



**Inland Revenue
NI Contributions Office**

**Supplement to
NI Guidance for Software
Developers for 2002-2003**

December 2001

**SUPPLEMENT TO
NI GUIDANCE FOR SOFTWARE DEVELOPERS 2002-2003**

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GLOSSARY OF TERMS

GP	Gross Pay for NI purposes
EE	Employee
ER	Employer
w/m	Number of weeks or months in tax year i.e. 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
UEL	Annual Upper Earnings Limit
<i>R</i>	Round at this point
ET	Annual Earnings Threshold
EER	Employee's Percentage Rate appropriate to contributions Table letter
ERR	Employer's Percentage Rate appropriate to contributions Table letter
EE'RR	Rebate % rate on employee's NICs appropriate to contributions Table letter
ER'RR	Rebate % rate on employer's NICs appropriate to contributions Table letter
ptd	Paid to date
ER'CO % R	Employer's contracted-out percentage rate appropriate to contributions Table letter
ER'NCO % R	Employer's not contracted-out percentage rate appropriate to contributions Table letter
c	Before the change

1. INTRODUCTION

- 1.1 Any examples given in the NI Guidance for Software Developers 2002-2003 were based on the NI rates and earnings limits for the tax year 2001-2002. Following an announcement by the Chancellor of the Exchequer in his pre Budget Report on 27 November these NI rates and earnings limits have been changed with effect from 6 April 2002.
- 1.2 Details of those changes are provided in this supplement to the NI Guidance for Software Developers and in the IR Notes for Software Developers number 10.7. This supplement also contains worked examples which have been updated using the NI rates and earnings limits that will apply from 6 April 2002.
- 1.3 In Section 3 of the supplement the following pages from the NI Guidance for Software Developers 2002-2003 have been updated:

Page	Paragraph	
5-6	2.2	Calculation of employee and employer NIC Rebates
9-10	5.1	Calculation of contracted-out minimum payment
24	10.2	Monthly Tables
29	11.16	Recovering Statutory Maternity Pay - Small Employer's Relief
31	12.7	Calculating Statutory Sick Pay

- 1.4 Section 4 provides examples using the NIC Calculation Formulae.

2. NI RATES AND EARNINGS LIMITS FROM 6 APRIL 2002

2.1 The following NI rates and earnings limits will apply from 6 April 2002

2.2 Earnings Limits

	Lower Earnings Limit	Earnings Threshold	Upper Earnings Limit
Weekly	£75	£89	£585
Monthly	£325	£385	£2,535
Yearly	£3,900	£4,615	£30,420

2.3 Rates

	Employee	Employer
Non Contracted-out	10%	11.8%
Contracted-out	8.4%	8.3%
Contracted-out Money Purchase (COMP) or COMP Stakeholder	8.4%	10.8%

2.4 The contracted out rebate for employers has been increased as follows:

Contracted-out Salary Related 3.5%

Contracted-out Minimum Payment 1%
(includes COMP Stakeholder schemes)

There is no change to the rate of contracted out rebate for employees

2.5 Statutory Sick Pay (SSP) and the lower rate of Statutory Maternity Pay (SMP) have also been increased:

SSP
£63.25 per week

SMP
Lower rate £75.00 per week
Higher rate 90% of average earnings

3. **UPDATED INFORMATION AND EXAMPLES FROM THE NI GUIDANCE FOR SOFTWARE DEVELOPERS 2002-2003**

Calculating the employee and employer NIC Rebates (replacing example on pages 5 and 6 of NI Guidance).

An employee earning £91 per week (contribution Table letter D)

Form P11

	1a	1b	1c	1d	1e	1f	1g
£91	75	14	2	0.34	0.17	0.17	0.54

Employee's NIC Rebate is $14 \times 1.6\% = \text{£}0.22$

Employer's NIC Rebate is $14 \times 3.5\% = \text{£}0.49$

The employee is entitled to £0.17 of their NIC Rebate and the employer is entitled to the balance of £0.05, PLUS their own NIC Rebate of £0.49.

Calculating the contracted-out minimum payment (replacing examples 1 and 2 on pages 9 and 10).

EXAMPLE 1 - Total weekly earnings = £91.00

Employee's share:

$\text{£}91 - \text{£}75 = \text{£}16$

$\text{£}16 \times 1.6\% = \text{£}0.26$ less $\text{£}0.05^*$ NIC rebate not available to the employee = $\text{£}0.21$

Employer's share:

$\text{£}91 - \text{£}75 = \text{£}16$

$\text{£}16 \times 1\% = \text{£}0.16$ plus $\text{£}0.05$ employee's NIC rebate made available to the employer = $\text{£}0.21$

Total Minimum Payment = $\text{£}0.21 + \text{£}0.21 = \text{£}0.42$

*(see example on page 2 paragraph 3.1)

EXAMPLE 2 - Total weekly earnings = £181.00

Employee's share:

$$£181.00 - £75.00 = £106.00$$

£106.00 x 1.6% = £1.70 (no deduction of NIC rebate as employee is entitled to all the employee's share of the NIC rebate).

Employer's share:

£106.00 x 1% = £1.06 (no addition as employer is not entitled to any of the employee's share of the NIC rebate).

$$\text{Total Minimum Payment} = £1.70 + £1.06 = £2.76$$

Monthly tables calculation (replacing paragraph 10.2, page 24)

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 earnings threshold, where liability for primary and secondary arises, there must be a band at the threshold, i.e. 325, 329, 333.....381, 385, 389.....2529, 2533, 2535.

Recovering Statutory Maternity Pay (paragraph 11.16, page 29).

The SMP compensation rate will decrease to 4.5% for SMP payments made on or after 6 April 2002.

The SER Threshold will increase to £40,000 for SMP payments made on or after 6 April 2002.

How to work out Statutory Sick Pay (replacing the example in paragraph 12.7, page 31)

An employee with 6 qualifying days is due 4 days SSP. £63.25 (new rate from 6 April 2002) divided by 6 = £10.5417 multiplied by 4 = £42.1668 which is then rounded up to £42.17.

4. WORKED EXAMPLES USING THE NIC CALCULATION FORMULAE

EXAMPLE 1

An Employee earns £78.00 a week and pays standard not contracted-out NICs

EMPLOYEE CONTRIBUTION CALCULATION

$$\left[\left(GP - \left(\frac{ET \times p^1}{w/m} \right) \right)^{\#} - \left(GP - \left(\frac{UEL \times p}{w/m} \right) \right)^* \right] \times EER = \text{Employee's NIC for the period}$$

* If answer is negative treat as zero.

If answer is zero or negative no employee's NIC due.

p¹ If equals 1 round result of calculation at this point to nearest whole pound.
If equals more than 1 round up to whole pounds.

p Round result of calculation at this point up to nearest whole pound.

$$\left[\left(78.00 - \left(\frac{4,615 \times 1}{52} \right) \right)^{\#} - \left(78.00 - \left(\frac{30,420 \times 1}{52} \right) \right)^* \right] \times 10\% = \text{£0.00}$$

EMPLOYER NOT CONTRACTED-OUT CONTRIBUTION CALCULATION

$$\left(GP - \left(\frac{ET \times p^1}{w/m} \right) \right)^* \times ERR = \text{Employer's NIC for the period}$$

* If answer is zero or negative no employer's NIC due.

p¹ If equals 1 round result of calculation at this point to nearest whole pound.
If equals more than 1 round up to whole pounds.

$$\left(78.00 - \left(\frac{4,615 \times 1}{52} \right) \right)^* \times 11.8\% = \text{£0.00}$$

Although no NICs are due, as earnings have reached or exceeded the LEL they must be recorded on the P11 as follows:

	1a	1b	1c	1d	1e	1f	1g
A	£75	£3	£0	£0	£0	£0	£0

EXAMPLE 2

An Employee earns £91.00 a week and pays standard not contracted-out NICs

EMPLOYEE CONTRIBUTION CALCULATION

$$\left[\left(GP - \left(\frac{ET \times p^1}{w/m} \right) \right)^{\#} - \left(GP - \left(\frac{UEL \times p}{w/m} \right) \right)^* \right] \times EER = \text{Employee's NIC for the period}$$

- * If answer is negative treat as zero.
- # If answer is zero or negative no employee's NIC due.
- p¹ If equals 1 round result of calculation at this point to nearest whole pound.
If equals more than 1 round up to whole pounds.
- p Round result of calculation at this point up to nearest whole pound.

$$\left[\left(91.00 - \left(\frac{4,615 \times 1}{52} \right) \right)^{\#} - \left(91.00 - \left(\frac{30,420 \times 1}{52} \right) \right)^* \right] \times 10\% = \text{£}0.20$$

EMPLOYER NOT CONTRACTED-OUT CONTRIBUTION CALCULATION

$$\left(GP - \left(\frac{ET \times p^1}{w/m} \right) \right)^* \times ERR = \text{Employer's NIC for the period}$$

- * If answer is zero or negative no employer's NIC due.
- p¹ If equals 1 round result of calculation at this point to nearest whole pound.
If equals more than 1 round up to whole pounds.

$$\left(91.00 - \left(\frac{4,615 \times 1}{52} \right) \right)^* \times 11.8\% = \text{£}0.24$$

NICs must be recorded on the P11 as follows:

	1a	1b	1c	1d	1e	1f	1g
A	£75	£14	£2	£0.44	£0.20		

EXAMPLE 3

An Employee earns £95.00 a week and pays standard contracted-out NICs (COSR)

EMPLOYEE CONTRACTED-OUT CONTRIBUTION CALCULATION

$$\left[\left(GP - \left(\frac{ET \times p^1}{w/m} \right) \right)^{\#} - \left(GP - \left(\frac{UEL \times p}{w/m} \right) \right)^{*} \right] \times EER = \text{Employee's NIC for the period}$$

* If answer is negative treat as zero.

If answer is zero or negative no employee's NIC due.

p¹ 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.

p Round result of calculation at this point up to nearest whole pound.

$$\left[\left(95.00 - \left(\frac{4,615 \times 1}{52} \right) \right)^{\#} - \left(95.00 - \left(\frac{30,420 \times 1}{52} \right) \right)^{*} \right] \times 8.4\% = \text{£}0.50$$

EMPLOYER CONTRACTED-OUT CONTRIBUTION CALCULATION

$$\left[\left[\left(GP - \left(\frac{ET \times p^1}{w/m} \right) \right)^{*} - \left(GP - \left(\frac{UEL \times p}{w/m} \right) \right)^{\#} \right] \times ERR_R \right] + \left[\left(GP - \left(\frac{UEL \times p}{w/m} \right) \right)^{\#} \times ER' NCO RATE_R \right] = \text{Employer's NIC for the period}$$

* If answer is zero or negative no employer's NIC due.

If answer is negative treat as zero.

p¹ 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.

p Round result of calculation at this point up to nearest whole pound.

$$\left[\left[\left(95.00 - \left(\frac{4,615 \times 1}{52} \right) \right)^{*} - \left(95.00 - \left(\frac{30,420 \times 1}{52} \right) \right)^{\#} \right] \times 8.3\% \right] + \left[\left(95.00 - \left(\frac{30,420 \times 1}{52} \right) \right)^{\#} \times 11.8\% \right] = \text{£}0.50$$

EMPLOYEE CONTRACTED-OUT REBATE CALCULATION

$$\left[\left(GP - \left(\frac{LEL \times p}{w/m} \right) \right)^* - \left(GP - \left(\frac{ET \times p^1}{w/m} \right) \right)^{\#} \right] \times EE' RR = \text{Employee's Rebate}$$

* If answer is zero or negative no employee's rebate due.

If answer is negative treat as zero.

p Round result of calculation at this point up to nearest whole pound.

p¹ 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.

$$\left[\left(95.00 - \left(\frac{3,900 \times 1}{52} \right) \right)^* - \left(95.00 - \left(\frac{4,615 \times 1}{52} \right) \right)^{\#} \right] \times 1.6\% = \text{£}0.22$$

EMPLOYER CONTRACTED-OUT REBATE CALCULATION

$$\left[\left(GP - \left(\frac{LEL \times p}{w/m} \right) \right)^* - \left(GP - \left(\frac{ET \times p^1}{w/m} \right) \right)^{\#} \right] \times EE' RR = \text{Employer's Rebate}$$

* If answer is zero or negative no employer's rebate due.

If answer is negative treat as zero.

p Round result of calculation at this point up to nearest whole pound.

p¹ 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.

$$\left[\left(95.00 - \left(\frac{3,900 \times 1}{52} \right) \right)^* - \left(95.00 - \left(\frac{4,615 \times 1}{52} \right) \right)^{\#} \right] \times 3.5\% = \text{£}0.49$$

NICs must be recorded on the P11 as follows:

	1a	1b	1c	1d	1e	1f	1g
D	£75	£14	£6	£1.00	£0.50	£0.22	£0.49

EXAMPLE 4

An Employee earns £510.00 a week and pays standard contracted-out NICs (COMP)

EMPLOYEE CONTRACTED-OUT CONTRIBUTION CALCULATION

$$\left[\left(GP - \left(\frac{ET \times p^1}{w/m} \right) \right)^{\#} - \left(GP - \left(\frac{UEL \times p}{w/m} \right) \right)^* \right] \times EER = \text{Employee's NIC for the period}$$

* If answer is negative treat as zero.

If answer is zero or negative no employee's NIC due.

p¹ 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.

p Round result of calculation at this point up to nearest whole pound.

$$\left[\left(510.00 - \left(\frac{4,615 \times 1}{52} \right) \right)^{\#} - \left(510.00 - \left(\frac{30,420 \times 1}{52} \right) \right)^* \right] \times 8.4\% = \text{£}35.36$$

EMPLOYER CONTRACTED-OUT CONTRIBUTION CALCULATION

$$\left[\left[\left(GP - \left(\frac{ET \times p^1}{w/m} \right) \right)^* - \left(GP - \left(\frac{UEL \times p}{w/m} \right) \right)^{\#} \right] \times ERR_R \right] + \left[\left(GP - \left(\frac{UEL \times p}{w/m} \right) \right)^{\#} \times ER'NCO RATE_R \right] = \text{Employer's NIC for the period}$$

* If answer is zero or negative no employer's NIC due.

If answer is negative treat as zero.

p¹ 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.

p Round result of calculation at this point up to nearest whole pound.

$$\left[\left[\left(510.00 - \left(\frac{4,615 \times 1}{52} \right) \right)^* - \left(510.00 - \left(\frac{30,420 \times 1}{52} \right) \right)^{\#} \right] \times 10.8\% \right] + \left[\left(510.00 - \left(\frac{30,420 \times 1}{52} \right) \right)^{\#} \times 11.8\% \right] = \text{£}45.47$$

EMPLOYEE CONTRACTED-OUT REBATE CALCULATION

$$\left[\left(GP - \left(\frac{LEL \times p}{w/m} \right) \right)^* - \left(GP - \left(\frac{ET \times p^1}{w/m} \right) \right)^{\#} \right] \times EE' RR = \text{Employee's Rebate}$$

- * If answer is zero or negative no employee's rebate due.
- # If answer is negative treat as zero.
- p Round result of calculation at this point up to nearest whole pound.
- p¹ 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.

$$\left[\left(510.00 - \left(\frac{3,900 \times 1}{52} \right) \right)^* - \left(510.00 - \left(\frac{4,615 \times 1}{52} \right) \right)^{\#} \right] \times 1.6\% = \text{£}0.22$$

EMPLOYER CONTRACTED-OUT REBATE CALCULATION

$$\left[\left(GP - \left(\frac{LEL \times p}{w/m} \right) \right)^* - \left(GP - \left(\frac{ET \times p^1}{w/m} \right) \right)^{\#} \right] \times EE' RR = \text{Employer's Rebate}$$

- * If answer is zero or negative no employer's rebate due
- # If answer is negative treat as zero.
- p Round result of calculation at this point up to nearest whole pound.
- p¹ 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.

$$\left[\left(510.00 - \left(\frac{3,900 \times 1}{52} \right) \right)^* - \left(510.00 - \left(\frac{4,615 \times 1}{52} \right) \right)^{\#} \right] \times 1.0\% = \text{£}0.14$$

NICs must be recorded on the P11 as follows:

	1a	1b	1c	1d	1e	1f	1g
F	£75	£14	£421	£80.83	£35.36	£0.22	£0.14

EXAMPLE 5

An employee was paid £450 for a 2 week work period and pays reduced rate not contracted-out NIC.

EMPLOYEE NOT CONTRACTED-OUT CONTRIBUTION CALCULATION

$$\left[\left(GP - \left(\frac{ET \times p^1}{w/m} \right) \right)^{\#} - \left(GP - \left(\frac{UEL \times p}{w/m} \right) \right)^{*} \right] \times EER = \text{Employee's NIC for the period}$$

- * If answer is negative treat as zero.
- # If answer is zero or negative no employee's NIC due.
- p¹ 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.
- p Round result of calculation at this point up to nearest whole pound.

$$\left[\left(450.00 - \left(\frac{4,615 \times 2}{52} \right) \right)^{\#} - \left(450.00 - \left(\frac{30,420 \times 2}{52} \right) \right)^{*} \right] \times 3.85\% = \text{£}10.47$$

EMPLOYER NOT CONTRACTED-OUT CONTRIBUTION CALCULATION

$$\left(GP - \left(\frac{ET \times p^1}{w/m} \right) \right)^{*} \times ERR = \text{Employer's NIC for the period}$$

- * If answer is zero or negative no employer's NIC due.
- p¹ 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.

$$\left(450.00 - \left(\frac{4,615 \times 2}{52} \right) \right)^{*} \times 11.8\% = \text{£}32.10$$

NICs must be recorded on the P11 as follows:

	1a	1b	1c	1d	1e	1f	1g
B	£150	£28	£272	£42.57	£10.47		

EXAMPLE 6

A Director for the whole of the year earns £31,000 and pays contracted-out NIC (COSR Scheme). Has paid no NIC to date.

DIRECTOR'S CONTRACTED-OUT CONTRIBUTIONS CALCULATION

Director's NIC

$$\left[\left((GP_{pid} - ET)^* - (GP_{pid} - UEL)^{\#} \right) \times EE' R_R \right] - EE' NIC_{pid} = \text{Employee's NIC due this period}$$

* If answer is zero or negative no director's NIC due.

If answer is negative treat as zero.

R Round at this point

$$\left[\left((31,000 - 4,615)^* - (31,000 - 30,420)^{\#} \right) \times 8.4\% \right] - 0 = \text{£}2,167.62$$

Rebate on Director's NICs

$$\left[\left((GP_{pid} - LEL)^* - (GP_{pid} - ET)^{\#} \right) \times EE' RR_R \right] - Rebate_{pid} = \text{Employee's Rebate due this period}$$

* If answer is zero or negative no rebate due.

If answer is negative treat as zero.

R Round at this point

$$\left[\left((31,000 - 3,900)^* - (31,000 - 4,615)^{\#} \right) \times 1.6\% \right] - 0 = \text{£}11.44$$

EMPLOYER'S CONTRACTED-OUT CALCULATION FORMULAE

Employer's NIC

$$\left[\left((GP_{ptd} - ET)^* - (GP_{ptd} - UEL)^{\#} \right) \times ER' CO\%R_R \right] + \left[(GP_{ptd} - UEL)^{\#} \times ER' NCO\%R_R \right] - ER' NIC_{ptd} = \text{Employer's NIC due this period}$$

* If answer is zero or negative no employer's NIC due.

If answer is negative treat as zero

R Round at this point

$$\left[\left((31,000 - 4,615)^* - (31,000 - 30,420)^{\#} \right) \times 8.3\% \right] + \left[(31,000 - 30,420)^{\#} \times 11.8\% \right] - 0 = \pounds 2,210.25$$

Rebate on Employer's NICs

$$\left[\left((GP_{ptd} - LEL)^* - (GP_{ptd} - ET)^{\#} \right) \times EE' RR_R \right] - ER' Rebate_{ptd} = \text{Employer's Rebate due this period}$$

* If answer is zero or negative no rebate due.

If answer is negative treat as zero

R Round at this point

$$\left[\left((31,000 - 3,900)^* - (31,000 - 4,615)^{\#} \right) \times 3.5\% \right] - 0 = \pounds 25.02$$

NICs must be recorded on the P11 as follows:

	1a	1b	1c	1d	1e	1f	1g
D	3900	715	25805	4377.87	2167.62	11.44	25.02

EXAMPLE 7

Director from 6th December 2002 earns £35,000 in the rest of the tax year. Pays standard rate not contracted-out NIC.

Pro rata Limits

LEL	75 x 18	=	£1,350
UEL	585 x 18	=	£10,530
ET	4615 ÷ 52 x 18	=	£1,598

DIRECTOR'S NOT CONTRACTED-OUT CONTRIBUTIONS CALCULATION

$$\left[\left((GP_{ptd} - ET)^* - (GP_{ptd} - UEL)^{\#} \right) \times EE' R_R \right] - EE' NIC_{ptd} = \text{Employee's NIC due this period}$$

* If answer is zero or negative no employee NICs due.

If answer is negative treat as zero.

R Round at this point

$$\left[\left((35,000 - 1,598)^* - (35,000 - 10,530)^{\#} \right) \times 10\% \right] - 0 = £893.20$$

EMPLOYER'S NOT CONTRACTED-OUT CONTRIBUTIONS CALCULATION

$$\left[(GP_{ptd} - ET)^* \times ER' R_R \right] - ER' NIC_{ptd} = \text{Employer's NIC due this period}$$

* If answer is zero or negative no employer's NIC due.

R Round at this point

$$\left[(35,000 - 1,598)^* \times 11.8\% \right] - 0 = £3,941.44$$

NICs must be recorded on the P11 as follows:

	1a	1b	1c	1d	1e	1f	1g
A	1350	248	8932	4834.64	893.20		

EXAMPLE 8

A Director for the whole of the year has an APP, joins COSR on 1st August 2002. Earnings paid before the change £5,000 and after the change £26,000. Not contracted-out earnings take priority.

DIRECTOR'S NOT CONTRACTED-OUT CONTRIBUTIONS CALCULATION

$$\left[\left((GP_{ptd} - ET)^* - (GP_{ptd} - UEL)^{\#} \right) \times EE' R_R \right] - EE' NIC_{ptd} = \text{Employee's NIC due this period}$$

* If answer is zero or negative no employee NICs due.

If answer is negative treat as zero.

R Round at this point

$$\left[\left((5,000 - 4,615)^* - (5,000 - 30,420)^{\#} \right) \times 10\% \right] - 0 = \text{£}38.50$$

EMPLOYER'S NOT CONTRACTED-OUT CONTRIBUTIONS CALCULATION

$$\left[(GP_{ptd} - ET)^* \times ER' R_R \right] - ER' NIC_{ptd} = \text{Employer's NIC due this period}$$

* If answer is zero or negative no employer's NIC due.

R Round at this point

$$\left[(5,000 - 4,615)^* \times 11.8\% \right] - 0 = \text{£}45.43$$

DIRECTOR'S CONTRACTED-OUT CONTRIBUTIONS CALCULATION

Director's NIC

$$\left[\left((GP_{ptd} - GP_C) - (ET - GP_C)^{\#} - (GP_{ptd} - UEL)^{\#} \right) \times EE' R_R \right] - EE' NIC_{ptd} = \text{Employee's NIC due this period}$$

If answer is negative treat as zero.

R Round at this point

$$\left[\left((31,000 - 5,000) - (4,615 - 5,000)^{\#} - (31,000 - 30,420)^{\#} \right) \times 8.4\% \right] - 0 = \text{£}2,135.28$$

Rebate on Director's NICs

$$(ET - GP_C) = \text{If answer is Zero or Negative no Rebate due}$$

EMPLOYER'S CONTRACTED-OUT CALCULATION FORMULAE

Employer's NIC

$$\left[\left((GP_{ptd} - GP_C) - (ET - GP_C)^{\#} - (GP_{ptd} - UEL)^{\#} \right) \times ER' CO\%R_R \right] +$$

$$\left[(GP_{ptd} - UEL)^{\#} \times ER' NCO\%R_R \right] - ER' NIC_{ptd} = \text{Employer's NIC due this period}$$

If answer is negative treat as zero

R Round at this point

$$\left[\left((31,000 - 5,000) - (4,615 - 5,000)^{\#} - (31,000 - 30,420)^{\#} \right) \times 8.3\% \right] +$$

$$\left[(31,000 - 30,420)^{\#} \times 11.8\% \right] - 0 = \text{£}2,178.30$$

Rebate on Employer's NICs

$(ET - GP_C) = \text{If answer is Zero or Negative no Rebate due}$

NICs must be recorded on the P11 as follows:

	1a	1b	1c	1d	1e	1f	1g
A	3900	715	385	83.93	38.50		
D			25420	4313.58	2135.28		

EXAMPLE 9

A director for the whole tax year joins the company's contracted-out salary related occupational pension scheme on 1st May 2002. He earned £4,000 before the change and £24,000 after. He does not have an Appropriate Personal Pension, therefore contracted-out contributions take priority.

DIRECTOR'S CONTRACTED-OUT CONTRIBUTIONS CALCULATION

Director's NIC

$$\left[\left((GP_C - ET)^* - (GP_C - UEL)^{\#} \right) \times EE' R_R \right] - EE' NIC_{pid} = \text{Employee's NIC due this period}$$

* If answer is zero or negative no director's NIC due.

If answer is negative treat as zero.

R Round at this point

$$\left[\left((24,000 - 4,615)^* - (24,000 - 30,420)^{\#} \right) \times 8.4\% \right] - 0 = \text{£1,628.34}$$

Rebate on Director's NICs

$$\left[\left((GP_C - LEL)^* - (GP_C - ET)^{\#} \right) \times EE' RR_R \right] - \text{Rebate}_{pid} = \text{Employee's Rebate due this period}$$

* If answer is zero or negative no rebate due.

If answer is negative treat as zero.

R Round at this point.

$$\left[\left((24,000 - 3,900)^* - (24,000 - 4,615)^{\#} \right) \times 1.6\% \right] - 0 = \text{£11.44}$$

EMPLOYER'S CONTRACTED-OUT CALCULATION FORMULAE

Employer's NIC

$$\left[\left((GP_C - ET)^* - (GP_C - UEL)^{\#} \right) \times ER' CO\%R_R \right] + \left[(GP_C - UEL)^{\#} \times ER' NCO\%R_R \right] - ER' NIC_{pid} = \text{Employer's NIC due this period}$$

* If answer is zero or negative no employer's NIC due.

If answer is negative treat as zero.

R Round at this point.

$$\left[\left((24,000 - 4,615)^* - (24,000 - 30,420)^{\#} \right) \times 8.3\% \right] + \left[(24,000 - 30,420)^{\#} \times 11.8\% \right] - 0 = \text{£1,608.95}$$

Rebate on Employer's NICs

$$\left[\left((GP_c - LEL)^* - (GP_c - ET)^{\#} \right) \times ER' RR_R \right] - ER' Rebate_{pid} = \text{Employee's Rebate due this period}$$

* If answer is zero or negative no rebate due.

If answer is negative treat as zero.

R Round at this point.

$$\left[\left((24,000 - 3,900)^* - (24,000 - 4,615)^{\#} \right) \times 3.5\% \right] - 0 = \text{£}25.02$$

DIRECTOR'S NOT CONTRACTED-OUT CONTRIBUTIONS CALCULATION

Director's NIC

$$\left[\left((GP_{pid} - GP_c) - (ET - GP_c)^{\#} - (GP_{pid} - UEL)^{\#} \right) \times EE' R_R \right] - EE' NIC_{pid} = \text{Employee's NIC due this period}$$

$$\left[\left((28,000 - 24,000) - (4,615 - 24,000)^{\#} - (28,000 - 30,420)^{\#} \right) \times 10\% \right] - 0 = \text{£}400.00$$

EMPLOYER'S NOT CONTRACTED-OUT CALCULATION FORMULAE

Employer's NIC

$$\left[\left((GP_{pid} - GP_c) - (ET - GP_c)^{\#} \right) \times ER' NCO\%R_R \right] - ER' NIC_{pid} = \text{Employer's NIC due this period}$$

If answer is negative treat as zero.

R Round at this point.

$$\left[\left((28,000 - 24,000) - (4,615 - 24,000)^{\#} \right) \times 11.8\% \right] - 0 = \text{£}472.00$$

NICs must be recorded on the P11 as follows:

	1a	1b	1c	1d	1e	1f	1g
D	3900	715	19385	3237.29	1628.34	11.44	25.02
A			4000	872	400		

EXAMPLE 10

A director first appointed on 5th May 2002 has an APP. He joins his company's contracted out COSR scheme on 11th November 2002 and reaches age 65 on 15th January 2003. He earns £15,000 from 5th May 2002 to 11th November 2002, £10,000 from 11th November 2002 to 15th January 2003 and £5,000 from 15th January 2003 to the end of the tax year. The APP earnings take priority over the contracted-out earnings (COSR scheme). There are 48 tax weeks left in the 2002/2003 tax year from 5th May 2002 to 5th April 2003.

Pro rata Limits

LEL	75 x 48	=	£3,600
UEL	585 x 48	=	£28,080
ET	4615 ÷ 52 x 48	=	£4,260

DIRECTOR'S NOT CONTRACTED-OUT CONTRIBUTIONS CALCULATION

$$\left[\left((GP_{pid} - ET)^* - (GP_{pid} - UEL)^{\#} \right) \times EE' R_R \right] - EE' NIC_{pid} = \text{Employee's NIC due this period}$$

* If answer is zero or negative no employee NICs due.

If answer is negative treat as zero.

R Round at this point

$$\left[\left((15,000 - 4,260)^* - (15,000 - 28,080)^{\#} \right) \times 10\% \right] - 0 = £1,074.00$$

EMPLOYER'S NOT CONTRACTED-OUT CONTRIBUTIONS CALCULATION

$$\left[(GP_{pid} - ET)^* \times ER' R_R \right] - ER' NIC_{pid} = \text{Employer's NIC due this period}$$

* If answer is zero or negative no employer's NIC due.

R Round at this point

$$\left[(15,000 - 4,260)^* \times 11.8\% \right] - 0 = £1,267.32$$

DIRECTOR'S CONTRACTED-OUT CONTRIBUTIONS CALCULATION

Director's NIC

$$\left[\left((GP_{pid} - GP_C) - (ET - GP_C)^{\#} - (GP_{pid} - UEL)^{\#} \right) \times EE' R_R \right] - EE' NIC_{pid} = \text{Employee's NIC due this period}$$

If answer is negative treat as zero.

R Round at this point

$$\left[\left((25,000 - 15,000) - (4,260 - 15,000)^{\#} - (25,000 - 28,080)^{\#} \right) \times 8.4\% \right] - 0 = \text{£}840.00$$

Rebate on Director's NICs

$$(ET - GP_C) = \text{If answer is Zero or Negative no Rebate due}$$

EMPLOYER'S CONTRACTED-OUT CALCULATION FORMULAE

Employer's NIC

$$\left[\left((GP_{ptd} - GP_C) - (ET - GP_C)^{\#} - (GP_{ptd} - UEL)^{\#} \right) \times ER' CO\%R_R \right] + \left[(GP_{ptd} - UEL)^{\#} \times ER' NCO\%R_R \right] - ER' NIC_{ptd} = \text{Employer's NIC due this period}$$

If answer is negative treat as zero

R Round at this point

$$\left[\left((25,000 - 15,000) - (4,260 - 15,000)^{\#} - (25,000 - 28,080)^{\#} \right) \times 8.3\% \right] + \left[(25,000 - 28,080)^{\#} \times 11.8\% \right] - 0 = \text{£}830.00$$

Rebate on Employer's NICs

$$(ET - GP_C) = \text{If answer is Zero or Negative no Rebate due}$$

EMPLOYER'S NOT CONTRACTED-OUT CALCULATION FORMULAE

Employer's NIC

$$\left[\left((GP_{ptd} - GP_C) - (ET - GP_C)^{\#} \right) \times ER' NCO\%R_R \right] - ER' NIC_{ptd} = \text{Employer's NIC due this period}$$

If answer is negative treat as zero

R Round at this point

$$\left[\left((30,000 - 25,000) - (4,260 - 25,000)^{\#} \right) \times 11.8\% \right] - 0 = \text{£}590.00$$

NICs must be recorded on the P11 as follows:

	1a	1b	1c	1d	1e	1f	1g
A	3600	660	10740	2341.32	1074		
D			10000	1670	840	0	0
C				590			