £0.00$$

$$£0.00 + £27.88 + £0.00 = £27.88 \text{ employer's NICs.}$$

Steps 9 and 10 are not applicable.

Step 11 Employee's net NICs

$$\text{Step 7} - £11.82$$

MINUS

$$\text{Step 9} - £0.00$$

= £11.82 employee's net NICs (if result is negative enter zero on the payroll record and carry forward balance to Step 12).

Step 12 Employer's net NICs

$$\text{Step 8} - £27.88$$

MINUS

$$\text{Step 10} - £0.00 \text{ (include any minus figure from Step 11)}$$

$$= £27.88 \text{ employer's net NICs (enter on the payroll record).}$$

Step 13 Total NICs

$$\text{Step 11} - £11.82$$

PLUS

$$\text{Step 12} - £27.88$$

$$= £39.70 \text{ total employer and employee NICs.}$$

Example 6

A director for the whole of the year earns £42,755 and pays contracted-out NICs (COSR). Has paid no NIC to date.

Category D NICs

Step 1 Earnings up to and including LEL

$$GP_{\text{ptd}} - \text{LEL} =$$

$$£42,755 - £5,772 = £36,983$$

If answer is negative no NICs due and no recording required. Stop.
If answer is zero or positive enter LEL on the payroll record and proceed to Step 2.

Step 2 Earnings above LEL up to and including ST

$$(GP_{\text{ptd}} - \text{LEL})^{\#} - (GP_{\text{ptd}} - \text{ST})^{\#} =$$

$$(£42,755 - £5,772) - (£42,755 - £7,956)^{\#} = £2,184$$

[#]If answer is negative treat as zero.

If answer is zero no NICs due and the payroll record should be zero filled. Stop.

If answer is positive proceed to Step 3.

Step 3 Earnings above ST up to and including PT

$$(GP_{\text{ptd}} - \text{ST})^{\#} - (GP_{\text{ptd}} - \text{PT})^{\#} =$$

$$(£42,755 - £7,956)^{\#} - (£42,755 - £7,956)^{\#} = £0 \text{ (enter } £2,184 \text{ on the payroll record)}$$

[#]If answer is negative treat as zero.

If answer is zero enter result of calculation of Step 2 on the payroll record.

If answer is positive enter the sum of the results of the calculations of both Step 2 and Step 3 on the payroll record and proceed to Step 4.

Step 4 Earnings above PT up to and including UAP

$$(GP_{\text{ptd}} - \text{PT})^{\#} - (GP_{\text{ptd}} - \text{UAP})^{\#} =$$

$$(£42,755 - £7,956)^{\#} - (£42,755 - £40,040)^{\#} = £32,084$$

[#]If answer is negative treat as zero.

If answer is zero no employee NICs due and the payroll record should be zero filled.

If answer is positive enter on the payroll record and proceed to Step 5.

Step 5 Earnings above UAP up to and including UEL

$$\begin{aligned} & (\text{GP}_{\text{ptd}} - \text{UAP})^{\#} - (\text{GP}_{\text{ptd}} - \text{UEL})^{\#} = \\ & (£42,755 - £40,040)^{\#} - (£42,755 - £41,865)^{\#} = £1,825 \end{aligned}$$

[#]If answer is negative treat as zero.

If answer is zero the payroll record should be zero filled.

If answer is positive enter on the payroll record and proceed to Step 6.

Step 6 Earnings above UEL

$$\begin{aligned} & \text{GP}_{\text{ptd}} - \text{UEL} = \\ & £42,755 - £41,865 = £890 \end{aligned}$$

If answer is zero or negative no earnings above UEL treat as zero, proceed to Step 7.

If answer is positive proceed to Step 7.

Step 7 Director's NICs

Step 4 multiplied by employee's band D % rate (round)

$$£32,084 \times 10.6\% = £3,400.90$$

PLUS

Step 5 multiplied by employee's band E % rate (round)

$$£1,825 \times 12.0\% = £219.00$$

PLUS

Step 6 multiplied by employee's band F % rate (round)

$$£890 \times 2.0\% = £17.80$$

$$= £3,400.90 + £219.00 + £17.80 = £3,637.70$$

employee's NIC due to date.

Step 8 Director's NIC rebate

Step 2 multiplied by employee's band B % rate (round)

$$£2,184 \times 1.4\% = £30.576 = £30.58$$

PLUS

Step 3 multiplied by employee's band C % rate (round)

$$£0 \times 1.4\% = £0.00$$

$$£30.58 + £0.00 = £30.58 \text{ employee rebate.}$$

Step 9 Director's net NICs

$$\text{Step 7} - £3,637.70$$

MINUS

$$\text{Step 8} - £30.58$$

= £3,607.12 employee's net NICs due to date (if result is negative enter zero on the payroll record and carry forward balance to Step 12)

MINUS

Employee's net NICs paid to date

$$£0.00$$

$$= £3,607.12 \text{ employee's net NICs due this period.}$$

Step 10 Employer's NICs

Step 3 multiplied by employer's band C % rate (round)

$$£0 \times 10.4\% = £0.00$$

PLUS

Step 4 multiplied by employer's band D % rate (round)

$$£32,084 \times 10.4\% = £3,336.74$$

PLUS

Step 5 multiplied by employer's band E % rate (round)

$$£1,825 \times 13.8\% = £251.85$$

PLUS

Step 6 multiplied by employer's band F % rate (round)

$$£890 \times 13.8\% = £122.82$$

$$= £3,711.41 \text{ employer's NICs due to date.}$$

Step 11 Employer's NIC rebate

Step 2 multiplied by employer's band B % rate (round)

$$£2,184 \times 3.4\% = £74.256 = £74.26$$

= £74.26 employer's rebate due to date.

Step 12 Employer's net NICs

Step 10 – £3,711.41

MINUS

Step 11 – £74.26 (include any minus figure from Step 9)

= £3,637.15 employer's net NICs due to date (enter on the payroll record – this could be a minus figure)

MINUS

Employer's net NICs paid to date

£0.00

= £3,637.15 employer's net NICs due this period.

Step 13 Total NICs

Step 9 – £3,607.12

PLUS

Step 12 – £3,637.15

= £7,244.27 total employer and employees NICs (this could be a minus figure).

Example 7

Director from 1st December 2014 earns £37,643 in the rest of the tax year.
Pays standard rate not contracted-out NICs.

Pro rata limits

$$\text{LEL} \quad £111 \times 18 \quad = \quad £1,998$$

$$\text{ST} \quad £7,956 \div 52 \times 18 \quad = \quad £2,754$$

$$\text{PT} \quad £7,956 \div 52 \times 18 \quad = \quad £2,754$$

$$\text{UAP} \quad £770 \times 18 \quad = \quad £13,860$$

$$\text{UEL} \quad £41,865 \div 52 \times 18 \quad = \quad £14,492$$

Category A NICs

Step 1 Earnings up to and including LEL

$$\text{GP}_{\text{ptd}} - \text{LEL} =$$

$$£37,643 - £1,998 = £35,645$$

If answer is negative no NICs due and no recording required. Stop.
If answer is zero or positive enter LEL on the payroll record and proceed to Step 2.

Step 2 Earnings above LEL up to and including ST

$$(\text{GP}_{\text{ptd}} - \text{LEL})^{\#} - (\text{GP}_{\text{ptd}} - \text{ST})^{\#} =$$

$$(\text{£}37,643 - \text{£}1,998) - (\text{£}37,643 - \text{£}2,754)^{\#} = \text{£}756$$

[#]If answer is negative treat as zero.

If answer is zero no NICs due and the payroll record should be zero filled. Stop.

If answer is positive proceed to Step 3.

Step 3 Earnings above ST up to and including PT

$$(\text{GP}_{\text{ptd}} - \text{ST})^{\#} - (\text{GP}_{\text{ptd}} - \text{PT})^{\#} =$$

$$(\text{£}37,643 - \text{£}2,754)^{\#} - (\text{£}37,643 - \text{£}2,754)^{\#} = \text{£}0 \text{ (enter £756 on the payroll record)}$$

[#]If answer is negative treat as zero.

If answer is zero enter result of calculation of Step 2 on the payroll record.

If answer is positive enter the sum of the results of the calculations of both Step 2 and Step 3 on the payroll record and proceed to Step 4.

Step 4 Earnings above PT up to and including UAP

$$\begin{aligned} & (GP_{\text{ptd}} - PT)^{\#} - (GP_{\text{ptd}} - UAP)^{\#} = \\ & (£37,643 - £2,754)^{\#} - (£37,643 - £13,860)^{\#} = £11,106 \end{aligned}$$

[#]If answer is negative treat as zero.

If answer is zero no employee NICs due and the payroll record should be zero filled.

If answer is positive enter on the payroll record and proceed to Step 5.

Step 5 Earnings above UAP up to and including UEL

$$\begin{aligned} & (GP_{\text{ptd}} - UAP)^{\#} - (GP_{\text{ptd}} - UEL)^{\#} = \\ & (£37,643 - £13,860)^{\#} - (£37,643 - £14,492)^{\#} = £632 \end{aligned}$$

[#]If answer is negative treat as zero.

If answer is zero the payroll record should be zero filled.

If answer is positive enter on the payroll record and proceed to Step 6.

Step 6 Earnings above UEL

$$\begin{aligned} & GP_{\text{ptd}} - UEL = \\ & £37,643 - £14,492 = £23,151 \end{aligned}$$

If answer is zero or negative no earnings above UEL treat as zero, proceed to Step 7.

If answer is positive proceed to Step 7.

Step 7 Director's NICs

Step 4 multiplied by employee's band D % rate (round)

$$£11,106 \times 12.0\% = £1,332.72$$

PLUS

Step 5 multiplied by employee's band E % rate (round)

$$£632 \times 12.0\% = £75.84$$

PLUS

Step 6 multiplied by employee's band F % rate (round)

$$£23,151 \times 2.0\% = £463.02$$

$$= £1,332.72 + £75.84 + £463.02 = £1,871.58$$

employee's NIC due to date.

Step 8 Director's NIC rebate

Not applicable.

Step 9 Director's net NICs

Step 7 – £1,871.58

MINUS

Step 8 – £0.00

= £1,871.58 employee's net NICs due to date (if result is negative enter zero on the payroll record and carry forward balance to Step 12)

MINUS

Employee's net NICs paid to date

£0.00

= £1,871.58 employee's net NICs due this period.

Step 10 Employer's NICs

Step 3 multiplied by employer's band C % rate (round)

£0 x 13.8% = £0.00

PLUS

Step 4 multiplied by employer's band D % rate (round)

£11,106 x 13.8% = £1,532.628 = £1,532.63

PLUS

Step 5 multiplied by employer's band E % rate (round)

£632 x 13.8% = £87.216 = £87.22

PLUS

Step 6 multiplied by employer's band F % rate (round)

£23,151 x 13.8% = £3,194.838 = £3,194.84

= £4,814.69 employer's NICs due to date.

Step 11 Employer's NIC rebate

Not applicable.

Step 12 Employer's net NICs

Step 10 – £4,814.69

MINUS

Step 11 – £0.00 (include any minus figure from Step 9)

= £4,814.69 employer's net NICs due to date (enter on the payroll record)

MINUS

Employer's net NICs paid to date

£0.00

= £4,814.69 employer's net NICs due this period.

Step 13 Total NICs

Step 9 – £1,871.58

PLUS

Step 12 – £4,814.69

= £6,686.27 total employer and employee NICs.

Example 8

A director for the whole tax year joins the company's contracted-out salary related occupational pension scheme on 28th April 2014. He earned £6,000 before the change and £27,050 after. The contracted-out contributions take priority.

Contracted-out (COSR) NICs – Category D

Step 1 Earnings up to and including LEL

$$\begin{aligned} GP_{\text{ptd}} - \text{LEL} &= \\ £27,050 - £5,772 &= £21,278 \end{aligned}$$

If answer is negative no NICs due and no recording required. Stop.
If answer is zero or positive enter LEL on the payroll record and proceed to Step 2.

Step 2 Earnings above LEL up to and including ST

$$\begin{aligned} (GP_{\text{ptd}} - \text{LEL})^{\#} - (GP_{\text{ptd}} - \text{ST})^{\#} &= \\ (£27,050 - £5,772) - (£27,050 - £7,956)^{\#} &= £2,184 \end{aligned}$$

[#]If answer is negative treat as zero.
If answer is zero no NICs due and the payroll record should be zero filled. Stop.
If answer is positive proceed to Step 3.

Step 3 Earnings above ST up to and including PT

$$\begin{aligned} (GP_{\text{ptd}} - \text{ST})^{\#} - (GP_{\text{ptd}} - \text{PT})^{\#} &= \\ (£27,050 - £7,956)^{\#} - (£27,050 - £7,956)^{\#} &= £0 \text{ (enter } £2,184 \text{ on the} \\ \text{payroll record)} \end{aligned}$$

[#]If answer is negative treat as zero.
If answer is zero enter result of calculation of Step 2 on the payroll record.
If answer is positive enter the sum of the results of the calculations of both Step 2 and Step 3 on the payroll record and proceed to Step 4.

Step 4 Earnings above PT up to and including UAP

$$\begin{aligned} (GP_{\text{ptd}} - \text{PT})^{\#} - (GP_{\text{ptd}} - \text{UAP})^{\#} &= \\ (£27,050 - £7,956)^{\#} - (£27,050 - £40,040)^{\#} &= £19,094 \end{aligned}$$

[#]If answer is negative treat as zero.
If answer is zero no employee NICs due and the payroll record should be zero filled.
If answer is positive enter on the payroll record and proceed to Step 5.

Step 5 Earnings above UAP up to and including UEL

$$\begin{aligned} & (\text{GP}_{\text{ptd}} - \text{UAP})^{\#} - (\text{GP}_{\text{ptd}} - \text{UEL})^{\#} = \\ & (£27,050 - £40,040)^{\#} - (£27,050 - £41,865)^{\#} = £0.00 \end{aligned}$$

[#]If answer is negative treat as zero.

If answer is zero the payroll record should be zero filled.

If answer is positive enter on the payroll record and proceed to Step 6.

Step 6 Not applicable as no earnings above UAP. Proceed to Step 7.

Step 7 Director's NICs

Step 4 multiplied by employee's band D % rate (round)

$$£19,094 \times 10.6\% = £2,023.964 = £2,023.96$$

PLUS

Step 5 multiplied by employee's band E % rate (round)

$$£0.00 \times 12.0\% = £0.00$$

$$= £2,023.96 + £0.00 = £2,023.96 \text{ employee's NIC due to date.}$$

Step 8 Director's NIC rebate

Step 2 multiplied by employee's band B % rate (round)

$$£2,184 \times 1.4\% = £30.576 = £30.58$$

PLUS

Step 3 multiplied by employee's band C % rate (round)

$$£0 \times 1.4\% = £0.00$$

$$£30.58 + £0.00 = £30.58 \text{ employee rebate.}$$

Step 9 Director's net NICs

$$\text{Step 7} - £2,023.96$$

MINUS

$$\text{Step 8} - £30.58$$

$$= £1,993.38 \text{ employee's net NICs due this period (if result is negative enter zero on the payroll record and carry forward balance to Step 12).}$$

Step 10 Employer's NICs

Step 3 multiplied by employer's band C % rate (round)

$$£0 \times 10.4\% = £0.00$$

PLUS

Step 4 multiplied by employer's band D % rate (round)

$$£19,094 \times 10.4\% = £1,985.776 = £1,985.78$$

PLUS

Step 5 multiplied by employer's band E % rate (round)

$$£0.00 \times 13.8\% = £0.00$$

$$£0.00 + £1,985.78 + £0.00 = £1,985.78 \text{ employer's NICs due to date.}$$

Step 11 Employer's NIC rebate

Step 2 multiplied by employer's band B % rate (round)

$$£2,184 \times 3.4\% = £74.256 = £74.26$$

$$= £74.26 \text{ employer's rebate due to date.}$$

Step 12 Employer's net NICs

Step 10 – £1,985.78

MINUS

Step 11 – £74.26 (include any minus figure from Step 9)

$$= £1,911.52 \text{ employer's net NICs due this period (enter on the payroll record – this could be a minus figure).}$$

Step 13 Total NICs

Step 9 – £1,993.38

PLUS

Step 12 – £1,911.52

$$= £3,904.90 \text{ total employer and employee contracted-out NICs (this could be a minus figure).}$$

Not contracted-out NICs – Category A

Step 4 Earnings above PT up to and including UAP

$$\begin{aligned} & (GP_{\text{ptd}} - GP_c)^{\#} - (GP_{\text{ptd}} - UAP)^{\#} = \\ & (£33,050 - £27,050)^{\#} - (£33,050 - £40,040)^{\#} = £6,000 \end{aligned}$$

[#]If answer is negative treat as zero.

If answer is zero no NICs due and the payroll record should be zero filled.

If answer is positive enter on the payroll record and proceed to Step 5.

Step 5 Earnings above UAP up to and including UEL

$$\begin{aligned} & (GP_{\text{ptd}} - UAP)^{\#} - (GP_{\text{ptd}} - UEL)^{\#} = \\ & (£33,050 - £40,040)^{\#} - (£33,050 - £41,865)^{\#} = £0.00 \end{aligned}$$

[#]If answer is negative treat as zero.

If answer is zero the payroll record should be zero filled.

If answer is positive enter on the payroll record and proceed to Step 6.

Step 6 Not applicable as no earnings above UAP. Proceed to Step 7.

Step 7 Director's NICs

Step 4 multiplied by employee's band D % rate (round)

$$£6,000 \times 12.0\% = £720$$

PLUS

Step 5 multiplied by employee's band E % rate (round)

$$£0.00 \times 12.0\% = £0.00$$

$$= £720 + £0.00 = £720 \text{ employee's NIC due to date.}$$

Step 8 Director's NIC rebate

Not applicable.

Step 9 Director's net NICs

$$\text{Step 7} - £720$$

MINUS

$$\text{Step 8} - £0.00$$

= £720 employee's net NICs due this period (if result is negative enter zero on the payroll record and carry forward balance to Step 12.)

Step 10 Employer's NICs

Step 4 multiplied by employer's band D % rate (round)

$$£6,000 \times 13.8\% = £828$$

PLUS

Step 5 multiplied by employer's band E % rate (round)

$$£0.00 \times 13.8\% = £0.00$$

= £828 employer's NICs due to date.

Step 11 Employer's NIC rebate

Not applicable.

Step 12 Employer's net NICs

Step 10 – £828

MINUS

Step 11 – £0.00 (include any minus figure from Step 9)

= £828 employer's net NICs due this period (enter on the payroll record).

Step 13 Total NICs

Step 9 – £720

PLUS

Step 12 – £828

= £1,548 total employer and employee NICs.

Example 9

A director first appointed on 6th May 2014 pays standard rate not contracted-out NICs. He reaches age 65 on 13th January 2015. He earns £16,968 from 6th May 2014 to 12th January 2015 and £5,000 from 13th January 2015 to the end of the tax year. There are 48 tax weeks left in the 2014-2015 tax year from 6th May 2014 to 5th April 2015.

Pro rata limits

$$\text{LEL} \quad £111 \times 48 \quad = \quad £5,328$$

$$\text{ST} \quad £7,956 \div 52 \times 48 \quad = \quad £7,344$$

$$\text{PT} \quad 7,956 \div 52 \times 48 \quad = \quad £7,344$$

$$\text{UAP} \quad £770 \times 48 \quad = \quad £36,960$$

$$\text{UEL} \quad £41,865 \div 52 \times 48 \quad = \quad £38,645$$

Not Contracted-out NICs – Category A

Step 1 Earnings up to and including LEL

$$\text{GP}_{\text{ptd}} - \text{LEL} =$$

$$£16,968 - £5,328 = £11,640$$

If answer is negative no NICs due and no recording required. Stop.
If answer is zero or positive enter LEL on the payroll record and proceed to Step 2.

Step 2 Earnings above LEL up to and including ST

$$(\text{GP}_{\text{ptd}} - \text{LEL})^{\#} - (\text{GP}_{\text{ptd}} - \text{ST})^{\#} =$$

$$(\£16,968 - 5,328) - (\£16,968 - \£7,344)^{\#} = \£2,016$$

[#]If answer is negative treat as zero.

If answer is zero no NICs due and the payroll record should be zero filled. Stop.

If answer is positive proceed to Step 3.

Step 3 Earnings above ST up to and including PT

$$(GP_{\text{ptd}} - ST)^{\#} - (GP_{\text{ptd}} - PT)^{\#} =$$

$$(\pounds 16,968 - \pounds 7,344)^{\#} - (\pounds 16,968 - \pounds 7,344)^{\#} = \pounds 0 \text{ (enter } \pounds 2,016 \text{ on the payroll record)}$$

[#]If answer is negative treat as zero.

If answer is zero enter result of calculation of Step 2 on the payroll record.

If answer is positive enter the sum of the results of the calculations of both Step 2 and Step 3 on the payroll record and proceed to Step 4.

Step 4 Earnings above PT up to and including UAP

$$(GP_{\text{ptd}} - PT)^{\#} - (GP_{\text{ptd}} - UAP)^{\#} =$$

$$(\pounds 16,968 - \pounds 7,344)^{\#} - (\pounds 16,968 - \pounds 36,960)^{\#} = \pounds 9,624$$

[#]If answer is negative treat as zero.

If answer is zero no employee NICs due and the payroll record should be zero filled.

If answer is positive enter on the payroll record and proceed to Step 5.

Step 5 Earnings above UAP up to and including UEL

$$(GP_{\text{ptd}} - UAP)^{\#} - (GP_{\text{ptd}} - UEL)^{\#} =$$

$$(\pounds 16,968 - \pounds 36,960)^{\#} - (\pounds 16,968 - \pounds 38,645)^{\#} = \pounds 0.00$$

[#]If answer is negative treat as zero.

If answer is zero the payroll record should be zero filled.

If answer is positive enter on the payroll record and proceed to Step 6.

Step 6 Not applicable as no earnings above UAP. Proceed to Step 7.

Step 7 Director's NICs

Step 4 multiplied by employee's band D % rate (round)

$$\pounds 9,624 \times 12.0\% = \pounds 1,154.88$$

PLUS

Step 5 multiplied by employee's band E % rate (round)

$$\pounds 0.00 \times 12.0\% = \pounds 0.00$$

$$= \pounds 1,154.88 + \pounds 0.00 = \pounds 1,154.88 \text{ employee's NIC due to date.}$$

Step 8 Director's NIC rebate

Not applicable.

Step 9 Director's net NICs

Step 7 – £1,154.88

MINUS

Step 8 – £0.00

= £1,154.88 employee's net NICs due this period (if result is negative enter zero on the payroll record and carry forward balance to Step 12).

Step 10 Employer's NICs

Step 3 multiplied by employer's band C % rate (round)

£0 x 13.8% = £0.00

PLUS

Step 4 multiplied by employer's band D % rate (round)

£9,624 x 13.8% = £1,328.112 = £1,328.11

PLUS

Step 5 multiplied by employer's band E % rate

£0.00 x 13.8% = £0.00

£0.00 + £1,328.11 + £0.00 = £1,328.11 employer's NICs due to date.

Step 11 Employer's NIC rebate

Not Applicable.

Step 12 Employer's net NICs

Step 10 – £1,328.11

MINUS

Step 11 – £0.00 (include any minus figure from Step 9)

= £1,328.11 employer's net NICs due this period (enter on the payroll record).

Step 13 Total NICs

Step 9 – £1,154.88

PLUS

Step 12 – £1,328.11

= £2,482.99 total employer and employee NICs.

Category C NICs – employer only

Step 4 Earnings above PT up to and including UAP

$$(GP_{\text{ptd}} - GP_c)^{\#} - (GP_{\text{ptd}} - UAP)^{\#} =$$

$$(\pounds 21,968 - \pounds 16,968)^{\#} - (\pounds 21,968 - \pounds 36,960)^{\#} = \pounds 5,000$$

[#]If answer is negative treat as zero.

If answer is zero no NICs due and the payroll record should be zero filled.

If answer is positive enter on the payroll record and proceed to Step 5.

Step 5 Earnings above UAP up to and including UEL

$$(GP_{\text{ptd}} - UAP)^{\#} - (GP_{\text{ptd}} - UEL)^{\#} =$$

$$(\pounds 21,968 - \pounds 36,960)^{\#} - (\pounds 21,968 - \pounds 38,645)^{\#} = \pounds 0.00$$

[#]If answer is negative treat as zero.

If answer is zero the payroll record should be zero filled.

If answer is positive enter on the payroll record and proceed to Step 6.

Steps 6 to 9 are not applicable as no earnings above UAP and no employee NICs payable.

Proceed to Step 10.

Step 10 Employer's NICs

Step 4 multiplied by employer's band D % rate (round)

$$\pounds 5,000 \times 13.8\% = \pounds 690$$

PLUS

Step 5 multiplied by employer's band E % rate (round)

$$\pounds 0.00 \times 13.8\% = \pounds 0.00$$

= £690 employer's NICs due to date.

Step 11 Employer's NIC rebate

Not applicable.

Step 12 Employer's net NICs

Step 10 – £690

MINUS

Step 11 – £0.00 (include any minus figure from Step 9)

= £690 employer's net NICs due this period (enter on the payroll record).

Step 13 Total NICs

Step 9 – £0.00

PLUS

Step 12 – £690

= £690 total employer and employee NICs.

This leaflet gives general guidance only and should not be treated as a complete and authoritative statement of the law.

Leaflet NI guidance for software developers from 2014.
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