NATIONAL INSURANCE

National Insurance (NI) is paid by both the employer and the employee. It helps to pay for National Health Service, statutory sick pay, pensions and unemployment benefits.

The amount paid in National Insurance depends on your gross pay and whether or not you are 'contracted out' of the State Pension Scheme. Employees who are 'contracted out' pay less National Insurance. On retirement, these employees can claim only the basic state pension. They will also receive an employment pension. Employees who are not 'contracted out' receive the basic state pension plus an additional state pension.

Employee National Insurance contributions for the tax year 2014 – 2015

Employees who are **not contracted out** pay:
0% on income up to **£153 per week** or **£663 per month** or **£7956 per year.**
12% on income between **£153** and **£805 per week**
or between **£663 and £3488 per month**
or between **£7956** and **£41 860 per year.**
2% on income above **£805 a week** or **£3488 per month** or **£41 860 per year.**

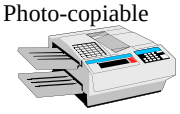
Employees who are **contracted out** pay:
0% on income up to **£153 per week** or **£663 per month** or **£7956 per year.**
10.6% on income between **£153** and **£770 per week**
or between **£663 and £3337 per month**
or between **£7956** and **£40 040 per year.**
12% on income between **£770** and **£805 per week**
or between **£3337** and **£3488 per month**
or between **£40 040** and **£41 860 per year.**
2% on income above **£805 a week** or **£3488 per month** or **£41 860 per year.**

Example 1
Mrs Marsh earns a gross weekly wage of £222.50. She is contracted out of the National Insurance scheme. Calculate how much National Insurance she pays per week.

She is contracted out with earnings between £153 and £770 per week.
She will pay 10.6% of (£222.50 – £153)
Weekly contributions = 10.6% of £69.50 = £7.37

Example 2
Mr Brown earns an annual salary of £16 500. He is not contracted out of the National Insurance scheme. Calculate how much National Insurance he pays per month.

He is not contracted out with earnings between £7956 and £41 860 per year.
Annual contributions = 12% of (£16 500 – £7956) = 12% of £8544 = £1025.28
Monthly contributions = £1025.28 ÷ 12 = £85.44



Example 3
Mr White earns an annual salary of £52 500. He is contracted out of the National Insurance scheme. Calculate how much National Insurance he pays per year, per month and per week.

He is contracted out with earnings over £41 860.
He will pay 10.6% on his earnings between £7956 and £40 040
He also pays 12% on his earnings between £40 040 and £41 860
and 2% on his earnings over £41 860

10.6% of (£40 040 – £7956) = 10.6% of £32 084 = £3400.90
12% of (£41 860 – £40 040) = 12% of £1820 = £218.40
2% of (£52 500 – £41 860) = 2% of £10 640 = £212.80
Total annual contributions = £3400.90 + £218.40 + £212.80 = £3832.10
Monthly contributions = £3832.10 ÷ 12 = £319.34
Weekly contributions = £3832.10 ÷ 52 = £73.69

Exercise

Calculate the National Insurance contributions for the following employees.
Assume they are **not contracted out**.

1. Amin who earns £180 per week
   Find the weekly contribution.
2. Ben who earns £750 per week.
   Find the weekly contribution.
3. Chas who earns £820 per week.
   Find the weekly contribution.
4. Dave who earns £960 per week.
   Find the weekly contribution.
5. Ejos who earns £900 per month.
   Find the monthly contribution.
6. Fred who earns £12 80 per month.
   Find the monthly contribution.
7. Gita who earns £3500 per month.
   Find the monthly contribution.
8. Hetal who earns £4230 per month.
   Find the monthly contribution.
9. Iris whose annual salary is £9 600.
   Find the annual contribution.
10. Jack whose annual salary is £24 000.
    Find the annual contribution.
11. Kate whose annual salary is £41 500.
    Find the annual contribution.
12. Lily whose annual salary is £57 640.
    Find the annual contribution.
13. Mike whose annual salary is £40 000.
    Find the annual and monthly contributions.
14. Nina whose annual salary is £45 000.
    Find the annual and monthly contributions.
15. Olivia whose annual salary is £60 000.
    Find the annual, monthly and weekly contributions.

Repeat the above for '**contracted out**' contributions.