

### Earnings periods for NICs purposes

Ordinarily, the earnings period for working out NICs is the regular interval between which payments of earnings are made.

Paragraphs 60 to 64 describe how to decide what the earnings period is in different circumstances. The rules described in those paragraphs ordinarily **do not apply** to directors. For details on the earnings period to use for directors see the booklet

CA44 *National Insurance for Company Directors*.

#### 60 Employees paid at regular intervals

If you pay your employees at regular intervals, for example, weekly or monthly, the earnings period for working out NICs is that regular interval.

If payments are made based on a regular interval but the actual day you pay them changes:

- treat them as paid at the regular interval, and
- work out NICs separately on each payment even if two or more payments are made in the same earnings period.

See the chart on pages 8 to 11.

#### 61 Employees not paid at regular intervals but who can be treated as paid at regular intervals

If a payment is not made at regular intervals, there may be a regular pattern covering the period for which each payment is made. In such cases, that regular pattern should be used as the earnings period.

##### *Example*

If you pay your employees once a month and their contract shows their pay as a monthly amount, treat them as monthly paid even if sometimes they are paid for four weeks work and sometimes for five weeks work.

See the chart on pages 8 to 11.

#### 62 Employees paid at irregular intervals

If the interval between payments to employees is not regular, and cannot be treated as being regular, the earnings period for working out NICs is the period which the payment covers, or one week, whichever is longer.

If it is not reasonably practicable to determine the earnings period in this way, the earnings period will be from the date:

- of the previous payment to the date of the current payment, or

- the employment began to the date of the first payment.

If either period is less than one week, the earnings period is one week.

The earnings period for a payment made before the employment begins or after it ends is one week.

If an employee is paid in irregular or unequal payments and it is established that this avoids, or reduces, the payment of NICs, you can be directed to work out NICs on a different basis. In such cases, we will inform you of the basis to use.

#### 63 More than one set of regular payments

As a general rule, if an employee is paid more than one set of regular payments, all payments must be added together and NICs worked out using the shorter of the regular intervals between payments.

##### *Example*

If an employee receives basic pay on a weekly basis and commission on a monthly basis, NICs are worked out on the total pay based on a weekly earnings period.

However, if you pay an employee at more than one regular interval and it is established by National Insurance Contributions Office that most of the earnings are paid at the longer (or longest) interval, you may be directed to work out NICs using the longer (or longest) interval.

If you are directed to use an annual earnings period to work out NICs, the earnings period for the rest of the tax year in which the direction is made will be the number of weeks left in that tax year.

#### 64 Working out NICs when you first pay an employee

When you first pay an employee, you must work out NICs based on what will be the **normal** earnings period for the employment using the contribution rates and limits current at the actual time of payment.

If the interval between an employee starting work and the first pay day is less than the normal earnings period, still work out NICs using the normal earnings period.

##### *Example*

A new employee starts work on 11 October and is due to be paid monthly on the last day of each month. The earnings period is monthly and the first pay day is 31 October. Work out NICs using a monthly earnings period.

If the interval between an employee starting work and the first pay day spans two or more earnings

periods, and each period is in the same tax year, work out NICs on the amounts due for each of those earnings periods separately using the normal earnings period.

#### Example

A new employee starts work on 8 June and is due to be paid monthly on the last day of each month. The earnings period is monthly and the first pay day is 31 July. The employee receives £2,250 gross pay which is made up of

£750 for the period 8 June – 30 June  
£1,500 for the period 1 July – 31 July.

Work out NICs separately on the payment:

- for June of £750 and record NICs on the employee's form P11 in tax month 3
- for July of £1,500 and record NICs on the employee's form P11 in tax month 4.

If the interval between an employee starting work and the first pay day spans two or more earnings periods, and the relevant earnings periods are in different tax years, work out NICs on the earnings due for each period separately using the normal earnings period. Use the contribution rates and limits current at the time the earnings are actually paid.

#### Example

A new employee starts work on 9 March and is due to be paid monthly on the last day of each month. The earnings period is monthly and the first pay day is 30 April. The employee receives £1,950 gross pay which is made up of:

£450 for the period 9 March – 31 March  
£1,500 for the period 1 April – 30 April

Work out NICs separately on the payment:

- for March of £450 using 2009–10 contribution rates and limits and record NICs on the employee's form P11 in tax month 1 of 2009–10
- for April of £1,500 and record NICs on the employee's form P11 in tax month 1.

### Working out NICs for employees not paid on their usual pay day

Take the following action if you pay employees on a day other than their usual pay day, for example, you bring the pay day forward because of a Bank Holiday or you pay two months' salaries together to employees who submit their timesheets late. If the actual date of payment and the usual pay day are:

- **in the same tax year** - treat the early or late payment as if it had been made at its usual time.

#### Example

Two separate weeks' wages for weeks ending 5 June and 12 June are paid on 12 June. Work out NICs separately on each week's payment. Record the NICs information for the late 5 June payment on the employee's form P11 on the line covering 5 June.

- **in different tax years** - work out NICs on the early or late payment separately from any other payments made in that tax year, using the contribution rates and limits appropriate to the year in which the payment is actually made.

(See the guidance on page 12 if the payment is due to be made on a non-banking day.)

#### Example

Two separate weeks' wages for weeks ending 30 March and 6 April are paid on 30 March. Work out NICs on each set of earnings separately using the usual earnings period, but record the total NICs for both the early 6 April payment and the 30 March payment together on the employee's form P11 on the line covering 30 March.

- **in both the same and different tax years** look at each payment individually and decide which of the above rules applies to that payment.

#### Example

An employee is paid monthly on submission of a timesheet. The employee submits timesheets for February 2009, March 2009 and April 2009 during May 2009. Work out NICs on the payments due for February and March separately using the 2009–10 contribution rates and limits. Record the NICs separately in tax month 2. Work out NICs on the payments for April and May separately and record the NICs in tax months 1 and 2 respectively.

The methods described for calculation of mistimed payments can only be used when nothing was paid on the usual pay day.

### Changing the method of working out NICs

You may work out NICs using either:

- the contribution Tables supplied by us, or
- the exact percentage method. This is when you apply the appropriate percentage rates to the gross pay for the earnings period.

You must use only one method for a particular employee in any tax year unless:

- the employee changes to another payroll which already uses the other method

- you change your payroll system, for example, from manual to computer.

### Employees with more than one job

This section describes the rules which govern the payment of NICs if an employee has more than one job.

#### 65 An employee has two or more jobs with different employers and each one pays the employee

If an employee has another job or jobs with a different employer or employers, work out NICs in the normal way on the earnings you pay the employee. Ignore the payments made to the employee in the other job(s).

However, if you carry on business in association with the other employer(s), you must add together the earnings from each job and work out NICs on the total unless it is not reasonably practicable to do so. You may be asked to show why it has not been practicable to add together the earnings from each job. For advice on the type of information we use if we review your decision, see paragraph 67. In such cases, you should agree with the other employer(s) how to share out the payment of employer's contributions.

Employers are considered to be carrying on business in association with each other if:

- their respective businesses serve a common purpose, and
- to a significant degree, they share such things as accommodation, personnel, equipment or customers.

#### 66 An employee receives one payment of earnings for separate jobs with different employers

An employee may work for two or more employers in separate jobs but only get one payment of earnings.

If the employers:

- are carrying on business in association with each other (see paragraph 65), NICs are due from the employer who actually pays the earnings
- are not carrying on business in association with each other, each employer has to pay NICs on their share of the payment.

#### 67 An employee has two or more jobs with the same employer

If an employee has two or more jobs with you at the same time, the general rule is that you must add all the earnings together and work out NICs on the total.

If the earnings from each job are separately calculated, you do not have to add the earnings from the separate jobs together if it is not reasonably practicable to do so. For example, this might be if you operate a computerised payroll system which is unable to perform the separate calculation and you would then have to do it manually. In such cases, you may be required to show why it has not been reasonably practicable to add the earnings together from each job.

There is no definition of the phrase 'not reasonably practicable' in National Insurance law. We rely upon the ordinary dictionary meaning and any relevant Court decisions.

The onus is on you as the employer to show that aggregation is not reasonably practicable. You will need to take into account the costs, resources, and the effects on running the business.

We consider the following points if we review your decision:

- is it a fact that your payroll software cannot aggregate earnings
- is your payroll software provided by an external supplier or provided by an internal IT section
- does the provider of an outside IT package give an update service that includes aggregation
- if the work has to be carried out manually, what are the costs
- how many employees are potentially affected
- has there been a material change in the labour force since the decision not to aggregate was taken?

If you would like a more detailed discussion of the 'not reasonably practicable' test, please refer to either Tax Bulletin No.48 or section 10009 of the National Insurance Manual at [www.hmrc.gov.uk](http://www.hmrc.gov.uk) or contact us for advice.

### Working out and recording NICs when earnings from separate jobs are added together

#### 68 NICs are due at the not contracted-out rate in all jobs

Work out NICs on the total earnings based on the shortest earnings period.

Only complete one form P11 and, at the end of the tax year, one form P14 *End of Year Summary*.

### **69 NICs are due at the contracted-out rate in all jobs and are covered by the same occupational pension scheme**

This applies if all the jobs are in the same Contracted-out Salary Related (COSR) scheme or the same Contracted-out Money Purchase (COMP) or COMP Stakeholder Pension (COMPSHP) scheme. Work out NICs on the total earnings based on the shortest earnings period.

Only complete one form P11 and, at the end of the tax year, one form P14 *End of Year Summary*.

### **70 NICs are due at the contracted-out rate in all jobs and are covered by different occupational pension schemes**

This applies, for example, if an employee is a member of:

- a Contracted-out Salary Related (COSR) scheme in one job and a different COSR scheme in another job, or
- a Contracted-out Money Purchase (COMP) or COMP Stakeholder Pension (COMPSHP) scheme in one job and a different COMP or COMPSHP scheme in another.

Work out NICs on the total earnings based on the shortest earnings period.

Complete one form P11 and, at the end of the tax year, one form P14 *End of Year Summary*.

In addition to completing a form P11, keep a separate record for each job showing the earnings between the Lower Earnings Limit and Upper Accrual Point for each job.

### **71 NICs are due at the contracted-out rate in one job and the not contracted-out rate in another**

NICs must be worked out on the total earnings using the exact percentage method rather than the contribution Tables. This is because the calculation of NICs in each Table takes into account that portion of an employee's earnings which falls below the Earnings Threshold. This portion of earnings can only be disregarded once.

The examples on pages 40 to 59 explain what you need to do depending on whether or not the employee has an Appropriate Personal Pension (APP) or APP Stakeholder Pension (APPSHP) arrangement.

The examples use the rates and limits applicable to the 2009–10 tax year. NICs are worked out using the exact percentage method. For further information on using the exact percentage method see the Employer Helpbook E13 *Day-to-day payroll*.

The order in which to calculate **reduced** rate NICs is:

- 1 first, on earnings on which NICs are payable under Table letter G if the employee belongs to the company's Contracted-out Money Purchase (COMP) or COMP Stakeholder Pension (COMPSHP) scheme
- 2 then, on earnings on which NICs are payable under Table letter E if the employee belongs to the company's Contracted-out Salary Related (COSR) scheme
- 3 finally, on earnings on which NICs are payable under Table letter B if the employee is in a not contracted-out employment.

The order in which to calculate **standard** rate NICs is:

- 1 first, on earnings on which NICs are payable under Table letter A if the employee has an APP or APPSHP
- 2 then, on earnings on which NICs are payable under Table letter F if the employee belongs to the company's COMP or COMPSHP scheme
- 3 then, on earnings on which NICs are payable under Table letter D if the employee belongs to the company's COSR scheme
- 4 finally, on earnings on which NICs are payable under Table letter A if the employee does not have an APP or APPSHP.

If you feel that sections 65 to 71 apply to you, and you need more information or help in this area, contact us. Our address and phone number can be found in The Phone Book or at [www.hmrc.gov.uk/local/employers/index.htm](http://www.hmrc.gov.uk/local/employers/index.htm)

**This example tells you how to work out NICs and fill in forms P11 and P14 when earnings from more than one job are added together, and the employee:**

- **does not** have an APP or APPSHP arrangement, and
- NICs are due at the contracted-out rate in some jobs, and
- the not contracted-out rate in others.

Work out NICs on the total earnings based on the **shortest** earnings period of the contracted-out employment(s).

For example, if a person has two jobs, one of which is **weekly paid not contracted-out** employment, and the other **weekly paid contracted-out** employment, and the employee **does not** have an APP or APPSHP arrangement, NICs are worked out using a weekly earnings period.

### Example 1

**Contracted-out earnings do not reach the Lower Earnings Limit (£95 weekly), but total earnings do.**

The employee's earnings are:

- £67 a week from the contracted-out job (Table letter D)
  - £70 a week from the not contracted-out job (Table letter A)
- £137** a week total earnings from both jobs

The earnings period is weekly and NICs are due as follows:

**Employee's contributions** are due at the appropriate not contracted-out percentage rate on earnings above the Earnings Threshold (£110) up to and including the Uper Earnings Limit (£844).

**Employee's contribution**

$$\begin{aligned} &£137 - £110 \text{ (ET)} = £27 \\ &£27 \times 11\% = \mathbf{£2.97} \end{aligned}$$

**Employer's contributions** are due at the appropriate not contracted-out percentage rate on the total earnings above the Earnings Threshold (£110).

**Employer's contribution**

$$\begin{aligned} &£137 - £110 \text{ (ET)} = £27 \\ &£27 \times 12.8\% = \mathbf{£3.46} \end{aligned}$$

Total employee's and employer's NICs due = £2.97 + £3.46 = **£6.43**

### Recording NICs

Complete one form P11 and record all details under contribution Table letter A

The employee's P11 would show:

National Insurance contributions										Note: LEL = Lower Earnings Limit; ET = Earnings Threshold; UAP = Upper Accrual Point; UEL = Upper Earnings Limit.						
Earnings details								Contribution details								
Earnings at the LEL (where earnings are equal to or exceed the LEL)		Earnings above the LEL, up to and including the ET			Earnings above the ET, up to and including the UAP			Earnings above the UAP, up to and including the UEL			Total of employee's and employer's contributions - mark minus amounts 'R'			Employee's contributions due on all earnings above the ET		
1a	£	1b	£	p	1c	£	p	1d	£	p	1e	£	p	1f	£	p
	95	15	00		27	00		0	00		6	43		2	97	

At the end of the tax year, complete a form P14 *End of Year Summary*, recording details under Table letter A.

Assuming the employee worked for the same employer for the full 52 weeks, and the level of earnings each week remained unchanged throughout the year, the P14 *End of Year Summary*, would show:

National Insurance contributions in this employment										(Note: LEL = Lower Earnings Limit, ET = Earnings Threshold, UAP = Upper Accrual Point, UEL = Upper Earnings Limit)					
NIC table letter	Earnings at the LEL (where earnings are equal to or exceed the LEL) (whole £s) From col.1a on P11	Earnings above the LEL, up to and including the ET (whole £s) From col.1b on P11	Earnings above the ET, up to and including the UAP (whole £s) From col.1c on P11	Earnings above the UAP, up to and including the UEL (whole £s) From col.1d on P11	Total of employee's and employer's contributions From col.1e on P11	If amount in col.1e is a minus amount, enter 'R' here			Employee's contributions due on all earnings above the ET From col.1f on P11						
	1a	1b	1c	1d	1e	£	p		1f	£	p				
A	4 9 4 0	7 8 0	1 4 0 4			3 3 4		3 6		1 5 4	4 4				

  

Statutory payments included in the pay 'In this employment' figure below										Student
Statutory Sick Pay (SSP)	Statutory Maternity Pay (SMP)	Statutory Paternity Pay (SPP)	Statutory Adoption Pay (SAP)							In this c
1g	1h	1i	1j	£	p	£	p	£	p	£

Pay and Income Tax details

This example tells you how to work out NICs and fill in forms P11 and P14 when earnings from more than one job are added together, and the employee:

- does not have an APP or APPSHP arrangement, and
- NICs are due at the contracted-out rate in some jobs, and
- the not contracted-out rate in others.

Work out NICs on the total earnings based on the **shortest** earnings period of the contracted-out employment(s).

For example, if a person has two jobs, one of which is **weekly paid not contracted-out** employment, and the other **monthly paid contracted-out** employment, and the employee **does not** have an APP or APPSHP arrangement, NICs are worked out using a monthly earnings period.

## Example 2

**Contracted-out earnings exceed the Lower Earnings Limit (£412 monthly) but do not reach the Earnings Threshold (£476 monthly).**

The employee's earnings are:

- £423 a month from the contracted-out job (Table letter D)
  - £400 (£100 p/w x 4 weeks) a month from the not contracted-out job (Table letter A)
- £823** a month total earnings from both jobs

The earnings period is monthly and NICs are due as follows:

**Employee's contributions** are due at:

- the appropriate not contracted-out percentage rate on the not contracted-out earnings above the Earnings Threshold (£476) up to and including the Upper Earnings Limit (£3,656).

**Employee's contribution**

$$\begin{aligned} &£823 - £476 \text{ (ET)} = £347 \\ &£347 \times 11\% = \mathbf{£38.17} \end{aligned}$$

**Employee's NIC rebate on contracted-out earnings**

$$\begin{aligned} &£423 - £412 \text{ (LEL)} = £11 \\ &£11 \times 1.6\% = \mathbf{£0.18} \text{ (to be added to} \\ &\text{employer's rebate as no contracted-out NICs due)} \end{aligned}$$

**Employer's contributions** are due at the appropriate not contracted-out percentage rate on the total earnings above the Earnings Threshold (£476).

**Employer's contribution**

$$\begin{aligned} &£823 - £476 \text{ (ET)} = £347 \\ &£347 \times 12.8\% = \mathbf{£44.42} \end{aligned}$$

**Employer's NIC rebate on contracted-out earnings**

$$\begin{aligned} &£423 - £412 \text{ (LEL)} = £11 \\ &£11 \times 3.7\% = £0.41 \\ &\text{Plus Employee's NIC rebate} \\ &\text{of } £0.18 = \mathbf{R£0.59} \text{ (Table letter D NICs)} \end{aligned}$$

Total employee's and employer's NICs due  $£38.17 + £44.42$  (Table letter A) = **£82.59**

**Recording NICs**

Complete one form P11 for the contracted-out earnings and NICs (after off-setting the NIC rebate) and one for the not contracted-out earnings and NICs. The sharing out of earnings is for NICs purposes only. If PAYE is worked out on the total payment, and recorded on one form P11, note the second P11 'NI' in the tax code space. You must tell us the first time you use two P11 forms for the same employee.

The employee will have two forms P11: one will show the contracted-out earnings and NICs payable (after off-setting the NIC rebate),

National Insurance contributions										Note: LEL = Lower Earnings Limit; ET = Earnings Threshold; UAP = Upper Accrual Point; UEL = Upper Earnings Limit.						
Earnings details								Contribution details								
Earnings at the LEL (where earnings are equal to or exceed the LEL)		Earnings above the LEL, up to and including the ET			Earnings above the ET, up to and including the UAP			Earnings above the UAP, up to and including the UEL			Total of employee's and employer's contributions - mark minus amounts 'R'			Employee's contributions due on all earnings above the ET		
1a	£	1b	£	p	1c	£	p	1d	£	p	1e	£	p	1f	£	p
	412		11	00		0	00		0	00	R	0	59		0	00

and the other for the not contracted-out earnings and NICs.

National Insurance contributions										Note: LEL = Lower Earnings Limit; ET = Earnings Threshold; UAP = Upper Accrual Point; UEL = Upper Earnings Limit.						
Earnings details								Contribution details								
Earnings at the LEL (where earnings are equal to or exceed the LEL)		Earnings above the LEL, up to and including the ET			Earnings above the ET, up to and including the UAP			Earnings above the UAP, up to and including the UEL			Total of employee's and employer's contributions - mark minus amounts 'R'			Employee's contributions due on all earnings above the ET		
1a	£	1b	£	p	1c	£	p	1d	£	p	1e	£	p	1f	£	p
	0		53	00		347	00		0	00		82	59		38	17

At the end of the tax year, complete only one form P14 *End of Year Summary*, recording details under the appropriate contribution Table letters in the same order in which they were worked out.

Assuming the level of earnings remained unchanged throughout the year, the P14 *End of Year Summary* would show:

National Insurance contributions in this employment										Note: LEL = Lower Earnings Limit, ET = Earnings Threshold, UAP = Upper Accrual Point, UEL = Upper Earnings Limit.					
NIC table letter	Earnings at the LEL (where earnings are equal to or exceed the LEL) (whole £s) From col.1a on P11	Earnings above the LEL, up to and including the ET (whole £s) From col.1b on P11	Earnings above the ET, up to and including the UAP (whole £s) From col.1c on P11	Earnings above the UAP, up to and including the UEL (whole £s) From col.1d on P11	Total of employee's and employer's contributions From col.1e on P11	If amount in col.1e is a minus amount, enter 'R' here			Employee's contributions due on all earnings above the ET From col.1f on P11						
	1a	1b	1c	1d	1e	£	p		1f						
D	4 9 4 4	1 3 2	0	0		7	0 8	R	0 0 0						
A	0	6 3 6	4 1 6 4	0		9 9 1	0 8		4 5 8 0 4						

  

Statutory payments included in the pay 'In this employment' figure below										Student
1g	1h	1i	1j							
Statutory Sick Pay (SSP)	Statutory Maternity Pay (SMP)	Statutory Paternity Pay (SPP)	Statutory Adoption Pay (SAP)	In this e						
£	£	£	£	£						

Pay and Income Tax details

This example tells you how to work out NICs and fill in forms P11 and P14 when earnings from more than one job are added together, and the employee:

- does not have an APP or APPSHP arrangement, and
- NICs are due at the contracted-out rate in some jobs, and
- the not contracted-out rate in others.

Work out NICs on the total earnings based on the **shortest** earnings period of the contracted-out employment(s).

For example, if a person has two jobs, one of which is **weekly paid not contracted-out** employment, and the other **monthly paid contracted-out** employment, and the employee **does not** have an APP or APPSHP arrangement, NICs are worked out using a monthly earnings period.

### Example 3

**Contracted-out earnings exceed the Earnings Threshold (£476 monthly) but do not reach the Upper Accrual Point (£3,337 monthly)**

The employee is a member of their employer's COMPSHP.

The employee's earnings are:

- £1,036 a month from the contracted-out job (Table letter F)
  - £800 (£200 p/w X4 weeks) a month from the not contracted-out job (Table letter A)
- £1,836** a month total earnings from both jobs

The earnings period is monthly and NICs are due as follows:

**Employee's contributions** are due at:

- the appropriate contracted-out percentage rate on the contracted-out earnings above the Earnings Threshold (£476)
- the appropriate not contracted-out rate on the not contracted-out earnings until the total earnings reaches the Upper Earnings Limit (£3,656)

**Employee's contributions**

£1,036 - £476 (ET) = £560  
 £560 x 9.4% = **£52.64**

£200 x 4 = £800  
 £800 x 11% = **£88.00**

**Employee's NIC rebate**  
 £476 (ET) - £412 (LEL) = £64  
 £64 x 1.6% = **£1.02**

Net employee's NICs due = Table letter F £52.64 - £1.02 = **£51.62**  
 Table letter A = **£88.00**

**Employer's contributions** are due at:

- the appropriate contracted-out percentage rate on the contracted-out earnings above the Earnings Threshold (£476)
- the appropriate not contracted-out percentage rate on the balance of total earnings.

**Employer's contribution**  
 £1,036 - £476 (ET) = £560  
 £560 x 11.4% = **£63.84**

£200 x 4 = £800  
 £800 x 12.8% = **£102.40**

**Employer's NIC rebate**  
 £476 (ET) - £412 (LEL) = £64  
 £64 x 1.4% = **£0.90**

Net employer's NICs due = Table letter F £63.84 - £0.90 = **£62.94**  
 Table letter A = **£102.40**

Total employee's and employer's NICs due = Table letter F £51.62 + £62.94 = **£114.56**  
 Table letter A £88.00 + £102.40 = **£190.40**

**Recording NICs**

Complete one form P11 for the contracted-out earnings and NICs (after off-setting the NIC rebate) and another for the not contracted-out earnings and NICs. The sharing out of earnings is for NICs purposes only. If PAYE is worked out on the total payment, and recorded on one form P11, note the second P11 'NI' in the tax code space. You must tell us the first time you use the two P11 forms for the same employee.

The employee will have two forms P11: one will show the contracted-out earnings and NICs payable (after off-setting the NIC rebate),

National Insurance contributions										Note: LEL = Lower Earnings Limit; ET = Earnings Threshold; UAP = Upper Accrual Point; UEL = Upper Earnings Limit.						
Earnings details								Contribution details								
Earnings at the LEL (where earnings are equal to or exceed the LEL)		Earnings above the LEL, up to and including the ET			Earnings above the ET, up to and including the UAP			Earnings above the UAP, up to and including the UEL			Total of employee's and employer's contributions - mark minus amounts 'R'			Employee's contributions due on all earnings above the ET		
1a	£	1b	£	p	1c	£	p	1d	£	p	1e	£	p	1f	£	p
	412		64	00		560	00		0	00		114	56		51	62

and the other will show the not contracted-out earnings and NICs.

National Insurance contributions										Note: LEL = Lower Earnings Limit; ET = Earnings Threshold; UAP = Upper Accrual Point; UEL = Upper Earnings Limit.						
Earnings details								Contribution details								
Earnings at the LEL (where earnings are equal to or exceed the LEL)		Earnings above the LEL, up to and including the ET			Earnings above the ET, up to and including the UAP			Earnings above the UAP, up to and including the UEL			Total of employee's and employer's contributions - mark minus amounts 'R'			Employee's contributions due on all earnings above the ET		
1a	£	1b	£	p	1c	£	p	1d	£	p	1e	£	p	1f	£	p
	0		0	00		800	00		0	00		190	40		88	00

At the end of the tax year, complete a form P14 *End of Year Summary*, recording details under the appropriate contribution Table letters in the same order in which they were worked out.

Assuming the level of earnings remained unchanged throughout the year, the P14 *End of Year Summary*, would show:

National Insurance contributions in this employment										Note: LEL = Lower Earnings Limit, ET = Earnings Threshold, UAP = Upper Accrual Point, UEL = Upper Earnings Limit.					
NIC table letter	Earnings at the LEL (where earnings are equal to or exceed the LEL) (whole £s) From col.1a on P11	Earnings above the LEL, up to and including the ET (whole £s) From col.1b on P11	Earnings above the ET, up to and including the UAP (whole £s) From col.1c on P11	Earnings above the UAP, up to and including the UEL (whole £s) From col.1d on P11	Total of employee's and employer's contributions From col.1e on P11	Employee's contributions due on all earnings above the ET From col.1f on P11	If amount in col.1e is a minus amount, enter 'R' here								
	1a	1b	1c	1d	1e	1f	£	p		£	p				
F	4 9 4 4	7 6 8	6 7 2 0		1 3 7 4	6 1 9		7 2							
A		0	9 6 0 0		2 2 8 4	1 0 5 6		8 0							

  

Statutory payments included in the pay 'In this employment' figure below										Student
1g	1h	1i	1j							In this e
£	£	£	£	£	£	£	£	£	£	£

This example tells you how to work out NICs and fill in forms P11 and P14 when earnings from more than one job are added together, and the employee:

- does not have an APP or APPSHP arrangement, and
- NICs are due at the contracted-out rate in some jobs, and
- the not contracted-out rate in others.

Work out NICs on the total earnings based on the **shortest** earnings period of the contracted-out employment(s).

For example, if a person has two jobs, one of which is **weekly paid not contracted-out** employment, and the other **monthly paid contracted-out** employment, and the employee **does not** have an APP or APPSHP arrangement, NICs are worked out using a monthly earnings period.

### Example 4

**Contracted-out earnings exceed the Upper Accrual Point (£3,337 monthly) but do not reach the Upper Earnings Limit (£3,656 monthly)**

The employee is a member of their employer's COMPSHP.

The employee's earnings are:

- £3,500 a month from the contracted-out job (Table letter F)
  - £156 (£39 p/w x 4 weeks) a month from the not contracted-out job (Table letter A)
- £3,656** a month total earnings from both jobs

The earnings period is monthly and NICs are due as follows:

**Employee's contributions** are due at:

- the appropriate contracted-out percentage rate on the contracted-out earnings above the Earnings Threshold (£476) up to and including the Upper Accrual Point (£3,337)
- the appropriate not contracted-out rate on the contracted-out earnings above the Upper Accrual Point
- the appropriate not contracted-out rate on the not contracted-out earnings until the total earnings reaches the Upper Earnings Limit.

**Employee's contributions**

£3,337 (UAP) - £476 (ET) = £2,861  
 £2,861 x 9.4% = **£268.93**

£3,500 - £3,337 (UAP) = £163  
 £163 x 11% = **£17.93**  
 £39 x 4 = £156  
 £156 x 11% = **£17.16**

**Employee's NIC rebate**

£476 (ET) - £412 (LEL) = £64  
 £64 x 1.6% = **£1.02**

Net employee's NICs due = Table letter F £286.86 - £1.02 = **£285.84**  
 Table letter A = **£17.16**

**Employer's contributions** are due at:

- the appropriate contracted-out percentage rate on the contracted-out earnings above the Earnings Threshold (£476) up to and including the Upper Accrual Point (£3,337).
- the appropriate not contracted-out percentage rate on the balance of total earnings.

**Employer's contribution**

£3,337 (UAP) - £476 (ET) = £2,861  
 £2,861 x 11.4% = **£326.15**

£3,500 - £3,337 (UAP) = £163  
 £163 x 12.8% = **£20.86**  
 £39 x 4 = £156  
 £156 x 12.8% = **£19.97**

**Employer's NIC rebate**

£476 (ET) - £412 (LEL) = £64  
 £64 x 1.4% = **£0.90**

Net employer's NICs due = Table letter F £347.01 - £0.90 = **£346.11**  
 Table letter A = **£19.97**

Total employee's and employer's NICs due = Table letter F £285.84 + £346.11 = **£631.95**  
 Table letter A £17.16 + £19.97 = **£37.13**

### Recording NICs

Complete one form P11 for the contracted-out earnings and NICs (after off-setting the NIC rebate) and another for the not contracted-out earnings and NICs. The sharing out of earnings is for NICs purposes only. If PAYE is worked out on the total payment, and recorded on one form P11, note the second P11 'NI' in the tax code space. You must tell us the first time you use the two P11 forms for the same employee.

The employee will have two forms P11: one will show the contracted-out earnings and NICs payable (after setting-off the NIC rebate),

National Insurance contributions										Note: LEL = Lower Earnings Limit; ET = Earnings Threshold; UAP = Upper Accrual Point; UEL = Upper Earnings Limit.						
Earnings details								Contribution details								
Earnings at the LEL (where earnings are equal to or exceed the LEL)		Earnings above the LEL, up to and including the ET			Earnings above the ET, up to and including the UAP			Earnings above the UAP, up to and including the UEL			Total of employee's and employer's contributions - mark minus amounts 'R'			Employee's contributions due on all earnings above the ET		
1a	£	1b	£	p	1c	£	p	1d	£	p	1e	£	p	1f	£	p
	412		64	00		2,861	00		163	00		631	95		285	84

and the other will show the not contracted-out earnings and NICs.

National Insurance contributions										Note: LEL = Lower Earnings Limit; ET = Earnings Threshold; UAP = Upper Accrual Point; UEL = Upper Earnings Limit.						
Earnings details								Contribution details								
Earnings at the LEL (where earnings are equal to or exceed the LEL)		Earnings above the LEL, up to and including the ET			Earnings above the ET, up to and including the UAP			Earnings above the UAP, up to and including the UEL			Total of employee's and employer's contributions - mark minus amounts 'R'			Employee's contributions due on all earnings above the ET		
1a	£	1b	£	p	1c	£	p	1d	£	p	1e	£	p	1f	£	p
	0		0	00		0	00		156	00		37	13		17	16

At the end of the tax year, complete a form P14 *End of Year Summary*, recording details under the appropriate contribution Table letters in the same order in which they were worked out.

Assuming the level of earnings remained unchanged throughout the year, the P14 *End of Year Summary*, would show:

National Insurance contributions in this employment										Note: LEL = Lower Earnings Limit, ET = Earnings Threshold, UAP = Upper Accrual Point, UEL = Upper Earnings Limit.					
NIC table letter	Earnings at the LEL (where earnings are equal to or exceed the LEL) (whole £s) From col.1a on P11	Earnings above the LEL, up to and including the ET (whole £s) From col.1b on P11	Earnings above the ET, up to and including the UAP (whole £s) From col.1c on P11	Earnings above the UAP, up to and including the UEL (whole £s) From col.1d on P11	Total of employee's and employer's contributions From col.1e on P11	If amount in col.1e is a minus amount, enter 'R' here			Employee's contributions due on all earnings above the ET From col.1f on P11						
	1a	1b	1c	1d	1e	£	p		1f						
F	4 9 4 4	7 6 8	3 4 3 3 2	1 9 5 6	7 5 8 3	4 0			3 4 3 0						
A	0	0	0	1 8 7 2	4 4 5	5 6			2 0 5						

  

Statutory payments included in the pay 'In this employment' figure below										Student
1g	1h	1i	1j							In this
£	£	£	£	£	£	£	£	£	£	£

This example tells you how to work out NICs and fill in forms P11 and P14 when earnings from more than one job are added together, and the employee:

- does not have an APP or APPSHP arrangement, and
- NICs are due at the contracted-out rate in some jobs, and
- the not contracted-out rate in others.

Work out NICs on the total earnings based on the **shortest** earnings period of the contracted-out employment(s).

For example, if a person has two jobs, one of which is **weekly paid not contracted-out** employment, and the other **monthly paid contracted-out** employment, and the employee **does not** have an APP or APPSHP arrangement, NICs are worked out using a monthly earnings period.

## Example 5

### Contracted-out earnings reach or exceed the Upper Earnings Limit (£3,656 monthly)

The employee's earnings are:

- £4,170 a month from the contracted-out job (Table letter D)
  - £800 (£200 p/w x 4 weeks) a month from the not contracted-out job (Table letter A)
- £4,970** a month total earnings from both jobs

The earnings period is monthly and NICs are due as follows:

#### Employee's contributions are due at:

- the appropriate contracted-out percentage rate on the contracted-out earnings above the earnings threshold (£476) up to and including the Upper Accrual Point (£3,337)
- the appropriate not contracted-out percentage rate on the contracted-out earnings above the Upper Accrual Point up to and including the Upper Earnings Limit (£3,656)
- 1% on earnings above the Upper Earnings Limit.

#### Employee's contribution

£3,337 (UAP) - £476 (ET) = £2,861  
 £2,861 x 9.4% = **£268.93**  
 £3,656 (UEL) - £3,337 (UAP) = £319  
 £319 x 11% = **£35.09**  
 £4,970 - £3,656 (UEL) = £1,314  
 £1,314 x 1% = **£13.14**

#### Employee's NIC rebate

£476 (ET) - £412 (LEL) = £64  
 £64 x 1.6% = **£1.02**

Net employee's NICs due = £304.02 - £1.02 + £13.14 = **£316.14**

#### Employer's contributions are due at:

- the appropriate contracted-out percentage rate on the contracted-out earnings above the Earnings Threshold (£476) up to and including the Upper Accrual Point (£3,337), and
- the appropriate not contracted-out percentage rate on the balance of total earnings.

#### Employer's contribution

£3,337 (UAP) - £476 (ET) = £2,861  
 £2,861 x 9.1% = **£260.35**  
 £3,656 (UEL) - £3,337 (UAP) = £319  
 £319 x 12.8% = **£40.83**  
 £4,970 - £3,656 (UEL) = £1,314  
 £1,314 x 12.8% = **£168.19**  
 Total = **£469.37**

#### Employer's NIC rebate

£476 (ET) - £412 (LEL) = £64  
 £64 x 3.7% = **£2.37**

Net employer's NICs due = £260.35 + £40.83 - £2.37 + £168.19 = **£467.00**

Total employee's and employer's NICs due = £316.14 + £467.00 = **£783.14**

Recording NICs

Complete one form P11 and record all details under contribution Table letter D

The employee's P11 would show:

National Insurance contributions										Note: LEL = Lower Earnings Limit; ET = Earnings Threshold; UAP = Upper Accrual Point; UEL = Upper Earnings Limit.						
Earnings details									Contribution details							
Earnings at the LEL (where earnings are equal to or exceed the LEL)		Earnings above the LEL, up to and including the ET			Earnings above the ET, up to and including the UAP			Earnings above the UAP, up to and including the UEL			Total of employee's and employer's contributions - mark minus amounts 'R'			Employee's contributions due on all earnings above the ET		
1a	£	1b	£	p	1c	£	p	1d	£	p	1e	£	p	1f	£	p
	412		64	00		2861	00		319	00		783	14		316	14

At the end of the tax year, complete a form P14 End of Year Summary, recording details under Table letter D.

Assuming the employee worked for the same employer for the full 52 weeks / 12 months of the year, and the level of earnings each week / month remained unchanged, the P14 End of Year Summary, would show:

National Insurance contributions in this employment										(Note: LEL = Lower Earnings Limit, ET = Earnings Threshold, UAP = Upper Accrual Point, UEL = Upper Earnings Limit)					
NIC table letter	Earnings at the LEL (where earnings are equal to or exceed the LEL) (whole £s) From col.1a on P11	Earnings above the LEL, up to and including the ET (whole £s) From col.1b on P11	Earnings above the ET, up to and including the UAP (whole £s) From col.1c on P11	Earnings above the UAP, up to and including the UEL (whole £s) From col.1d on P11	Total of employee's and employer's contributions From col.1e on P11	If amount in col.1e is a minus amount, enter 'R' here			Employee's contributions due on all earnings above the ET From col.1f on P11						
	1a	1b	1c	1d	1e	£	p		1f						
D	4 9 4 4	7 6 8	3 4 3 3 2	3 8 2 8		9 3 9 7	6 8		3 7 9 3	6 8					

  

Statutory payments included in the pay 'In this employment' figure below					Student
1g	1h	1i	1j		In this e
£	£	£	£		£

Pay and Income Tax details

This example tells you how to work out NICs and fill in forms P11 and P14 when earnings from more than one job are added together, and the employee:

- has an APP or APPSHP arrangement, and
- NICs are due at the contracted-out rate in some jobs, and
- the not contracted-out rate in others.

Work out NICs on the total earnings based on the **shortest** earnings period of the not contracted-out employment(s).

For example, if a person has two jobs, one of which is **weekly paid not contracted-out** employment, and the other **weekly paid contracted-out** employment, and the employee has an APP or APPSHP, NICs are worked out using a weekly earnings period.

### Example 6

**Not contracted-out earnings do not reach the Lower Earnings Limit (£95 weekly) but total earnings do.**

The employee has an (APP or APPSHP) arrangement.

The employee's earnings are:

- £65 a week from the not contracted-out job (Table letter A)
  - £75 a week from the contracted-out job (Table letter D)
- £140** a week total earnings from both jobs

The earnings period is weekly and NICs are due as follows:

**Employee's contributions** are due at:

- the appropriate contracted-out percentage rate on earnings above the Earnings Threshold (£110) up to and including the Upper Accrual Point (£770).

**Employee's contribution**

£140 - £110 (ET) = £30  
 £30 x 9.4% = **£2.82**

**Employee's NIC rebate**

£110 (ET) - £95 (LEL) = £15  
 £15 x 1.6% = **£0.24**

Net employee's NICs due = £2.82 - £0.24 = **£2.58**

**Employer's contributions** are due at the appropriate contracted-out percentage rate on earnings above the Earnings Threshold (£110), up to and including the Upper Accrual Point (£770).

**Employer's contribution**

£140 - £110 (ET) = £30  
 £30 x 9.1% = **£2.73**

**Employer's NIC rebate**

£110 (ET) - £95 (LEL) = £15  
 £15 x 3.7% = **£0.55**

Net employer's NICs due = £2.73 - £0.55 = **£2.18**

Total employee's and employer's NICs due = £2.58 + £2.18 = **£4.76**

**Recording NICs**

Complete one form P11 and record all details under contribution Table letter D.

The employee's form P11 would show:

National Insurance contributions										Note: LEL = Lower Earnings Limit; ET = Earnings Threshold; UAP = Upper Accrual Point; UEL = Upper Earnings Limit.						
Earnings details								Contribution details								
Earnings at the LEL (where earnings are equal to or exceed the LEL)		Earnings above the LEL, up to and including the ET			Earnings above the ET, up to and including the UAP			Earnings above the UAP, up to and including the UEL			Total of employee's and employer's contributions - mark minus amounts 'R'			Employee's contributions due on all earnings above the ET		
1a	£	1b	£	p	1c	£	p	1d	£	p	1e	£	p	1f	£	p
	95		15	00		30	00		0	00		4	76		2	58

At the end of the tax year, complete a form P14 *End of Year Summary*, recording details under contribution Table letter D.

Assuming the level of earnings remained unchanged throughout the year, the P14 *End of Year Summary*, would show:

National Insurance contributions in this employment										(Note: LEL = Lower Earnings Limit, ET = Earnings Threshold, UAP = Upper Accrual Point, UEL = Upper Earnings Limit)					
NIC table letter	Earnings at the LEL (where earnings are equal to or exceed the LEL) (whole £s) From col.1a on P11	Earnings above the LEL, up to and including the ET (whole £s) From col.1b on P11	Earnings above the ET, up to and including the UAP (whole £s) From col.1c on P11	Earnings above the UAP, up to and including the UEL (whole £s) From col.1d on P11	Total of employee's and employer's contributions From col.1e on P11	If amount in col.1e is a minus amount, enter 'R' here			Employee's contributions due on all earnings above the ET From col.1f on P11						
	1a	1b	1c	1d	1e	£	p		1f	£	p				
D	4 9 4 0	7 8 0	1 5 6 0	0		2 4 7	5 2		1 3 4	1 6					

  

Statutory payments included in the pay 'In this employment' figure below										Student
Statutory Sick Pay (SSP)	Statutory Maternity Pay (SMP)	Statutory Paternity Pay (SPP)	Statutory Adoption Pay (SAP)							In this e
1g	1h	1i	1j	£	p	£	p	£	p	£

Pay and Income Tax details

This example tells you how to work out NICs and fill in forms P11 and P14 when earnings from more than one job are added together, and the employee:

- has an APP or APPSHP arrangement, and
- NICs are due at the contracted-out rate in some jobs, and
- the not contracted-out rate in others.

Work out NICs on the total earnings based on the **shortest** earnings period of the not contracted-out employment(s).

For example, if a person has two jobs, one of which is **monthly paid not contracted-out** employment, and the other **weekly paid contracted-out** employment, and the employee has an APP or APPSHP, NICs are worked out using a monthly earnings period.

### Example 7

**Not contracted-out earnings exceed the Lower Earnings Limit (£412 monthly) but do not reach the Earnings Threshold.**

The employee has an (APP or APPSHP) arrangement.  
The employee's earnings are:

- £414 a month from the not contracted-out job (Table letter A)
  - £400 (£100 p/w x 4 weeks) a month from the contracted-out job (Table letter D)
- £814** a month total earnings from both jobs

The earnings period is monthly and NICs are due as follows:

**Employee's contributions** are due at:

- the appropriate contracted-out percentage rate on the contracted-out earnings above the Earnings Threshold (£476) up to and including the Upper Accrual Point (£3,337).

**Employee's contribution**

$$\begin{aligned} &£814 - £476 \text{ (ET)} = £338 \\ &£338 \times 9.4\% = \mathbf{£31.77} \end{aligned}$$

**Employee's NIC rebate**

$$\begin{aligned} &£476 \text{ (ET)} - £412 \text{ (LEL)} = £64 \\ &£414 - £412 \text{ (LEL)} = £2 \\ &£64 - £2 = £62 \times 1.6\% = \mathbf{£0.99} \end{aligned}$$

$$\text{Net employee's NICs due} = £31.77 - £0.99 = \mathbf{£30.78}$$

**Employer's contributions** are due at the appropriate contracted-out percentage rate on the contracted-out earnings above the Earnings Threshold (£476), up to and including the Upper Accrual Point (£3,337).

**Employer's contribution**

$$\begin{aligned} &£814 - £476 \text{ (ET)} = £338 \\ &£338 \times 9.1\% = \mathbf{£30.76} \end{aligned}$$

**Employer's NIC rebate**

$$\begin{aligned} &£476 \text{ (ET)} - £412 \text{ (LEL)} = £64 \\ &£414 - £412 \text{ (LEL)} = £2 \\ &£64 - £2 = £62 \times 3.7\% = \mathbf{£2.29} \end{aligned}$$

$$\text{Net employer's NICs due} = £30.76 - £2.29 = \mathbf{£28.47}$$

$$\text{Total employee's and employer's NICs due} = £30.78 + £28.47 = \mathbf{£59.25}$$

**Recording NICs**

Complete one form P11 for the not contracted-out earnings and NICs and one for the contracted-out earnings and NICs. The sharing out of earnings is for NICs purposes only. If PAYE is worked out on the total earnings and recorded on one form P11, note the second P11 'NI' in the tax code space. You must tell us the first time you use two forms P11 for the same employee.

The employee will have two forms P11: one will show the not contracted-out earnings,

National Insurance contributions												Note: LEL = Lower Earnings Limit; ET = Earnings Threshold; UAP = Upper Accrual Point; UEL = Upper Earnings Limit.					
Earnings details						Contribution details											
Earnings at the LEL (where earnings are equal to or exceed the LEL)		Earnings above the LEL, up to and including the ET		Earnings above the ET, up to and including the UAP		Earnings above the UAP, up to and including the UEL		Total of employee's and employer's contributions - mark minus amounts 'R'			Employee's contributions due on all earnings above the ET						
1a	£	1b	£	p	1c	£	p	1d	£	p	1e	£	p	1f	£	p	
	412		2	00		0	00		0	00		0	00		0	00	

and the other will show the contracted-out earnings and NICs.

National Insurance contributions												Note: LEL = Lower Earnings Limit; ET = Earnings Threshold; UAP = Upper Accrual Point; UEL = Upper Earnings Limit.					
Earnings details						Contribution details											
Earnings at the LEL (where earnings are equal to or exceed the LEL)		Earnings above the LEL, up to and including the ET		Earnings above the ET, up to and including the UAP		Earnings above the UAP, up to and including the UEL		Total of employee's and employer's contributions - mark minus amounts 'R'			Employee's contributions due on all earnings above the ET						
1a	£	1b	£	p	1c	£	p	1d	£	p	1e	£	p	1f	£	p	
	0		62	00		338	00		0	00		59	25		30	78	

At the end of the tax year, complete a form P14 *End of Year Summary*, recording details under the appropriate contribution Table letters and in the same order that they have been worked out.

Assuming the level of earnings remained unchanged throughout the year, the P14 *End of Year Summary*, would show:

National Insurance contributions in this employment												Note: LEL = Lower Earnings Limit, ET = Earnings Threshold, UAP = Upper Accrual Point, UEL = Upper Earnings Limit.					
NIC table letter	Earnings at the LEL (where earnings are equal to or exceed the LEL) (whole £s) From col.1a on P11		Earnings above the LEL, up to and including the ET (whole £s) From col.1b on P11		Earnings above the ET, up to and including the UAP (whole £s) From col.1c on P11		Earnings above the UAP, up to and including the UEL (whole £s) From col.1d on P11		Total of employee's and employer's contributions From col.1e on P11			If amount in col.1e is a minus amount, enter 'R' here	Employee's contributions due on all earnings above the ET From col.1f on P11				
	1a	£	1b	£	1c	£	1d	£	1e	£	p		1f	£	p		
A	4	944		24		0		0		0	00			0	00		
D		0		744		4056		0		711	00			369	36		

  

Statutory payments included in the pay 'In this employment' figure below												Student In this case
1g	£	p	1h	£	p	1i	£	p	1j	£	p	

Pay and Income Tax details

## Chapter 3

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This example tells you how to work out NICs and fill in forms P11 and P14 when earnings from more than one job are added together, and the employee:

- has an APP or APPSHP arrangement, and
- NICs are due at the contracted-out rate in some jobs, and
- the not contracted-out rate in others.

Work out NICs on the total earnings based on the **shortest** earnings period of the not contracted-out employment(s).

For example, if a person has two jobs, one of which is **monthly paid not contracted-out** employment, and the other **weekly paid contracted-out** employment, and the employee has an APP or APPSHP, NICs are worked out using a monthly earnings period.

### Example 8

Not contracted-out earnings exceed the Earnings Threshold (£476 monthly) but do not reach the Upper Accrual Point (£3,337 monthly)

The employee has an APPSHP arrangement.

The employee's earnings are:

- £1,036 a month from the not contracted-out job (Table letter A)
  - £800 (£200 p/w x 4 weeks) a month from the contracted-out job (Table letter D)
- £1,836 a month total earnings from both jobs

The earnings period is monthly and NICs are due as follows:

**Employee's contributions** are due at:

- the appropriate not contracted-out percentage rate on the not contracted-out earnings above the Earnings Threshold (£476)
- the appropriate contracted-out percentage rate on the contracted-out earnings up to and including the Upper Accrual Point (£3,337).

**Employee's contribution**

$£1,036 - £476 \text{ (ET)} = £560$   
 $£560 \times 11\% = £61.60$

$£800 \times 9.4\% = £75.20$

**Employee's NIC rebate**

Nil (no Contracted-out earnings between the LEL and ET)

**Employer's contributions** are due at:

- the appropriate not contracted-out percentage rate on the not contracted-out earnings above the Earnings Threshold (£476)
- the appropriate contracted-out percentage rate on contracted-out earnings up to and including the Upper Accrual Point (£3,337).

**Employer's contribution**

$£1,036 - £476 \text{ (ET)} = £560$   
 $£560 \times 12.8\% = £71.68$

$£800 \times 9.1\% = £72.80$

**Employer's NIC rebate**

Nil (no contracted-out earnings between the LEL and ET)

Total employee's and employer's NICs due = Table letter A £61.60 + £71.68 = **£133.28**  
Table letter D £75.20 + £72.80 = **£148.00**

**Recording NICs**

Complete one form P11 for the not contracted-out earnings and NICs and one form P11 for the contracted-out earnings and NICs. The sharing out of earnings is for NICs purposes only. If PAYE is worked out on the total payment, and recorded on one form P11, note the second P11 'NI' in the tax code space. You must tell us the first time you use two forms P11 for the same employee.

The employee will have two forms P11: one will show the not contracted-out earnings and NICs,

National Insurance contributions										Note: LEL = Lower Earnings Limit; ET = Earnings Threshold; UAP = Upper Accrual Point; UEL = Upper Earnings Limit.								
Earnings details								Contribution details										
Earnings at the LEL (where earnings are equal to or exceed the LEL)		Earnings above the LEL, up to and including the ET			Earnings above the ET, up to and including the UAP			Earnings above the UAP, up to and including the UEL			Total of employee's and employer's contributions - mark minus amounts 'R'				Employee's contributions due on all earnings above the ET			
1a	£	1b	£	p	1c	£	p	1d	£	p	1e	£	p	1f	£	p		
	412		64	00		560	00		0	00		133	28		61	60		

and the other will show the contracted-out earnings and NICs.

National Insurance contributions										Note: LEL = Lower Earnings Limit; ET = Earnings Threshold; UAP = Upper Accrual Point; UEL = Upper Earnings Limit.								
Earnings details								Contribution details										
Earnings at the LEL (where earnings are equal to or exceed the LEL)		Earnings above the LEL, up to and including the ET			Earnings above the ET, up to and including the UAP			Earnings above the UAP, up to and including the UEL			Total of employee's and employer's contributions - mark minus amounts 'R'				Employee's contributions due on all earnings above the ET			
1a	£	1b	£	p	1c	£	p	1d	£	p	1e	£	p	1f	£	p		
	0		0	00		800	00		0	00		148	00		75	20		

At the end of the tax year, complete a form P14 *End of Year Summary*, recording details under the appropriate contribution Table letters in the same order that they have been worked out.

Assuming the level of earnings remained unchanged throughout the year, the P14 *End of Year Summary*, would show:

National Insurance contributions in this employment										Note: LEL = Lower Earnings Limit, ET = Earnings Threshold, UAP = Upper Accrual Point, UEL = Upper Earnings Limit.					
NIC table letter	Earnings at the LEL (where earnings are equal to or exceed the LEL) (whole £s) From col.1a on P11	Earnings above the LEL, up to and including the ET (whole £s) From col.1b on P11	Earnings above the ET, up to and including the UAP (whole £s) From col.1c on P11	Earnings above the UAP, up to and including the UEL (whole £s) From col.1d on P11	Total of employee's and employer's contributions From col.1e on P11	If amount in col.1e is a minus amount, enter 'R' here	Employee's contributions due on all earnings above the ET From col.1f on P11								
	1a	1b	1c	1d	1e		1f								
	£	£	£	£	£		£								
A	4 9 4 4	7 6 8	6 7 2 0		1 5 9 9	3 6	7 3 9 2 0								
D		0	9 6 0 0		1 7 7 6	0 0	9 0 2 4 0								

  

Statutory payments included in the pay 'In this employment' figure below					Student
Statutory Sick Pay (SSP) 1g	Statutory Maternity Pay (SMP) 1h	Statutory Paternity Pay (SPP) 1i	Statutory Adoption Pay (SAP) 1j		In this
£	£	£	£		£

**This example tells you how to work out NICs and fill in forms P11 and P14 when earnings from more than one job are added together, and the employee:**

- has an APP or APPSHP arrangement, and
- NICs are due at the contracted-out rate in some jobs, and
- the not contracted-out rate in others.

Work out NICs on the total earnings based on the **shortest** earnings period of the not contracted-out employment(s).

For example, if a person has two jobs, one of which is **monthly paid not contracted-out** employment, and the other **weekly paid contracted-out** employment, and has an APP or APPSHP, NICs are worked out using a monthly earnings period.

### Example 9

**Not contracted-out earnings exceed the Upper Accrual Point (£3,337 monthly) but do not reach the Upper Earnings Limit (£3,656 monthly)**

The employee has an APPSHP arrangement.

The employee's earnings are:

- £3,500 a month from the not contracted-out job (Table letter A)
  - £156 (£39 p/w x 4 weeks) a month from the contracted-out job (Table letter D)
- £3,656** a month total earnings from both jobs

The earnings period is monthly and NICs are due as follows:

**Employee's contributions** are due at:

- the appropriate not contracted-out percentage rate on the not contracted-out earnings above the Earnings Threshold (£476)
- the appropriate not contracted-out percentage rate on the contracted-out earnings until the total earnings reach the Upper Earnings Limit (£3,656)

**Employee's contribution**

£3,337 (UAP) - £476 (ET) = £2,861  
 £2,861 x 11% = **£314.71**  
 £3,500 - £3,337 (UAP) = £163  
 £163 x 11% = **£17.93**  
 £156 x 11% = **£17.16**

**Employee's NIC rebate**

Nil (no contracted-out earnings between the LEL and ET)

**Employer's contributions** are due at:

- the appropriate not contracted-out percentage rate on the not contracted-out earnings above the Earnings Threshold (£476)
- the appropriate not contracted-out percentage rate on contracted-out earnings above the Upper Accrual Point (£3,337).

**Employer's contribution**

£3,337 (UAP) - £476 (ET) = £2,861  
 £2,861 x 12.8% = **£366.21**  
 £3,500 - £3,337 (UAP) = £163  
 £163 x 12.8% = **£20.86**

£156 x 12.8% = **£19.97**

**Employer's NIC rebate**

Nil (no contracted-out earnings between the LEL and ET)

Total employee's and employer's NICs due = Table letter A £332.64 + £387.07 = **£719.71**  
 Table letter D £17.16 + £19.97 = **£37.13**

**Recording NICs**

Complete one form P11 for the not contracted-out earnings and NICs and one for the contracted-out earnings and NICs. The sharing out of earnings is for NICs purposes only. If PAYE is worked out on the total earnings and recorded on one form P11, note the second P11 'NI' in the tax code space. You must tell us the first time you use two forms P11 for the same employee.

The employee will have two forms P11: one will show the not contracted-out earnings,

National Insurance contributions										Note: LEL = Lower Earnings Limit; ET = Earnings Threshold; UAP = Upper Accrual Point; UEL = Upper Earnings Limit.						
Earnings details								Contribution details								
Earnings at the LEL (where earnings are equal to or exceed the LEL)		Earnings above the LEL, up to and including the ET			Earnings above the ET, up to and including the UAP			Earnings above the UAP, up to and including the UEL			Total of employee's and employer's contributions - mark minus amounts 'R'			Employee's contributions due on all earnings above the ET		
1a	£	1b	£	p	1c	£	p	1d	£	p	1e	£	p	1f	£	p
	412		64	00		2861	00		163	00		719	71		332	64

and the other will show the contracted-out earnings and NICs.

National Insurance contributions										Note: LEL = Lower Earnings Limit; ET = Earnings Threshold; UAP = Upper Accrual Point; UEL = Upper Earnings Limit.						
Earnings details								Contribution details								
Earnings at the LEL (where earnings are equal to or exceed the LEL)		Earnings above the LEL, up to and including the ET			Earnings above the ET, up to and including the UAP			Earnings above the UAP, up to and including the UEL			Total of employee's and employer's contributions - mark minus amounts 'R'			Employee's contributions due on all earnings above the ET		
1a	£	1b	£	p	1c	£	p	1d	£	p	1e	£	p	1f	£	p
	0		0	00		0	00		156	00		37	13		17	16

At the end of the tax year, complete a form P14 *End of Year Summary*, recording details under the appropriate contribution Table letters and in the same order that they have been worked out.

Assuming the level of earnings remained unchanged throughout the year, the P14 *End of Year Summary*, would show:

National Insurance contributions in this employment										Note: LEL = Lower Earnings Limit, ET = Earnings Threshold, UAP = Upper Accrual Point, UEL = Upper Earnings Limit.								
NIC table letter	Earnings at the LEL (where earnings are equal to or exceed the LEL) (whole £s) From col.1a on P11		Earnings above the LEL, up to and including the ET (whole £s) From col.1b on P11			Earnings above the ET, up to and including the UAP (whole £s) From col.1c on P11			Earnings above the UAP, up to and including the UEL (whole £s) From col.1d on P11			Total of employee's and employer's contributions If amount in col.1e is a minus amount, enter 'R' here From col.1e on P11			Employee's contributions due on all earnings above the ET From col.1f on P11			
	1a	£	1b	£	p	1c	£	p	1d	£	p	1e	£	p	1f	£	p	
A	4	9	4	4		3	4	3	2	1	9	5	6	8	6	8		
D		0		0			0		1	8	7	2		4	4	5	9	2

  

Statutory payments included in the pay 'In this employment' figure below										Student			
1g	Statutory Sick Pay (SSP)		1h	Statutory Maternity Pay (SMP)			1i	Statutory Paternity Pay (SPP)		1j	Statutory Adoption Pay (SAP)		In this
	£	p		£	p		£	p		£	p		

This example tells you how to work out NICs and fill in forms P11 and P14 when earnings from more than one job are added together, and the employee:

- has an APP or APPSHP arrangement, and
- NICs are due at the contracted-out rate in some jobs, and
- the not contracted-out rate in others.

Work out NICs on the total earnings based on the **shortest** earnings period of the not contracted-out employment(s).

For example, if a person has two jobs, one of which is **weekly paid not contracted-out** employment, and the other **weekly paid contracted-out** employment, and the employee has an APP or APPSHP, NICs are worked out using a weekly earnings period.

### Example 10

**Not contracted-out earnings reach or exceed the Upper Earnings Limit (£844 weekly)**

The employee has an (APP or APPSHP) arrangement.

The employee's earnings are:

- £859 a week from the not contracted-out job (Table letter A)
  - £80 a week from the contracted-out job (Table letter D)
- £939** a week total earnings from both jobs

The earnings period is weekly and NICs are due as follows:

**Employee's contributions** are due at:

- the appropriate not contracted-out percentage rate on earnings above the Earnings Threshold (£110), up to and including the Upper Earnings Limit (£844)
- 1% on earnings above the upper earnings limit.

**Employee's contribution**

£770 (UAP) - £110 (ET) = £660  
 £660 x 11% = **£72.60**  
 £844 (UEL) - £770 (UAP) = £74  
 £74 x 11% = **£8.14**

£939 - £844 (UEL) = £95  
 £95 x 1% = **£0.95**

**Employee's NIC rebate**

Nil

Total employee's NICs due = £72.60 + £8.14 + £0.95 = **£81.69**

**Employer's contributions** are due at the appropriate not contracted-out percentage rate on the total earnings above the earnings threshold (£110).

**Employer's contribution**

£770 (UAP) - £110 (ET) = £660  
 £660 x 12.8% = **£84.48**  
 £844 (UEL) - £770 (UAP) = £74  
 £74 x 12.8% = **£9.47**  
 £939 - £844 (UEL) = £95  
 £95 x 12.8% = **£12.16**

**Employer's NIC rebate**

Nil

Total employee's and employer's NICs due = £81.69 + £106.11 = **£187.80**

**Recording NICs**

Complete one form P11 and record all details under contribution Table letter A.

The employee's form P11 would show:

National Insurance contributions												Note: LEL = Lower Earnings Limit; ET = Earnings Threshold; UAP = Upper Accrual Point; UEL = Upper Earnings Limit.						
Earnings details										Contribution details								
Earnings at the LEL (where earnings are equal to or exceed the LEL)		Earnings above the LEL, up to and including the ET			Earnings above the ET, up to and including the UAP			Earnings above the UAP, up to and including the UEL			Total of employee's and employer's contributions - mark minus amounts 'R'				Employee's contributions due on all earnings above the ET			
1a	£	1b	£	p	1c	£	p	1d	£	p	1e	£	p	1f	£	p		
	95		15	00		660	00		74	00		187	80		81	69		

At the end of the tax year, complete a form P14 *End of Year Summary*, recording details under contribution Table letter A.

Assuming the level of earnings each week / month remained unchanged, the P14 *End of Year Summary*, would show:

National Insurance contributions in this employment												Note: LEL = Lower Earnings Limit, ET = Earnings Threshold, UAP = Upper Accrual Point, UEL = Upper Earnings Limit.																		
NIC table letter	Earnings at the LEL (where earnings are equal to or exceed the LEL) (whole £s) From col.1a on P11			Earnings above the LEL, up to and including the ET (whole £s) From col.1b on P11			Earnings above the ET, up to and including the UAP (whole £s) From col.1c on P11			Earnings above the UAP, up to and including the UEL (whole £s) From col.1d on P11			Total of employee's and employer's contributions From col.1e on P11				Employee's contributions due on all earnings above the ET From col.1f on P11													
	1a	£		1b	£		1c	£		1d	£		1e	£	p		1f	£	p											
A	4	9	4	0	7	8	0	3	4	3	2	0	3	8	4	8		9	7	6	5	6	0		4	2	4	7	8	8
<b>Statutory payments included in the pay 'In this employment' figure below</b>																	<b>Student</b>													
	Statutory Sick Pay (SSP) 1g £ p			Statutory Maternity Pay (SMP) 1h £ p			Statutory Paternity Pay (SPP) 1i £ p			Statutory Adoption Pay (SAP) 1j £ p			In this e				£													

### Deferment of the payment of employee's contributions for employees with more than one job

Employees with more than one employment, who anticipate earning in excess of the Upper Earnings Limit (UEL) in one, or in a number of employments, can apply to the National Insurance Contributions Office for permission to defer some of their contributions liability. Where permission is granted the employee will pay a reduced main employee rate of 1% on all earnings from the Earnings Threshold (ET) to the UEL and the additional employee rate of 1% on all earnings above the UEL in the deferred employments.

If an application is allowed, our Deferment Services will send form CA2700 to the employer(s) concerned authorising them to deduct primary NICs at a rate of 1% on all earnings above the ET. Employer's contributions are still payable at the full standard rate. An application for deferment is required each year.

If you receive form CA2700 for an employee, use the appropriate contribution Table letter as follows:

- Table letter 'J' for **Not contracted-out** employment
- Table letter 'L' for **Contracted-out Salary Related (COSR)** employment
- Table letter 'S' for **Contracted-out Money Purchase (COMP) or COMP Stakeholder Pension (COMPSHP)** employment.

For deferment from April 2009 complete columns 1a – 1f of form P11.

### 73 What to do if you have already deducted employee's contributions in the tax year prior to receipt of form CA2700

If you have already deducted employee's contributions:

- re-calculate the employee NICs due at 1% on all earnings above the ET
- refund to the employee the difference between the NICs paid and the amount now due
- adjust your next payment to the Accounts Office as long as it is for the same tax year
- adjust the contribution Table letter under which the NICs are due on the employee's form P11 to the appropriate contribution Table letter for deferment (as indicated above)
- keep a record of earnings on which employee NICs would have been deducted.

Amend the form P11 by:

- drawing a line through each of the entries that you are adjusting so that the original entry can still be read

- recording the right amounts alongside
- entering the amended totals of columns 1a to 1f up to the date of change in the boxes next to the entry for the original contribution Table letter in the 'End of Year Summary' section on page 2 of the P11
- entering the new contribution Table letter on the next line of the 'End of Year Summary' section.

Employees with more than one job who want to know about deferment of Class 1 NICs should read *Guidance Notes for form CA72A* which you can find using 'Find a form' at

[www.hmrc.gov.uk/allforms.shtml](http://www.hmrc.gov.uk/allforms.shtml)

or phone Deferment Services on **0845 915 7141**.

### Employers with occupational pension schemes – contracted-out rate NICs

If you have an occupational pension scheme which satisfies certain conditions, you can contract your employees out of the State Second Pension, previously known as the State Earnings Related Pension Scheme (SERPS). In such circumstances, NICs are payable at a contracted-out rate up to the Upper Accrual Point. This is lower than the not contracted-out rate, and the difference between the two is referred to as the contracted-out rebate.

The rate payable depends upon whether the occupational scheme is a Contracted-out Salary Related (COSR) scheme, a Contracted-out Money Purchase (COMP) or COMP Stakeholder Pension (COMPSHP) scheme.

Employees pay primary NICs at the appropriate contracted-out percentage rate on earnings above the ET up to and including the UAP, at the appropriate not contracted-out rate on earnings above the UAP up to and including the UEL, and at 1% on earnings above the UEL. Employers pay secondary NICs on all earnings above the ET.

Following the introduction of the ET, employers operating contracted-out occupational pension schemes can, from their overall NIC payments, make a deduction to reflect the rebate that **would** have applied to employee's and employer's NICs on earnings between the LEL, up to and including the ET. This is known as the NIC rebate.

Examples of how the NIC rebate is calculated can be found in the Employer Helpbook E13 *Day-to-day payroll*.

We will send you a certificate giving you the right to work out and pay NICs at the contracted-out rate(s) for those employees covered by the certificate.

If you have such a certificate, you will have been allocated an Employer Contracting-out Number (ECON) and Scheme Contracted-out Number (SCON) by Pension Schemes Services.

Employees do not have to join or stay in their employer's occupational pension scheme. If an employee chooses to opt out of their employer's scheme or a new employee decides not to join, **not contracted-out rate NICs** are payable for them.

**Please note that if an employee has an Appropriate Personal Pension (APP) or APP Stakeholder Pension (APPSHP), NICs must be paid at the not contracted-out rate.** For more information about APP or APPSHP, see page 62.

## 74 Working out NICs payable at the contracted-out rate

Contracted-out NICs are payable under either contribution Table letter D, E, L, F, G, or S (or mariners' equivalents). The letter used depends on whether the occupational scheme is a Contracted-out Salary Related (COSR) scheme, a Contracted-out Money Purchase (COMP) scheme, a COMP Stakeholder Pension (COMPSHP) scheme, or a Contracted-out Mixed Benefit (COMB) scheme.

For a **COSR scheme** and the COSR part of a COMB scheme use contribution Table letter:

- **D** for all employees who pay NICs at the standard contracted-out rate
- **E** for married women or widows who have the right to pay reduced rate NICs. See page 63 for further information
- **L** for employees for whom you hold form CA2700 issued by the National Insurance Contributions Office. See previous section on deferment of payment for further information (page 60).

If you use the Tables to work out NICs, use *National Insurance Tables: CA39 Contracted-out contributions for employers with Contracted-out Salary Related schemes*.

If you use the exact percentage method to work out NICs, the appropriate earnings limits/Upper Accrual Point, threshold and percentage rates for the 2009–10 tax year can be found in the Employer Helpbook E12 *PAYE and NICs rates and limits for 2009–10*.

Guidance on using the exact percentage method is supplied in the Employer Helpbook E13 *Day-to-day payroll*.

For a **COMP** or a **COMP Stakeholder Pension scheme** and the COMP part of a COMB scheme use contribution Table letter:

- **F** for all employees who pay NICs at the standard contracted-out rate

- **G** for married women or widows who have the right to pay reduced rate NICs. See page 63 for further information
- **S** for employees for whom you hold form CA2700 issued by the National Insurance Contributions Office. See previous section on deferment of payment for further information (page 60).

Members of a COMP or COMPSHP scheme, including the COMP part of a COMB scheme, receive a rebate of their NICs based on their age. This is known as an Age Related Rebate (ARR). When completing the employee's form P14 *End of Year Summary*, you must ensure that the correct Scheme Contracted-out Number (SCON) is entered on form P14 against the relevant earnings.

If an employee moves from one COMP scheme to another you should show details of the earnings under each scheme on separate lines of the P14, even though there is no change in the NIC category letter. You should enter the SCON of each COMP scheme against the relevant entry on the P14.

Failure to enter the correct SCON, where contribution Table letter F or G apply, will result in non-payment of the ARR.

If you use the Tables to work out NICs, use *National Insurance Tables: CA43 Contracted-out contributions for employers with Contracted-out Money Purchase schemes*.

If you use the exact percentage method to work out NICs, the appropriate earnings limits/Upper Accrual Point, threshold and percentage rates for 2009–10 tax year can be found in the Employer Helpbook E12 *PAYE and NICs rates and limits for 2009–10*.

Guidance on using the exact percentage method is supplied in the Employer Helpbook E13 *Day-to-day payroll*.

Copies of the Employer Helpbooks E12 and E13, are available from the Employer Orderline on **08457 646 646** or you can print them from your Employer CD-ROM.

## 75 Contracted-out status starts whilst in employment

NICs for employees who become contracted-out while they are employed by you and whose earnings go over the ET are due at the relevant contracted-out rate(s) from the first payment you make to them on or after the date they become contracted-out. This is the case even if the payment was earned before that date.

### 76 Contracted-out status stops but employment continues

NICs for employees who stop being contracted-out but continue to be employed by you, whose earnings go over the ET, are due at the relevant not contracted-out rate from the first payment you make to them on or after the date they stop being contracted-out. This is the case even if the payment was earned before that date.

### 77 Retrospective membership of an occupational pension scheme

It may be decided that one or more of your employees can become retrospective members of your occupational pension scheme. This includes employees who have been reinstated retrospectively.

You and the employee(s) will be entitled to a refund of the difference between the not contracted-out NICs paid and the contracted-out rate NICs due since the retrospective membership date.

Retrospective membership is dependent on:

- the rules of the occupational pension scheme, and
- whether or not the employment in question is excluded from the contracting-out certificate issued by us.

Your occupational pension scheme will provide the information you need.

If a refund is due for the current tax year, amend your next payment to the Accounts Office and amend your pay records accordingly. See page 66 *Overpayment of employee's contributions*.

If a refund is due for a tax year which has ended, contact:

HM Revenue & Customs  
National Insurance Contributions Office  
Refunds Group  
Benton Park View  
Newcastle upon Tyne  
NE98 1ZZ

### 78 Special rule for employees over State Pension age

If an employee is over State Pension age (currently 65 for men, 60 for women) employer's contributions must be paid under contribution Table letter C at the **not contracted-out** rate even if they were in contracted-out employment before reaching State Pension age. Use Table C in CA41 *National Insurance Tables: Not contracted-out contributions*.

### 79 Further information

For further information about the procedures to be followed when a person leaves contracted-out employment, see:

- CA14 *Termination of Contracted-out Employment Manual for Salary Related Pension Schemes*
- CA14A *Termination of Contracted-out Employment Manual for Money Purchase Pension Schemes*
- CA84 *Stakeholder Pension Scheme Manual*

on the National Insurance Services To Pensions Industry (NISPI) forms page under Pension Schemes at [www.hmrc.gov.uk](http://www.hmrc.gov.uk)

Termination of contracted-out employment for Mixed Benefit schemes is covered in both the CA14 and CA14A.

For advice about the assessment of NICs at the contracted-out rate, contact the Employer Helpline by phoning **08457 143 143**.

If you have any queries about the contracting-out arrangements, contact:

HM Revenue & Customs  
National Insurance Contributions Office  
Services to Pensions Industry  
Benton Park View  
Newcastle upon Tyne  
NE98 1ZZ

Phone **0845 915 0150**

Lines are open Monday to Friday 08.00 – 17.00

### Employees with Appropriate Personal Pension schemes or Appropriate Personal Pension Stakeholder Pension schemes and the effect on NICs

Appropriate Personal Pension (APP) and Appropriate Personal Pension Stakeholder Pension (APPSHP) schemes types of personal pensions which enable an employee to contract out of the State Second Pension, previously known as the State Earnings Related Pension Scheme (SERPS). Employees may contract out through an appropriate personal pension **and** be a member of either:

- their employer's (contracted-in) occupational pension scheme, or
- a personal pension scheme for a private pension.

If you participate in a personal pension scheme, any pension contributions paid by an employee through the payroll system must be deducted from pay after tax and NICs have been deducted.

## 80 Working out NICs

If an employee has an APP/APPSHP you must work out NICs at the standard not contracted-out rate, that is, under contribution Table letter A. Do not use either a contracted-out rate or reduced rate.

### *Working out NICs when an APP/APPSHP scheme begins*

If an employee:

- opts out of State Second Pension (previously known as SERPS) in favour of an APP/APPSHP scheme, continue to work out NICs using contribution Table letter A
- leaves your contracted-out occupational pension scheme in favour of an APP/APPSHP scheme, work out NICs using contribution Table letter A on the first payment you make to the employee on or after the date on which they opt out of your scheme.

### *Payments made by an employer into an APP/APPSHP scheme*

Provided the payment is excluded from tax, do not include in gross pay any payment you make into an employee's APP/APPSHP scheme. (This also applies to employers' contributions to personal pension schemes which are not APP/APPSHP schemes.)

## Special rules for some married women and widows

Some married women and widows have the right to pay reduced rate NICs. If an employee has such a right she must give you a valid 'certificate of election' before you can deduct NICs at the reduced rate.

## 81 Certificates of election

A certificate of election gives you the authority to deduct reduced rate NICs and you must keep the certificate until the woman:

- stops working for you, or
- becomes liable to pay standard rate NICs, or
- reaches State Pension age.

If you deduct reduced rate NICs without a valid certificate of election, you are responsible for any underpayment.

It is also your responsibility to ensure the certificate of election you receive from your employee is valid. Check carefully any certificates you are given.

The only valid certificates of election are:

- form CA4139 or CF383 unless
  - either box A or box B shows a date which has passed, or
  - the employee has not earned enough to pay NICs in any two consecutive tax years since 6 April 1978 and has not been self-employed
- form CF380A as long as the woman has worked for you continuously since 5 April 1980 and has paid reduced rate NICs throughout that time.

### *Getting a valid certificate of election*

If an employee gives you a certificate of election which is not valid, return it to her. If she says that she is still entitled to pay reduced rate NICs, she must write to HM Revenue & Customs National Insurance Contributions Office at the address shown in paragraph 86 and ask for a replacement to be issued.

If an employee has more than one job, she must get a separate certificate to give each employer.

## 82 Giving up the right to pay reduced rate NICs

A woman who wishes to give up her right to pay reduced rate NICs must:

- ask her employer to return the certificate to her
- complete
  - part 1 of the certificate
  - form CF9 (if she is a married woman) or CF9A (if she is a widow). These forms can be obtained from [www.hmrc.gov.uk](http://www.hmrc.gov.uk) or by writing to the address in paragraph 86
  - send the certificate and completed form CF9 or CF9A to the address in paragraph 86.

If your employee would like further advice she should phone the National Insurance enquiries for individuals Helpline on **0845 302 1479**.

### 83 Losing the right to pay reduced rate NICs

A woman loses her right to pay reduced rate NICs if she:

- gets divorced or her marriage is annulled
  - becomes a widow but is not entitled to Bereavement Benefit after an initial period
  - loses her right to Bereavement Benefit, for a reason other than remarriage
  - has not, in any two consecutive tax years since 6 April 1978
    - had any earnings on which Class 1 NICs are payable or treated as paid (for instance where, since 6 April 2000, the earnings are between the LEL and ET), or
    - been self-employed
- whilst no NICs are payable between the LEL and ET, they are treated as having been paid and her election remains valid. As such, a married woman or widow will not lose her right to pay reduced rate NICs.

#### *Divorce or annulment*

Your employee is required by law to:

- tell you when she is no longer entitled to pay NICs at the reduced rate, and
- return her certificate of election to the National Insurance Contributions Office at the address shown in paragraph 86.

As the employer, you are required by law to return the certificate of election to the employee when asked to do so. You may consider it worthwhile to have arrangements in place:

- so that your employee knows who, or which part of your organisation, she should inform that she is no longer entitled to pay reduced rate NICs and whether you require this to be done in writing
- to check any notification of change of surname or remarriage or civil partnership as this may mean that there has been a divorce or annulment
- to issue a periodic reminder to employees for whom you hold a certificate of election, advising them of the need to tell you if
  - their marriage ends by divorce or annulment
  - they are no longer entitled to pay reduced rate NICs.

Although all cases will be considered individually on their merits, **you will be liable for any underpayment of NICs unless:**

- the employee was at fault (this might mean, for example, that she failed to tell you that she was no longer entitled to pay reduced rate NICs

under the laid-down procedures you may have, or she failed to ask for the return of the certificate of election), and

- the underpayment was not due to any negligence on your part (for example, you may be considered negligent if you have inadequate or no arrangements in place for your employee to tell you that she is no longer entitled to pay NICs at the reduced rate.)

### 84 When to return a certificate of election

You must return a certificate to your employee when:

- she leaves your employment
- she tells you that her marriage has ended in divorce or by annulment
- she reaches State Pension age
- she has not, in any two consecutive tax years since 6 April 1978
  - had any earnings on which Class 1 NICs are payable or treated as paid, or
  - been self-employed
- she has changed her name
- she remarries
- she asks for it back
- she becomes widowed.

Complete the parts of the certificate which apply to you before you return it to your employee.

When you have returned a certificate, if the woman still works for you, deduct standard rate NICs unless she has:

- given you a new certificate of election
- reached State Pension age and has provided you with proof of that (see paragraph 87).

If you cannot return a certificate of election to an employee who has left, send it with a note of explanation to the National Insurance Contributions Office at the address shown in paragraph 86.

### 85 Adjusting NICs

You must reassess and adjust any NICs already deducted if your employee:

- gives you a valid certificate of election part way through the tax year
- is late in telling you that she is no longer entitled to pay reduced rate NICs.

#### *Overpayment of NICs*

If an overpayment of NICs occurs in the current year as a result of your receiving a valid certificate of election part of the way through the year:

- refund the amount overpaid to the employee
- amend the employee's form P11
- adjust your next payment to the Accounts Office.

To get a refund of an overpayment in a tax year which has ended, the employee must write, quoting her NI number, to:

HM Revenue & Customs  
National Insurance Contributions Office  
Refunds Group  
Benton Park View  
Newcastle upon Tyne  
NE98 1ZZ

#### *Underpayment of NICs*

If as a result of the employee being late in telling you that she is no longer entitled to pay reduced rate NICs an underpayment has occurred, follow the rules on page 17.

### 86 More information

More information about the right to pay reduced rate NICs can be obtained by:

- phoning the Employer Helpline on **08457 143 143**, or
- contacting us at the following address  
HM Revenue & Customs  
National Insurance Contributions Office  
Individuals Caseworker  
Benton Park View  
Newcastle upon Tyne  
NE98 1ZZ

### Payment of NICs for employees over State Pension age

Employees over State Pension age, currently 60 for women and 65 for men, do not have to pay employee's contributions.

Employer's contributions are still due and are payable at the **not contracted-out rate**, even if you operate a contracted-out scheme. (See paragraph 78.)

Employer's contributions are due at the not contracted-out rate from the first payment you make to your employee on or after their 60<sup>th</sup> or 65<sup>th</sup> birthday.

As the employer you are responsible for ensuring that the correct contributions are paid, and before you stop deducting employee's contributions you

must have seen proof that the employee has reached State Pension age. This can be a birth certificate, passport or certificate of exception, form CA4140 or CF384 issued by the National Insurance Contributions Office.

If you stop deducting employee's contributions before you have seen proof, or continue to pay employer contributions at the contracted-out rate, you are responsible for any underpayment.

### 87 Certificates of age exception

The certificate of age exception gives you the authority to stop paying employee's contributions.

The certificate shows a 'valid from' date and the employee will not be liable to pay any further employee's contributions on any payment of earnings made on or after that date.

### 88 Getting a certificate of age exception

An employee can get a certificate of age exception by applying to the National Insurance Contributions Office at the address shown in paragraph 86. If they do not already hold details of the employee's date of birth, evidence of their age, for example an original birth certificate, will be required.

If the employee has more than one job, they must get a separate certificate of age exception to give to each employer.

You are responsible for looking after any certificate given to you. Keep the certificate for as long as the employee works for you.

### 89 When to return a certificate of age exception

Certificates of age exception belong to the National Insurance Contributions Office and, if requested, you must return a certificate to us.

Always return a certificate of age exception to your employee when their employment ends. If you are unable to return the certificate direct to the employee, send it, with a note of explanation, to us at the address shown in paragraph 86.

### 90 Adjusting NICs

If you are given a certificate of age exception which shows that the 'valid from' date has already passed, you will need to reassess and adjust any NICs wrongly paid.

## Chapter 3

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### *Overpayment of employee's contributions*

If an overpayment has occurred in the current tax year as a result of employee's contributions being wrongly deducted:

- refund the employee's contributions to the employee
- amend the employee's form P11
- adjust your next payment to us.

If an overpayment has occurred in a previous tax year, to get a refund the employee must write to:

HM Revenue & Customs  
National Insurance Contributions Office  
Refunds Group  
Benton Park View  
Newcastle upon Tyne  
NE98 1ZZ

### *Underpayment of employer's contributions*

An underpayment of employer's contributions will happen if these contributions are paid at the contracted-out rate. Employer's contributions must be paid at the not contracted-out rate.

If an underpayment occurs in the current tax year:

- amend the employee's form P11
- adjust your next payment to us.

If an underpayment occurred for a previous tax year, contact the National Insurance Contributions Office at the address shown in paragraph 86 for advice.

**91 – 109 not used - reserved for future use**