HMRC - NIM10052 - Calculation & Recording: Nics Due At Contracted-Out & Not Contracted-Out Rate: No Appropriate Personal Pension (APP) In Place: Contracted-Out Earnings Reach Or Exceed ET But Do Not Reach UEL: 2001/2002 Tax Year

All examples on this page use the 2001 to 2002 rates and earnings bands. NICs are worked out using the exact percentage method and are based on the employee being a member of a Contracted-Out Salary Related (COSR) scheme.

When calculating NICs, priority is given to the contracted-out earnings. NICs are worked out on the total earnings using the shortest earnings period of the contracted-out employment(s).

Employee’s NICs are worked out at the:

appropriate contracted-out percentage rate on contracted-out earnings above the ET

appropriate not contracted-out percentage rate on not contracted-out earnings until the total earnings reach the UEL.

Employer’s contributions are worked out at the:

appropriate contracted-out percentage rate on earnings above the ET

appropriate not contracted-out percentage rate on not contracted-out earnings.

Example

G. Campbell earns £1000 per month from his contracted-out job and £200 per week from his not contracted-out job. There are 4 weekly pay days in the month. Total earnings are £1,800 a month and the earnings period is monthly.

Employee’s NICs due: £52.25 (Table letter D) + £80.00 (Table letter A)

Employer’s NICs due: £55.36 (Table letter D) + £95.20 (Table letter A)

Employee’s NICs rebate due: £1.06

Employer’s NICs rebate due: £1.98

Recording the NICs due on form P11

NICs and NICs rebates will be recorded on two separate P11s - one for the contracted-out NICs and one for the not contracted-out NICs. One form P14 should be completed at the end of the year showing two separate entries - one for the contracted-out NICs and one for the not contracted-out NICs under their appropriate contribution Table letters. The entries on the P11 will be as follows:

For contracted-out NICs

National Insurance contributions

Note: LEL = Lower Earnings Limit, UEL = Upper Earnings Limit.

For not contracted-out NICs

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Recording the end of year totals on form P14

The entries below assume the level of earnings remained unchanged throughout the year.

National Insurance contributions in this employment

Note: LEL = Lower Earnings Limit, UEL = Upper Earnings Limit.

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