



HM Revenue
& Customs

National Insurance Contributions guidance for software developers

Effective for the tax year

2016 to 2017

Format for National Insurance contributions calculations



Notes

Booklet updated December 2015

National Insurance contributions (NICs) guidance for software developers for 2016 to 2017

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Glossary of terms

GP	Gross Pay for NICs purposes
LEL	Lower Earnings Limit
PT	Primary Threshold
ST	Secondary Threshold
UEL	Upper Earnings Limit
UST	Upper Secondary Threshold
AUST	Apprentice Upper Secondary Threshold
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 tax year. For more information go to www.gov.uk/government/collections/real-time-information-online-internet-submissions-support-for-software-developers
- 1.2 Abolition of Employers NICs for apprentices under the age of 25. From the 6 April 2016 if employers employ apprentices under the age of 25 they will no longer pay employer Class 1 secondary NICs on earnings up to a new Apprentice Upper Secondary Threshold (AUST). The AUST for 2016 to 2017 will be equal to the Upper Earnings Limit for 2016 to 2017. The full rate of secondary Class 1 NICs will continue to be due on earnings above the AUST. There will be no change to the Class 1 NICs assessment rules already in place. The AUST is not the same as the UST for under 21s. It is set at the same amount for 2016 to 2017 but may differ in the future.
- 1.3 This specification sets out the calculation format for National Insurance contributions (NICs) for the tax year 2016 to 2017, 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).
- 1.4 The 2016 to 2017 tax year versions are available to download. Go to www.gov.uk/government/collections/payroll-publications-for-employers
- 1.5 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.
- 1.6 Please note that the manual NICs tables are designed for the convenience of the manual user, incorporating various roundings that make for possible differences to the calculations undertaken by computerised NICs routines. Software packages which use a mixture of NICs tables and the exact percentage method should not allow NICs to be deducted for an employee by both methods within one tax year by the same payroll.

2 National Insurance contributions (NICs) information for tax year commencing 6 April 2016. Completing the payroll record (2016 to 2017)

- 2.1 The format for the payroll record is reflected in the following paragraphs.
- 2.2 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 fields should contain pounds and pence.
- 2.3 All references to LEL, PT, ST 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 UEL.

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

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

Employer's contributions for category letters A, B, C, J, M, Z and H and mariners' equivalents, is all earnings above ST multiplied by the appropriate employer's percentage rates

Employee's contributions for all category letters, 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.

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

- 3.1 The figures shown in the manual NICs tables may differ from the exact percentage method figures. This is because, with the exception of the LEL, PT, ST 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, PT, ST or UEL figures. Further information is provided at section 7.

4 Rules for rounding

General National Insurance contributions (NICs)

- 4.1 The Social Security (Contributions) Regulations 2001 provide specific rules for rounding in the calculation of NICs.

Regulation 12(1)(b) provides that:

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

- 4.2 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 NICs calculated was to result in:

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

5 National Insurance Contributions (NICs) calculation formulae – exact percentage method

- 5.1 Changes to NICs announced in the Autumn Statement of 25 November 2015 are incorporated in the calculation formulae that follow.
- 5.2 Bands A to E 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 NICs 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
p ¹	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
PT	annual Primary Threshold (ie employee's threshold)
ST	annual Secondary Threshold (ie employer's threshold)
UEL	annual Upper Earnings Limit
ptd	paid to date
c	before the change

For the tax year 2016 to 2017, the UEL, UST and the AUST are the same value.

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 PT

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

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

Step 3 Earnings above PT up to and including ST

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

[#]If answer is negative treat as zero.
If answer is zero no NICs due and the payroll record should be zero filled.
If answer is positive proceed to Step 4.

Step 4 Earnings above ST up to and including UEL

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

[#]If answer is negative treat as zero.
If answer is zero enter result of calculation of Step 3 on the payroll record.
If answer is positive enter the sum of the results of the calculations of both
Step 3 and Step 4 on the payroll record and proceed to Step 5.

Step 5 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 6.
If answer is positive proceed to Step 6.

Step 6 Employee's NICs

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

PLUS

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

PLUS

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

Step 7 Employer's NICs

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

PLUS

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

Step 8 Total NICs

Step 6

PLUS

Step 7

= total employer and employee NICs.

6 Director's National Insurance Contributions (NICs) calculation formulae

- 6.1 For NICs, 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.
- 6.2 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 company directors you must use either:
- an annual earnings period, or
 - a pro-rata annual earnings period.
- 6.3 This applies regardless of the actual interval between payments.
- 6.4 Under Regulation 8(6) of the Social Security (Contributions) Regulations 2001, NICs 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.
- 6.5 More detailed information about directors can be found in Booklet CA44 which is available to download. Go to www.gov.uk/government/publications/ca44-national-insurance-for-company-directors
- 6.6 The following formulae set out the basic rules for calculating company 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 PT

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

[#]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 enter on the payroll record and proceed to Step 3.

Step 3 Earnings above PT up to and including ST

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

[#]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 proceed to Step 4.

Step 4 Earnings above ST up to and including UEL

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

[#]If answer is negative treat as zero.

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

If answer is positive enter the results of the calculation of both step 3 and step 4 on the payroll record and proceed to Step 5.

Step 5 Earnings above UEL

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

If answer is zero or negative no earnings above UEL treat as zero, proceed to Step 6.

If answer is positive proceed to Step 6.

Step 6 Director's NICs

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

PLUS

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

PLUS

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

= employee's NICs due to date.

Step 7 Director's net NICs

Step 6 employee's net NICs due to date (if result is negative enter zero on the payroll record and carry forward balance to Step 10 (see paragraph 2.2)

MINUS

Employee's net NICs paid to date

= employee's net NICs due this period.

Step 8 Employer's NICs

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

PLUS

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

Step 9 Employer's net NICs

Step 8

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

MINUS

Employer's net NICs paid to date

= employer's net NICs due this period.

Step 10 Total NICs

Step 7

PLUS

Step 9

= total employer and employee NICs.

Pro-rata company director

- 6.7 For pro-rata company director, replace the annual LEL, PT, ST and UEL with the pro-rata LEL, PT, ST and UEL and follow the previous formulae.
- 6.8 The following example shows the pro-rata earnings limits for someone who becomes a company director during the tax year 2016 to 2017 with 18 weeks from and including the week of appointment to the end of the tax year:

$$18 \times £112 = £2,016 \text{ (pro-rata LEL)}$$

$$£8,060 \div 52 \times 18 = £2,790 \text{ (pro-rata PT rounded up to next whole £)}$$

$$£8,112 \div 52 \times 18 = £2,808 \text{ (pro-rata ST rounded up to next whole £)}$$

$$£43,000 \div 52 \times 18 = £14,885 \text{ (pro-rata UEL rounded up to next whole £)}$$

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 2016 to 2017 at appendix 2 contains worked examples of NICs calculations using the rates and limits for 2016 to 2017.

7 NICs calculation formulae – tables method

7.1 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.

7.2 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 primary and secondary thresholds, where liability for primary and secondary NI arises, there must be calculations at the exact threshold figures.

7.3 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.

7.4 Please note that although not all steps within the monthly table increase by four pounds, the calculation of the NICs 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, PT, ST and UEL where the NICs is calculated on the exact earnings (whole pounds).

7.5 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 tax year 2016 to 2017.

Earnings bands and NICs percentage rates

Tier	Value	2016 to 2017	% Bands	Employee's NI & Rates				Employer's NI & Rates	
				A/M/H	B	C	J/Z	A/B/C/J	M/Z/H
7	Spare								
6	UEL+	∞	Band E#	2.0%	2.0%	Nil	2.0%	13.8%	13.8%
5	UEL	43,000	Band D [^]	12.0%	5.85%	Nil	2.0%	13.8%	0%
4	ST	8,112	Band C*	12.0%	5.85%	Nil	2.0%	0%	0%
3	PT	8,060	Band B	0%	0%	Nil	0%	0%	0%
2	LEL	5,824	Band A	Nil	Nil	Nil	Nil	Nil	Nil
1	0	0							

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

[^] Band D gives the appropriate NICs % rates for employers and employees between the ST and the UEL.

Band E gives the appropriate NICs % rates for employers and employees above the UEL

- Mariners' rates are not included in this table.

Supplement to NI guidance for software developers for 2016 to 2017

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1 Introduction

- 1.1 Following the Chancellor's Autumn Statement of 25 November 2015 the NI rates and earnings limits which take effect from 6 April 2016 are reflected in this supplement to the NI guidance for software developers for 2016 to 2017.
- 1.2 This supplement also contains worked examples which have been updated using the NI rates and earnings limits for 2016 to 2017.
- 1.3 Section 3 provides examples using the NICs calculation formulae for 2016 to 2017.

For calculation examples where the employee is under the age of 21, see examples 4 and 7.

For calculation examples where the employee is an Apprentice under the age of 25 from April 2016 see example 8.

2 NICs rates and earnings limits from 6 April 2016

2.1 The following NICs rates and earnings limits will apply from 6 April 2016.

2.2 Earnings limits

	Lower Earnings Limit	Primary Threshold	Secondary Threshold	Upper Earnings Limit	Upper Secondary Threshold	Apprentices Upper Secondary Threshold
Weekly	£112	£155	£156	£827	£827	£827
Monthly	£486	£672	£676	£3,583	£3,583	£3,583
Yearly	£5,824	£8,060	£8,112	£43,000	£43,000	£43,000

2.3 Rates

	Employee	Employer Where employee aged under 21	Employer Where employee aged 21 or over	Employer Where employee is an Apprentice under the age of 25	Employer Where employee is an Apprentice over the age of 25
(Earnings above PT up to ST)	12%	0%	0%	0%	0%
(Earnings above ST up to UEL)	12%	0%	13.8%	0%	13.8%
(Earnings above UEL)	2%	13.8%	13.8%	13.8%	13.8%

3 Worked examples using the NICs calculation formulae

Example 1

A 28 year old employee earns £112.53 a week and pays standard NICs

Category A NICs

Step 1 Earnings up to and including LEL

$$\left(GP - \left(\frac{LEL \times p}{w/m} \right)^* \right) =$$
$$\left(£112.53 - \left(\frac{£5,824 \times 1}{52} \right)^* \right) = £0.53 \text{ (enter weekly LEL } (£112) \text{ on the payroll record)}$$

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 PT

$$\left(GP - \left(\frac{LEL \times p}{w/m} \right) \right) - \left(GP - \left(\frac{PT \times p^1}{w/m} \right) \right)^{\#} =$$
$$\left(£112.53 - \left(\frac{£5,824 \times 1}{52} \right) \right) - \left(£112.53 - \left(\frac{£8,060 \times 1}{52} \right) \right)^{\#} = £0.53 \text{ (enter on the payroll record)}$$

[#]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 enter on the payroll record and proceed to Step 3.

Step 3 Earnings above PT up to and including ST

$$\left(GP - \left(\frac{PT \times p^1}{w/m} \right) \right)^{\#} - \left(GP - \left(\frac{ST \times p^1}{w/m} \right) \right)^{\#} =$$
$$\left(£112.53 - \left(\frac{£8,060 \times 1}{52} \right) \right)^{\#} - \left(£112.53 - \left(\frac{£8,112 \times 1}{52} \right) \right)^{\#} = £0.00$$

[#]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 proceed to Step 4.

Steps 4 to 8 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

A 44 year old employee earns £869 a week and pays standard NICs

Category A NICs

Step 1 Earnings up to and including LEL

$$\left(GP - \left(\frac{LEL \times p}{w/m} \right)^* \right) =$$
$$\left(£869 - \left(\frac{£5,824 \times 1}{52} \right)^* \right) = £757 \text{ (enter weekly LEL} \\ (£112) \text{ on the payroll record)}$$

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 PT

$$\left(GP - \left(\frac{LEL \times p}{w/m} \right) \right) - \left(GP - \left(\frac{PT \times p^1}{w/m} \right) \right)^{\#} =$$
$$\left(£869 - \left(\frac{£5,824 \times 1}{52} \right) \right) - \left(£869 - \left(\frac{£8,060 \times 1}{52} \right) \right)^{\#} = £43 \text{ (enter on the} \\ \text{payroll record)}$$

[#]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 enter on the payroll record and proceed to Step 3.

Step 3 Earnings above PT up to and including ST

$$\left(GP - \left(\frac{PT \times p^1}{w/m} \right) \right)^{\#} - \left(GP - \left(\frac{ST \times p^1}{w/m} \right) \right)^{\#} =$$
$$\left(£869 - \left(\frac{£8,060 \times 1}{52} \right) \right)^{\#} - \left(£869 - \left(\frac{£8,112 \times 1}{52} \right) \right)^{\#} = £1$$

[#]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 proceed to Step 4.

Step 4 Earnings above ST up to and including UEL

$$\left(GP - \left(\frac{ST \times P^1}{w/m} \right) \right)^{\#} - \left(GP - \left(\frac{UEL \times P^1}{w/m} \right) \right)^{\#} =$$
$$\left(£869 - \left(\frac{£8,112 \times 1}{52} \right) \right)^{\#} - \left(£869 - \left(\frac{£43,000 \times 1}{52} \right) \right)^{\#} = £671$$

[#]If answer is negative treat as zero.

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

If answer is positive enter the sum of the results of the calculations of both Step 3 and Step 4 on the payroll record and proceed to Step 5.

Step 5 Earnings above UEL

$$\left(GP - \left(\frac{UEL \times P^1}{w/m} \right) \right) =$$
$$\left(£869 - \left(\frac{£43,000 \times 1}{52} \right) \right) = £42$$

If answer is zero or negative no earnings above UEL.

Proceed to Step 6.

If answer is positive proceed to Step 6.

Step 6 Employee's NICs

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

$$£1 \times 12.0\% = £0.12$$

PLUS

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

$$£671 \times 12.0\% = £80.52$$

PLUS

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

$$£42 \times 2.0\% = £0.84$$

$$£0.12 + £80.52 + £0.84 = £81.48 \text{ employee's NICs.}$$

Step 7 Employer's NICs

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

$$£671 \times 13.8\% = £92.60$$

PLUS

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

$$£42 \times 13.8\% = £5.80$$

$$£92.60 + £5.80 = £98.40 \text{ employer's NICs.}$$

Step 8 Total NICs

$$\text{Step 6 } £81.48$$

PLUS

$$\text{Step 7 } £98.40$$

$$= £179.88 \text{ total employer and employee NICs.}$$

Example 3

An employee was paid £508 for a 2 week period and pays reduced rate NICs

Category B NICs

Step 1 Earnings up to and including LEL

$$\left(GP - \left(\frac{LEL \times p}{w/m} \right)^* \right) =$$
$$\left(£508 - \left(\frac{£5,824 \times 2}{52} \right)^* \right) = £284 \text{ (enter weekly LEL } £224 \text{ on the payroll record)}$$

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 PT

$$\left(GP - \left(\frac{LEL \times p}{w/m} \right) \right) - \left(GP - \left(\frac{PT \times p^1}{w/m} \right) \right)^{\#} =$$
$$\left(£508 - \left(\frac{£5,824 \times 2}{52} \right) \right) - \left(£508 - \left(\frac{£8,060 \times 2}{52} \right) \right)^{\#} = £86 \text{ (enter on the payroll record)}$$

[#]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 enter on the payroll record and proceed to Step 3.

Step 3 Earnings above PT up to and including ST

$$\left(GP - \left(\frac{PT \times p^1}{w/m} \right) \right)^{\#} - \left(GP - \left(\frac{ST \times p^1}{w/m} \right) \right)^{\#} =$$
$$\left(£508 - \left(\frac{£8,060 \times 2}{52} \right) \right)^{\#} - \left(£508 - \left(\frac{£8,112 \times 2}{52} \right) \right)^{\#} = £2$$

[#]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 proceed to Step 4.

Step 4 Earnings above ST up to and including UEL

$$\left(GP - \left(\frac{ST \times P^1}{w/m} \right) \right)^{\#} - \left(GP - \left(\frac{UEL \times P^1}{w/m} \right) \right)^{\#} =$$
$$\left(£508 - \left(\frac{£8,112 \times 2}{52} \right) \right)^{\#} - \left(£508 - \left(\frac{£43,000 \times 2}{52} \right) \right)^{\#} = £196$$

[#]If answer is negative treat as zero.

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

If answer is positive enter the sum of the results of the calculations of both Step 3 and Step 4 on the payroll record and proceed to Step 5.

Step 5 Employee's NICs

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

$$£2 \times 5.85\% = £0.117 = £0.12$$

PLUS

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

$$£196 \times 5.85\% = £11.466 = £11.47$$

$$£0.12 + £11.47 = £11.59 \text{ employee's NICs.}$$

Step 6 Employer's NICs

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

$$£196 \times 13.8\% = £27.048 = £27.05$$

$$£27.05 = £27.05 \text{ employer's NICs.}$$

Step 7 Total NICs

$$\text{Step 5 } £11.59$$

PLUS

$$\text{Step 6 } £27.05$$

$$= £38.64 \text{ total employer and employee NICs.}$$

Example 4

A 19 year old employee earns £834 a week and pays standard NICs

Category M NICs

Step 1 Earnings up to and including LEL

$$\left(GP - \left(\frac{LEL \times p}{w/m} \right)^* \right) =$$
$$\left(£834 - \left(\frac{£5,824 \times 1}{52} \right)^* \right) = £722 \text{ (enter weekly LEL } £112 \text{ on the payroll record)}$$

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 PT

$$\left(GP - \left(\frac{LEL \times p}{w/m} \right) \right) - \left(GP - \left(\frac{PT \times p^1}{w/m} \right)^{\#} \right) =$$
$$\left(£834 - \left(\frac{£5,824 \times 1}{52} \right) \right) - \left(£834 - \left(\frac{£8,060 \times 1}{52} \right)^{\#} \right) = £43 \text{ (enter on the payroll record)}$$

[#]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 enter on the payroll record and proceed to Step 3.

Step 3 Earnings above PT up to and including ST

$$\left(GP - \left(\frac{PT \times p^1}{w/m} \right)^{\#} \right) - \left(GP - \left(\frac{ST \times p^1}{w/m} \right)^{\#} \right) =$$
$$\left(£834 - \left(\frac{£8,060 \times 1}{52} \right)^{\#} \right) - \left(£834 - \left(\frac{£8,112 \times 1}{52} \right)^{\#} \right) = £1$$

[#]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 proceed to Step 4.

Step 4 Earnings above ST up to and including UEL

$$\left(GP - \left(\frac{ST \times p^1}{w/m} \right) \right)^{\#} - \left(GP - \left(\frac{UEL \times p^1}{w/m} \right) \right)^{\#} =$$
$$\left(£834 - \left(\frac{£8,112 \times 1}{52} \right) \right)^{\#} - \left(£834 - \left(\frac{£43,000 \times 1}{52} \right) \right)^{\#} = £671$$

[#]If answer is negative treat as zero.

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

If answer is positive enter the sum of the results of the calculations of both Step 3 and Step 4 on the payroll record and proceed to Step 5.

Step 5 Earnings above UEL

$$\left(GP - \left(\frac{UEL \times p^1}{w/m} \right) \right) =$$
$$\left(£834 - \left(\frac{£43,000 \times 1}{52} \right) \right) = £7$$

If answer is zero or negative no earnings above UEL.

Proceed to Step 6.

If answer is positive proceed to Step 6.

Step 6 Employee's NICs

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

$$£1 \times 12.0\% = £0.12$$

PLUS

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

$$£671 \times 12.0\% = £80.52$$

PLUS

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

$$£7 \times 2.0\% = £0.14$$

$$£0.12 + £80.52 + £0.14 = £80.78 \text{ employee's NICs.}$$

Step 7 Employer's NICs

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

$$£671 \times 0\% = £0.00$$

PLUS

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

$$£7 \times 13.8\% = £0.966 = £0.97$$

$$£0.00 + £0.97 = £0.97 \text{ employer's NICs.}$$

Step 8 Total NICs

$$\text{Step 6 } £80.78$$

PLUS

$$\text{Step 7 } £0.97$$

$$= £81.75 \text{ total employer and employee NICs.}$$

Example 5

A 51 year old director from 1 December 2016 earns £37,643 in the rest of the tax year. Pays standard NICs. There are 18 tax weeks left in the tax year 2016 to 2017.

Pro rata limits

LEL	$£112 \times 18$	= £2,016
PT	$£8,060 \div 52 \times 18$	= £2,790
ST	$£8,112 \div 52 \times 18$	= £2,808
UEL	$£43,000 \div 52 \times 18$	= £14,885

Category A NICs

Step 1 Earnings up to and including LEL

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

$$£37,643 - £2,016 = £35,627$$

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 PT

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

$$(£37,643 - £2,016) - (£37,643 - £2,790)^{\#} = £774$$

[#]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 enter on the payroll record and proceed to Step 3.

Step 3 Earnings above PT up to and including ST

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

$$(£37,643 - £2,790)^{\#} - (£37,643 - £2,808)^{\#} = £18$$

[#]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 proceed to Step 4.

Step 4 Earnings above ST up to and including UEL

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

$$(\pounds 37,643 - \pounds 2,808)^{\#} - (\pounds 37,643 - \pounds 14,885)^{\#} = \pounds 12,077$$

[#]If answer is negative treat as zero.

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

If answer is positive enter the sum of the results of the calculations of both Step 3 and Step 4 on the payroll record and proceed to Step 5.

Step 5 Earnings above UEL

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

$$\pounds 37,643 - \pounds 14,885 = \pounds 22,758$$

If answer is zero or negative no earnings above UEL treat as zero, proceed to Step 6.

If answer is positive proceed to Step 6.

Step 6 Director's NICs

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

$$\pounds 18 \times 12.0\% = \pounds 2.16$$

PLUS

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

$$\pounds 12,077 \times 12.0\% = \pounds 1,449.24$$

PLUS

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

$$\pounds 22,758 \times 2.0\% = \pounds 455.16$$

$$\pounds 2.16 + \pounds 1,449.24 + \pounds 455.16 = \pounds 1,906.56 \text{ employee's NICs due to date.}$$

Step 7 Director's net NICs

Step 6 £1,906.56

= £1,906.56 employee's net NICs due to date

MINUS

Employee's net NICs paid to date

£0.00

= £1,906.56 employee's net NICs due this period.

Step 8 Employer's NICs

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

£12,077 x 13.8% = £1,666.626 = £1,666.63

PLUS

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

£22,758 x 13.8% = £3,140.604 = £3,140.60

= £4,807.23 employer's NICs due to date.

Step 9 Employer's net NICs

Step 8 £4,807.23

= £4,807.23 employer's net NICs due to date

MINUS

Employer's net NICs paid to date

£0.00

= £4,807.23 employer's net NICs due this period.

Step 10 Total NICs

Step 7 £1,906.56

PLUS

Step 9 £4,807.23

= £6,713.79 total employer and employee NICs.

Example 6

A director first appointed on 6 May 2016 pays standard NICs. He reaches age 65 on 13 January 2017. He earns £16,968 from 6 May 2016 to 12 January 2017 and £5,000 from 13 January 2017 to the end of the tax year. There are 48 tax weeks left in the tax year 2016 to 2017 from 6 May 2016 to 5 April 2017.

Pro rata limits

LEL	$£112 \times 48$	=	£5,376
PT	$£8,060 \div 52 \times 48$	=	£7,440
ST	$£8,112 \div 52 \times 48$	=	£7,488
UEL	$£43,000 \div 52 \times 48$	=	£39,693

Step 1 Earnings up to and including LEL

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

$$£16,968 - £5,376 = £11,592$$

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 PT

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

$$(£16,968 - £5,376) - (£16,968 - £7,440)^{\#} = £2,064$$

[#]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 enter on the payroll record and proceed to Step 3.

Step 3 Earnings above PT up to and including ST

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

$$(£16,968 - £7,440)^{\#} - (£16,968 - £7,488)^{\#} = £48$$

[#]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 proceed to Step 4.

Step 4 Earnings above ST up to and including UEL

$$\begin{aligned} & (\text{GP}_{\text{ptd}} - \text{ST})^{\#} - (\text{GP}_{\text{ptd}} - \text{UEL})^{\#} = \\ & (£16,968 - £7,488)^{\#} - (£16,968 - £39,693)^{\#} = £9,480 \end{aligned}$$

[#]If answer is negative treat as zero.

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

If answer is positive enter the sum of the results of the calculations of both Step 3 and Step 4 on the payroll record and proceed to Step 5.

Step 5 Director's NICs

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

$$£48 \times 12.0\% = £5.76$$

PLUS

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

$$£9,480 \times 12.0\% = £1,137.60$$

$$£5.76 + £1,137.60 = £1,143.36 \text{ employee's NICs due to date.}$$

Step 6 Director's net NICs

$$\text{Step 5 } £1,143.36$$

$$= £1,143.36 \text{ employee's net NICs due this period.}$$

Step 7 Employer's NICs

Step 4 multiplied by employer's band D % rate

$$£9,480 \times 13.8\% = £1,308.24$$

$$= £1,308.24 \text{ employer's NICs due to date.}$$

Step 8 Employer's net NICs

$$\text{Step 7 } £1,308.24$$

$$= £1,308.24 \text{ employer's net NICs due this period (enter on the payroll record).}$$

Step 9 Total NICs

Step 6 £1,143.36

PLUS

Step 8 £1,308.24

= £2,451.60 total employer and employee NICs.

Category C NICs – employer only

Step 4 Earnings above ST up to and including UEL

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

$$(\pounds 21,968 - \pounds 16,968)^{\#} - (\pounds 21,968 - \pounds 39,693)^{\#} = \pounds 5,000$$

[#]If answer is negative treat as zero.

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

If answer is positive enter the sum of the results of the calculations of both Step 3 and Step 4 on the payroll record and proceed to Step 5.

Steps 5 to 8 are not applicable as no earnings above UEL and no employee NICs payable.

Step 9 Employer's NICs

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

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

= £690 employer's NICs due to date.

Step 10 Employer's net NICs

Step 9 £690

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

Step 11 Total NICs

= £690 total employer and employee NICs.

Example 7

An 18 year old director for the whole tax year earns £52,000. Pays standard NICs. Has paid no NICs to date.

Category M NICs

Step 1 Earnings up to and including LEL

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

$$£52,000 - £5,824 = £46,176$$

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 PT

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

$$(£52,000 - £5,824) - (£52,000 - £8,060)^{\#} = £2,236$$

[#]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 enter on the payroll record and proceed to Step 3.

Step 3 Earnings above PT up to and including ST

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

$$(£52,000 - £8,060)^{\#} - (£52,000 - £8,112)^{\#} = £52$$

[#]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 proceed to Step 4.

Step 4 Earnings above ST up to and including UEL

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

$$(£52,000 - £8,112)^{\#} - (£52,000 - £43,000)^{\#} = £34,888$$

[#]If answer is negative treat as zero.

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

If answer is positive enter the sum of the results of the calculations of both Step 3 and Step 4 on the payroll record and proceed to Step 5.

Step 5 Earnings above UEL

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

$$£52,000 - £43,000 = £9,000$$

If answer is zero or negative no earnings above UEL treat as zero, proceed to Step 6.

If answer is positive proceed to Step 6.

Step 6 Director's NICs

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

$$£52 \times 12.0\% = £6.24$$

PLUS

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

$$£34,888 \times 12.0\% = £4,186.56$$

PLUS

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

$$£9,000 \times 2.0\% = £180.00$$

$$£6.24 + £4,186.56 + £180.00 = £4,372.80$$

employee's NICs due to date.

Step 7 Director's net NICs

$$\text{Step 6 } £4,372.80$$

$$= £4,372.80 \text{ employee's net NICs due to date}$$

MINUS

Employee's net NICs paid to date

$$£0.00$$

$$= £4,372.80 \text{ employee's net NICs due this period.}$$

Step 8 Employer's NICs

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

$$£34,888 \times 0\% = £0.00$$

PLUS

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

$$£9,000 \times 13.8\% = £1,242.00$$

= £1,242.00 employer's NICs due to date.

Step 9 Employer's net NICs

Step 8 £1,242.00

= £1,242.00 employer's net NICs due to date (enter on the payroll record)

MINUS

Employer's net NICs paid to date

£0.00

= £1,242.00 employer's net NICs due this period.

Step 10 Total NICs

Step 7 £4,372.80

PLUS

Step 9 £1,242.00

= £5,614.80 total employer and employee NICs.

Example 8

A 17 year old Apprentice earns £250 a week and pays standard rate NICs

Category H NICs (An Apprentice under 25 pays Category H)

Step 1 Earnings up to and including LEL

$$\left(GP - \left(\frac{LEL \times p}{w/m} \right)^* \right) =$$
$$\left(£250 - \left(\frac{£5,824 \times 1}{52} \right)^* \right) = £138$$

(£112 enter weekly LEL 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 PT

$$\left(GP - \left(\frac{LEL \times p}{w/m} \right) \right) - \left(GP - \left(\frac{PT \times p^1}{w/m} \right)^{\#} \right) =$$
$$\left(£250 - \left(\frac{£5,824 \times 1}{52} \right) \right) - \left(£250 - \left(\frac{£8,060 \times 1}{52} \right)^{\#} \right) = £43 \text{ (enter on the payroll record)}$$

[#]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 proceed to Step 3.

Step 3 Earnings above PT up to and including ST

$$\left(GP - \left(\frac{PT \times p^1}{w/m} \right)^{\#} \right) - \left(GP - \left(\frac{ST \times p^1}{w/m} \right)^{\#} \right) =$$
$$\left(£250 - \left(\frac{£8,060 \times 1}{52} \right)^{\#} \right) - \left(£250 - \left(\frac{£8,112 \times 1}{52} \right)^{\#} \right) = £1$$

[#]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 proceed to Step 4.

Step 4 Earnings above ST up to and including UEL

$$\left(GP - \left(\frac{ST \times p^1}{w/m} \right) \right)^{\#} - \left(GP - \left(\frac{UEL \times p^1}{w/m} \right) \right)^{\#} =$$
$$\left(£250 - \left(\frac{£8,112 \times 1}{52} \right) \right)^{\#} - \left(£250 - \left(\frac{£43,000 \times 1}{52} \right) \right)^{\#} = £94$$

#If answer is negative treat as zero.

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

If answer is positive enter the sum of the results of the calculations of both Step 3 and Step 4 on the payroll record and proceed to Step 5.

Step 5 Earnings above UEL

$$\left(GP - \left(\frac{UEL \times p^1}{w/m} \right) \right) =$$
$$\left(£250 - \left(\frac{£43,000 \times 1}{52} \right) \right) = £0.00$$

If answer is zero or negative no earnings above UEL. Proceed to Step 6.

If answer is positive proceed to Step 6.

Step 6 Employee's NICs

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

$$£1 \times 12.0\% = £0.12$$

PLUS

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

$$£94 \times 12.0\% = £11.28$$

PLUS

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

$$£0 \times 2.0\% = £0.00$$

$$£0.12 + £11.28 + £0.00 = £11.40 \text{ employee's NICs.}$$

Step 7 Employer's NICs

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

$$£94 \times 0\% = £0.00$$

PLUS

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

$$£0 \times 13.8\% = £0.00$$

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

Step 8 Total NICs

$$\text{Step 6 } £11.40$$

PLUS

$$\text{Step 7 } £0.00$$

$$= £11.40 \text{ total employer and employee NICs.}$$

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 2016.

Prepared by HM Revenue & Customs

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