

# Employee's guide to minimum contributions

April 2011

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## About this guide

This guide explains about minimum contributions for employees who have taken out an Appropriate Personal Pension/Appropriate Personal Pension Stakeholder Pension instead of paying into

- State Second Pension, formerly known as the State Earnings Related Pension Scheme (SERPS), or
- an employer's contracted-out pension scheme.

These notes are for general guidance only and should not be treated as a complete and authoritative statement of the law.

## Other guidance available

The following contain useful information about matters affecting Personal Pensions:

<b>Guide</b>	<b>Title</b>
PTB1	Pensions: the basics. A guide from the Government
PM7	Contracting-out of the State Second Pension - Your guide

You can get copies of these guides by contacting

✉ Pension Guide FREEPOST RLXH-JUEU-GZCH

Northampton

NN3 6DF (you don't need a stamp)

☎ 0845 7 31 32 33. The line is open 24 hours a day.

If you have speech or hearing difficulties, a textphone service is available on 0845 604 0210.

You can also see these guides at [www.direct.gov.uk/tpsleaflets](http://www.direct.gov.uk/tpsleaflets)

All guides are available in Welsh, on audio tape, in Braille and in large print.

## Important changes to contracting out

Recent legislation has been introduced to abolish contracting out on a defined contribution basis. This means from 6 April 2012, you will no longer be able to contract out of the additional State Pension (also known as the State Second Pension) on a defined contribution (money purchase) basis to an Appropriate Personal Pension. Instead you will automatically be brought back into the additional State Pension and, depending on your earnings, you may begin to build up entitlement to the State Second Pension from this time.

At the moment the minimum contributions we pay to your scheme, together with any investment return, are known as “protected rights”. Currently the Government tracks and restricts the use of protected rights to provide benefits in place of the additional State Pension. From 6 April 2012 these restrictions will no longer apply and benefits can be treated the same as other pension benefits. They will be retained in the pension scheme, unless you decide to transfer to another pension plan or savings scheme, and we will no longer track any protected rights benefits already accrued separately.

Your pension scheme administrator should contact you nearer the date of abolition to explain how your scheme will operate in future.

You can find further information at <http://www.direct.gov.uk/contractedoutpensions>

## Information about, and payment of, minimum contributions by HM Revenue and Customs National Insurance Contributions and Employer Office

### *State Pension*

The State Pension is in two parts:

- a basic flat rate pension, and
- an Additional Pension, commonly known as State Second Pension or, prior to 6 April 2002, as State Earnings Related Pension Scheme (SERPS).

### *National Insurance contributions*

If you earn below or up to a set limit, known as the Earnings Threshold you are not liable to pay National Insurance contributions. If your earnings exceed the Earnings Threshold both you and your employer pay National Insurance contributions on all earnings which exceed the Earnings Threshold up to a set maximum, known as the Upper Earnings Limit.

However, your earnings up to and including the Lower Earnings Limit will count towards your basic ‘flat rate’ State Pension even though no National Insurance contributions have been paid on these earnings.

Your entitlement to the Additional Pension is based on your earnings between the Lower Earnings Limits and the Upper Accrual Point even though National Insurance

contributions have not been paid on the earnings between the Lower Earnings Limit and the Earnings Threshold. The Upper Accrual Point has been set at £770.00 a week and will remain frozen at this amount. Prior to the 2009-10 tax year Additional Pension entitlement is based on earnings between the Lower Earnings Limit and the Upper Earnings Limit. See [Appendix 2](#) for details of annual earnings limits.

### *What are minimum contributions?*

When you take out an Appropriate Personal Pension/Appropriate Personal Pension Stakeholder Pension in place of State Second Pension, formerly known as State Earnings Related Pension Scheme or your employer's contracted-out pension scheme, you pay National Insurance contributions on your earnings at the full not contracted-out rate, as if you were paying into State Second Pension.

HM Revenue and Customs National Insurance Contributions and Employer Office pay an amount, based on your earnings between the Lower Earnings Limit and the Upper Accrual Point or, prior to 2009-10, the Upper Earnings Limit. This amount, called minimum contributions, is paid direct to your Appropriate Personal Pension/Appropriate Personal Pension Stakeholder Pension scheme.

The State Second Pension you would have received based on these earnings will be replaced by the pension you receive from your Appropriate Personal Pension/Appropriate Personal Pension Stakeholder Pension scheme. See [Appendix 1](#) for further information regarding where details of earnings and National Insurance contributions can be found.

### *The components of minimum contributions*

The minimum contribution is made up of

- the contracted-out rebate, see page 7 and 8
- tax relief at the basic rate on the employee's share of the contracted-out rebate, see page 9

and may, if appropriate, have included:

- a 2% incentive payment payable up to 5 April 1993 if you met certain conditions, see [Appendix 6](#)
- a 1% age addition - if you qualified - for tax years 1993-94 to 1996-97 inclusive, see [Appendix 6](#)
- increase to minimum contributions for the 1997 tax year where payment was delayed, see Appendix 7

## How are minimum contributions calculated?

### *Calculating the contracted-out rebate for tax years from 2002-2003 onwards*

The contracted-out rebate is based on the part of your earnings between the Lower Earnings Limit and the Upper Accrual Point, or prior to the 2009-10 tax year, the Upper Earnings Limit, on which you have paid Class 1 National Insurance contributions. However, the maximum earnings to count for minimum contributions in any tax year will be:

Tax years from 2009-2010

- 53 x weekly Upper Accrual Point minus
- 52 x weekly Lower Earnings Limit.

Tax years up to 2008-2009

- 53 x weekly Upper Earnings Limit minus
- 52 x weekly Lower Earnings Limit.

**Note:** Although you do not pay NI contributions on your earnings between the Lower Earnings Limit and the Earnings Threshold, these earnings will still count for the payment of Minimum Contributions.

Your earnings are then broken into the earnings bands used to calculate State Second Pension:

Tax Years between 2002-2003 and 2009-2010

- Band 1 – Lower Earnings Limit to Low Earnings Threshold
- Band 2 - Low Earnings Threshold to Upper Earnings Threshold
- Band 3 – Upper Earnings Threshold to Upper Earnings Limit, or from 2009-10 to the Upper Accrual Point

Tax years from 2010-2011

- Band 1 – Lower Earnings Limit to Low Earnings Threshold
- Band 2 - Low Earnings Threshold to Upper Accrual Point

**Note:** The Low Earnings Threshold and Upper Earnings Threshold were introduced to set the earnings bands for the calculation of State Second Pension. They do not affect the earnings limits or thresholds for the payment of National Insurance contributions. From 6 April 2010, changes to the way in which State Second Pension will be calculated mean that the current three earnings bands will reduce to two. The earnings bands used to calculate Minimum Contributions will also change from three to two as shown above.

See [Appendix 2](#) for details of the annual earnings limits and thresholds.

The contracted-out rebate is also dependant upon your age on 5 April of the tax year immediately prior to the tax year in question.

### Example

Your date of birth is 29 December 1966.

The calculation is in respect of the 2009-10 tax year. Therefore the age that is used is that on 5 April 2009 (the tax year immediately prior to the tax year in question) i.e. 42.

The appropriate age-related percentage as set out in [Appendix 3](#) or [Appendix 3A](#) is then applied to the part of your earnings which fall into each earnings band.

### Formula

To calculate the contracted-out rebate for a tax year, you should:

- identify all of your earnings up to and including the Upper Accrual Point, or prior to 2009-10 the Upper Earnings Limit. Details of where you can find the relevant earnings information can be found at [Appendix 1](#).
- deduct the amount of the annual Lower Earnings Limit - See [Appendix 2](#)
- if you were a member of an employer's contracted-out pension scheme deduct any contracted-out earnings between the Lower Earnings Limit and the Upper Accrual Point or, prior to 2009-10 the Upper Earnings Limit
- multiply the resulting earnings in each of the relevant earnings bands by the appropriate age-related percentage, see [Appendix 3](#) and [Appendix 3A](#)

## Example

### 2009-2010 tax year

If your earnings below the Upper Accrual Point for the 2009-2010 tax year are £36,000, your date of birth is 29 December 1966 (age 42) and you have not paid any contracted-out contributions as a member of an employer's pension scheme, your contracted-out rebate will be:

Band 1 Earnings    £13,900 - £4940 = £8960 x 14.4% = £1290.24

Band 2 Earnings    £31,800 - £13,900 = £17,900 x 3.6% = £644.40

Band 3 Earnings    £36,000 - £31,800 = £4,200 x 7.2% = £302.40

Total rebate payable £1290.24 + £644.40 + £302.40 = £2237.04

### *Calculating the contracted-out rebate for tax years prior to 2002-03*

- For details of how to calculate contracted-out rebates for tax years from 1997-98 to 2001-02 please see [Appendix 4](#).
- For details of how to calculate contracted-out rebates for tax years up to and including 1996-97 please see [Appendix 5](#).

## Calculating tax relief for tax years from 2002-2003 onwards

The contracted-out rebate is made up of an employee's share and an employer's share. You will normally be entitled to tax relief at the basic rate on your share of the contracted-out rebate.

HM Revenue and Customs National Insurance Contributions and Employer Office work out the amount of tax relief you are entitled to and pay it into your Appropriate Personal Pension/Appropriate Personal Pension Stakeholder Pension.

### Formula

To calculate the amount of tax relief, you should:

- multiply the amount of contracted-out rebate for each earnings band by 1.6% - your (employee) share of the age-related percentage, then
- divide the resulting amount by the total age-related percentage for each earnings band (employee's and employer's share), and then
- multiply by the basic rate of tax – currently 20%. Please see [Appendix 2A](#) for previous tax years • divide by (100 minus the basic percentage tax rate)

### Example

Using the previous calculation shown on page 8 the tax relief would be:

#### 2009-2010 tax year

Band 1 Earnings

$$\frac{\pounds 1290.24 \times 1.6}{14.4} \times \frac{20}{80} = \pounds 35.84$$

Band 2 Earnings

$$\frac{\pounds 644.40 \times 1.6}{3.6} \times \frac{20}{80} = \pounds 71.60$$

Band 3 Earnings

$$\frac{\pounds 302.40 \times 1.6}{7.2} \times \frac{20}{80} = \pounds 16.80$$

$$\text{Total tax relief payable } \pounds 35.84 + \pounds 71.60 + \pounds 16.80 = \pounds 124.24$$

*Calculating tax relief for tax years prior to 2002-03*

- For details of how to calculate tax relief for tax years from 1997-98 to 2001-02 please see [Appendix 4](#).
- For details of how to calculate tax relief for tax years up to and including 1996-97 please see [Appendix 5](#)

## When are minimum contributions paid?

Each year, your employer sends an End of Year Summary, form P14, to HM Revenue and Customs National Insurance Contributions and Employer Office showing your

- earnings
- National Insurance contributions, and
- tax paid.

HM Revenue and Customs National Insurance Contributions and Employer Office will

- check and record the details
- calculate the minimum contribution, and
- pay the minimum contribution into your Appropriate Personal Pension/Appropriate Personal Pension Stakeholder Pension, normally within one month of your earnings being recorded.

If you have more than one job, earnings details from the different jobs may be recorded at different times. In these cases, more than one payment may be made into your Appropriate Personal Pension/Appropriate Personal Pension Stakeholder Pension during the year.

## When will minimum contributions not be paid?

Minimum contributions will not be paid

- until the necessary earnings information has been received and successfully processed by HM Revenue and Customs National Insurance Contributions and Employer Office
- if a return has been received from your employer but your earnings are below the Lower Earnings Limit
- if the earnings information has been received but the National Insurance contributions relate to self employment or contracted-out employment as a member of your employer's contracted-out pension scheme.
- for tax years after 5 April 2012 (see Important changes to contracting out at page 5).

## Information from your Appropriate Personal Pension/ Appropriate Personal Pension Stakeholder Pension scheme

Your Appropriate Personal Pension/Appropriate Personal Pension Stakeholder Pension scheme must provide you with all the basic information about the scheme within 13 weeks of joining.

At least once a year, they must send you a statement giving details of

- the amount of contributions you have paid during the previous 12 months
- the amount of minimum contributions paid by the HM Revenue and Customs National Insurance Contributions and Employer Office
- the value of the pension rights you have built up, and
- the value of your protected rights in the scheme.

### Protected rights

- are the total of the minimum contributions paid into your personal pension plan and the investment return
- will be used to provide you with a pension.

It is important that you examine and keep these statements so that you can check that enough money is going into your pension to provide for your retirement.

You can also ask your scheme for a summary of their investment performance.

If you have any queries about Appropriate Personal Pensions/Appropriate Personal Pension Stakeholder Pension which cannot be answered by your Appropriate Personal Pension/Appropriate Personal Pension Stakeholder Pension scheme or your financial advisor, please write to

✉ HM Revenue and Customs  
National Insurance Contributions and Employer Office  
Services to Pensions Industry (Personal Pensions)  
Benton Park View  
Newcastle upon Tyne NE98 1ZZ

A Helpline is available as a contact point for general enquiries about Appropriate Personal Pensions/Appropriate Personal Pension Stakeholder Pension

☎ 08459 150 150

Lines are open 8am to 5pm Monday to Friday. Calls will be charged at local rates.

## If your personal details change

It is important that you write - quoting your National Insurance number - and let us know if any of the following details change, or are incorrect on documentation that we send you:

- your surname
- your date of birth (please send a certified copy of your birth certificate)
- your address.

You are not obliged to provide us with the following information but, if applicable, it will help us maintain your National Insurance record:

- date of marriage or civil partnership
- date of termination (bereavement, divorce or dissolution of civil partnership )

You should let either Services to Pensions Industry, your nearest Department for Work and Pensions (DWP) office or HM Revenue and Customs National Insurance Contributions and Employer Office know. The address for Services to Pensions Industry is shown on page 11 and you can find the address of your nearest DWP office in The Phone Book.

## Customer Service

### *Our commitment to you*

We are here to ensure that everyone understands and receives what they are entitled to, and understands and pays what they owe, so that everyone contributes to the UK's needs.

We will

- listen carefully
- answer accurately and respond promptly
- keep your personal and business details confidential
- treat you fairly and with respect
- give you dedicated help if you have particular needs
- make it easy for you to understand your rights and obligations, including
  - what you are entitled to
  - what you must do, and

- when you must do it

- provide a service in a way that is convenient for you

- online

- by phone through our network of Contact Centres and Helplines, or

- face-to-face in our Enquiry Centres or with our Business Support Teams.

### *Service Standards*

We set ourselves standards of service. Every year we check to see how we have done and we publish the results. If you would like details, please

- visit [www.hmrc.gov.uk](http://www.hmrc.gov.uk), or
- contact us. You will find us in the Phone Book under 'HMRC'.

### *Particular needs*

We offer a range of facilities for customers with particular needs.

Some of the things we provide are

- wheelchair access to nearly all Enquiry Centres
- home visits, if you have limited mobility or caring responsibilities and cannot get to one of our Enquiry Centres
- leaflets in large print, Braille and audio
- for people with hearing difficulties
  - BT Typetalk
  - induction loops
  - sign language interpretation

- help with filling in forms.

For complete details, please

- visit [www.hmrc.gov.uk](http://www.hmrc.gov.uk), or
- contact us. You will find us in the Phone Book under 'HMRC'.

### *Other leaflets*

Copies of our leaflets are available

- online at [www.hmrc.gov.uk](http://www.hmrc.gov.uk)
- from Enquiry Centres. You will find the address in the Phone Book under 'HMRC'

### *Putting things right*

We aim to provide the best possible service at all times. However, if you are unhappy with the way we have treated you or dealt with your affairs, the best way to resolve matters is with the person you have been dealing with. A phone call will usually allow us to put things right. If you are unable to resolve the matter informally, or you would prefer to deal with someone else than you may want to make a formal complaint. Ask for our factsheet C/FS1 "Complaints and Putting things right". The factsheet is also available online at <http://www.hmrc.gov.uk/factsheets/complaints-factsheet.pdf>. We would not expect a complaint to get beyond this stage. But if you are still unhappy, please ask for your complaint to be referred to the Customer Relations Manager.

### *Do you qualify for an additional payment?*

If we make mistakes in handling your National Insurance affairs, we will consider making an additional payment if there was a delay in making, or, we have made a mistake with, payments of minimum contributions to your Appropriate Personal Pension/Appropriate Personal Pension Stakeholder Pension and it is clearly our fault.

We will also consider paying back any unreasonable costs you have incurred because of our mistakes or delays in handling your enquiry, for example, to cover extra postage, photocopying or phone costs, or additional professional fees.

### *How to apply for an additional payment?*

If you think an additional payment should be made to you, please get in touch with

The Personal Pensions Manager  
HMRC  
National Insurance Contributions and Employer Office  
Services to Pensions Industry  
Benton Park View  
Newcastle upon Tyne  
NE98 1ZZ

Your case will be carefully looked at and you will be informed of what we are going to do.

## Appendix 1

### *Information about your earnings used in the minimum contribution calculation*

#### **Details of your earnings can be found on the following documents:**

##### *P60 - End of Year Certificate*

If you are still working at the end of the tax year, your employer is required to provide you with a P60, which provides details of your earnings and the National Insurance contributions you have paid. Normally if you have taken out an Appropriate Personal Pension/Appropriate Personal Pension Stakeholder Pension you pay National Insurance contributions at the not contracted-out (A) rate. If the contribution table letter shown is an "A":

#### **For the 2001-2002 or later tax year**

- You should use the sum of the earnings figures in columns 1a, 1b and 1c of the P60 when calculating your minimum contributions

#### **For the 2000-2001 tax year**

- You should use the sum of the earnings figures in columns 1a, 1b, 1c and 1d of the P60 when calculating your minimum contributions

#### **For the 1999-2000 tax year**

- You should use the sum of the earnings figures in columns 1a, 1b and 1c of the P60 when calculating your minimum contributions

#### **For tax year up to and including 1998-1999**

- You should use the earnings shown in column 1a of the P60 when calculating your minimum contributions

If however, in addition, you have also paid National Insurance contributions at the contracted-out (**D or F**) rate you will need to deduct the earnings on which you have paid the contracted-out rate. The method of identifying these will also depend on the tax year.

**For the 2001-2002 or later tax year**

- You should deduct the sum of the earnings figures in columns 1b and 1c from the sum of the earnings figures in columns 1a, 1b and 1c

The resulting figure should be added to any not contracted-out earnings before deducting the annual Lower Earnings Limit.

**For the 2000-2001 tax year**

- You should deduct the sum of the earnings figures in columns 1b, 1c and 1d from the sum of the earnings figures in columns 1a, 1b, 1c and 1d

**For the 1999-2000 tax year**

- You should deduct the sum of the earnings figures in columns 1b and 1c from the sum of the earnings figures in columns 1a, 1b and 1c

**For tax year up to and including 1998-1999**

- You should deduct the earnings figure shown in column 1c from the earnings figure shown in column 1a

***P45 - Details of employee leaving work***

If you leave employment part way through the tax year your employer is required to provide you with a P45 which provides details of your earnings and the amount of tax paid up to the date of leaving the employment. It does not show information regarding the rate of National Insurance paid or the earnings on which it has been paid. This information can be obtained from your weekly/monthly payslips or from your previous employer who, although not required to do so, should be able to provide you with this information.

## Appendix 2

### *Annual Earnings Limits and Thresholds used to calculate Minimum Contributions*

Tax Year	Lower Earnings Limit	Low Earnings Threshold	Upper Earnings Threshold	Upper Earnings Limit	Upper Accrual Point
1987/88	£2028	-	-	£15635	
1988/89	£2132	-	-	£16165	
1989/90	£2236	-	-	£17225	
1990/91	£2392	-	-	£18550	
1991/92	£2704	-	-	£20670	
1992/93	£2808	-	-	£21465	
1993/94	£2912	--	--	£22260	
1994/95	£2964	-	-	£22790	
1995/96	£3016	-	-	£23320	
1996/97	£3172	-	-	£24115	
1997/98	£3224	-	-	£24645	
1998/99	£3328	-	-	£25705	
1999/00	£3432	-	-	£26500	
2000/01	£3484	-	-	£28335	
2001/02	£3744	-	-	£30475	
2002/03	£3900	£10800	£24600	£31005	
2003/04	£4004	£11200	£25600	£31535	
2004/05	£4108	£11600	£26600	£32330	
2005/06	£4264	£12100	£27800	£33390	
2006/07	£4368	£12500	£28800	£34185	
2007/08	£4524	£13000	£30000	£35510	
2008/09	£4680	£13500	£31100	£40810	
2009/10	£4940	£13900	£31800	-	£40810
2010/11	£5044	£14100	-	-	£40810
2011/12	£5304	£14400	-	-	£40810

**Note:** The figures quoted for the yearly Upper Earnings Limit (UEL)/Upper Accrual Point (UAP) are based on 53 x the weekly UEL/UAP. This is to allow for instances of 53 weekly (or equivalent) pay periods within a tax year.

In most cases, even where earnings exceed the UEL or UAP figures quoted above, Minimum Contributions will be payable on a lesser figure - the earnings in each pay period which fall between the LEL and the UAP (or UEL for tax years before 2009-10).

#### **Example**

2010-11 Actual annual earnings = £50,000 paid equally over 52 weekly pay periods

Weekly earnings between LEL and UAP on which NICs paid = £770 x 52 = £40,040

So, in this example the maximum earnings for Minimum Contributions: £40,040 - £5044 = £34,996

However, if, the earnings had been paid over 53 weekly pay periods the maximum earnings would be £770 x 53 = £40,810 - £5044 = £35,766

## Appendix 2A

### *Basic rate of tax*

<b>Tax Year</b>	<b>Basic rate of tax</b>
1987/88	27%
1988/89	25%
1989/90	25%
1990/91	25%
1991/92	25%
1992/93	25%
1993/94	25%
1994/95	25%
1995/96	25%
1996/97	24%
1997/98	23%
1998/99	23%
1999/00	23%
2000/01	22%
2001/02	22%
2002/03	22%
2003/04	22%
2004/05	22%
2005/06	22%
2006/07	22%
2007/08	22%
2008/09	20%
2009/10	20%
2010/11	20%
2011/12	20%

## Appendix 3

Appropriate age-related percentages for tax years 2002-03 to 2006-07

Appropriate age-related percentages for the tax year 2002-2003			
Column A	Column B	Column C	Column D
Age on last day of preceding tax year	Band 1- Earnings between £3,900 and £10,800	Band 2 - Earnings between £10,800 and £24,600	Band 3 – Earnings between £24,600 and £31005
15	8.4	2.1	4.2
16	8.4	2.1	4.2
17	8.4	2.1	4.2
18	8.6	2.15	4.3
19	8.6	2.15	4.3
20	8.8	2.2	4.4
21	8.8	2.2	4.4
22	9.0	2.25	4.5
23	9.0	2.25	4.5
24	9.0	2.25	4.5
25	9.2	2.3	4.6
26	9.3	2.3	4.6
27	9.4	2.35	4.7
28	9.4	2.35	4.7
29	9.6	2.4	4.8
30	9.6	2.4	4.8
31	9.8	2.45	4.9
32	9.8	2.45	4.9
33	10.0	2.5	5.0
34	10.0	2.5	5.0
35	10.0	2.5	5.0
36	10.2	2.55	5.1
37	10.2	2.55	5.1
38	10.4	2.6	5.2
39	10.4	2.6	5.2
40	10.8	2.7	5.4
41	11.2	2.8	5.6
42	11.4	2.85	5.7
43	11.8	2.95	5.9
44	12.2	3.05	6.1
45	12.6	3.15	6.3
46	13.0	3.25	6.5
47	14.0	3.5	7.0
48	15.6	3.9	7.8
49	17.6	4.4	8.8
50	19.8	4.95	9.9
51	21.0	5.25	10.5

Column A	Column B	Column C	Column D
Age on last day of preceding tax year	Band 1- Earnings between £3,900 and £10,800	Band 2 - Earnings between £10,800 and £24,600	Band 3 – Earnings between £24,600 and £31005
52	21.0	5.25	10.5
53	21.0	5.25	10.5
54	21.0	5.25	10.5
55	21.0	5.25	10.5
56	21.0	5.25	10.5
57	21.0	5.25	10.5
58	21.0	5.25	10.5
59	21.0	5.25	10.5
60	21.0	5.25	10.5
61	21.0	5.25	10.5
62	21.0	5.25	10.5
63	21.0	5.25	10.5

Appropriate age-related percentages for the tax year 2003-2004			
Column A	Column B	Column C	Column D
Age on last day of preceding tax year	Band 1- Earnings between £4004 and £11,200	Band 2 - Earnings between £11,200 and £25,600	Band 3 – Earnings between £25,600 and £31,535
15	8.4	2.1	4.2
16	8.4	2.1	4.2
17	8.4	2.1	4.2
18	8.6	2.15	4.3
19	8.6	2.15	4.3
20	8.8	2.2	4.4
21	8.8	2.2	4.4
22	9.0	2.25	4.5
23	9.0	2.25	4.5
24	9.0	2.25	4.5
25	9.2	2.3	4.6
26	9.2	2.3	4.6
27	9.4	2.35	4.7
28	9.4	2.35	4.7
29	9.6	2.4	4.8
30	9.6	2.4	4.8
31	9.8	2.45	4.9
32	9.8	2.45	4.9
33	10.0	2.5	5.0
34	10.0	2.5	5.0
35	10.0	2.5	5.0
36	10.2	2.55	5.1
37	10.2	2.55	5.1
38	10.4	2.6	5.2
39	10.4	2.6	5.2
40	10.6	2.65	5.3
41	11.0	2.75	5.5
42	11.2	2.8	5.6
43	11.6	2.9	5.8
44	12.0	3.0	6.0
45	12.4	3.1	6.2
46	12.8	3.2	6.4
47	13.2	3.3	6.6
48	14.2	3.55	7.1
49	15.8	3.95	7.9
50	17.8	4.45	8.9
51	20.0	5.0	10.0
52	21.0	5.25	10.5
53	21.0	5.25	10.5
54	21.0	5.25	10.5
55	21.0	5.25	10.5

Column A	Column B	Column C	Column D
Age on last day of preceding tax year	Band 1- Earnings between £4004 and £11,200	Band 2 - Earnings between £11,200 and £25,600	Band 3 – Earnings between £25,600 and £31,535
56	21.0	5.25	10.5
57	21.0	5.25	10.5
58	21.0	5.25	10.5
59	21.0	5.25	10.5
60	21.0	5.25	10.5
61	21.0	5.25	10.5
62	21.0	5.25	10.5
63	21.0	5.25	10.5

Appropriate age-related percentages for the tax year 2004-2005			
Column A	Column B	Column C	Column D
Age on last day of preceding tax year	Band 1- Earnings between £4108 and £11,600	Band 2 - Earnings between £11,600 and £26,600	Band 3 – Earnings between £26,600 and £32,330
15	8.4	2.10	4.2
16	8.4	2.10	4.2
17	8.4	2.10	4.2
18	8.6	2.15	4.3
19	8.6	2.15	4.3
20	8.8	2.2	4.4
21	8.8	2.2	4.4
22	9.0	2.25	4.5
23	9.0	2.25	4.5
24	9.0	2.25	4.5
25	9.2	2.3	4.6
26	9.2	2.3	4.6
27	9.4	2.35	4.7
28	9.4	2.35	4.7
29	9.6	2.4	4.8
30	9.6	2.4	4.8
31	9.8	2.45	4.9
32	9.8	2.45	4.9
33	10.0	2.5	5.0
34	10.0	2.5	5.0
35	10.2	2.55	5.1
36	10.2	2.55	5.1
37	10.2	2.55	5.1
38	10.4	2.6	5.2
39	10.4	2.6	5.2
40	10.6	2.65	5.3
41	10.6	2.65	5.3
42	11.0	2.75	5.5
43	11.4	2.85	5.7
44	11.8	2.95	5.9
45	12.0	3.0	6.0
46	12.4	3.1	6.2
47	12.8	3.2	6.4
48	13.2	3.3	6.6
49	14.4	3.6	7.2
50	16.0	4.0	8.0
51	18.0	4.5	9.0
52	20.2	5.05	10.1
53	21.0	5.25	10.5
54	21.0	5.25	10.5
55	21.0	5.25	10.5

Column A	Column B	Column C	Column D
Age on last day of preceding tax year	Band 1- Earnings between £4108 and £11,600	Band 2 - Earnings between £11,600 and £26,600	Band 3 – Earnings between £26,600 and £32,330
56	21.0	5.25	10.5
57	21.0	5.25	10.5
58	21.0	5.25	10.5
59	21.0	5.25	10.5
60	21.0	5.25	10.5
61	21.0	5.25	10.5
62	21.0	5.25	10.5
63	21.0	5.25	10.5

Appropriate age-related percentages for the tax year 2005-2006			
Column A	Column B	Column C	Column D
Age on last day of preceding tax year	Band 1- Earnings between £4264 and £12,100	Band 2 - Earnings between £12,100 and £27,800	Band 3 – Earnings between £27,800 and £33,390
15	8.4	2.10	4.2
16	8.4	2.10	4.2
17	8.4	2.10	4.2
18	8.6	2.15	4.3
19	8.6	2.15	4.3
20	8.8	2.2	4.4
21	8.8	2.2	4.4
22	9.0	2.25	4.5
23	9.0	2.25	4.5
24	9.0	2.25	4.5
25	9.2	2.3	4.6
26	9.2	2.3	4.6
27	9.4	2.35	4.7
28	9.4	2.35	4.7
29	9.6	2.4	4.8
30	9.6	2.4	4.8
31	9.8	2.45	4.9
32	9.8	2.45	4.9
33	10.0	2.5	5.0
34	10.0	2.5	5.0
35	10.2	2.55	5.1
36	10.2	2.55	5.1
37	10.4	2.6	5.2
38	10.4	2.6	5.2
39	10.4	2.6	5.2
40	10.6	2.65	5.3
41	10.6	2.65	5.3
42	10.8	2.7	5.4
43	11.2	2.8	5.6
44	11.4	2.85	5.7
45	11.8	2.95	5.9
46	12.2	3.05	6.1
47	12.6	3.15	6.3
48	13.0	3.25	6.5
49	13.4	3.35	6.7
50	14.6	3.65	7.3
51	16.0	4.0	8.0
52	18.0	4.5	9.0
53	20.4	5.1	10.2
54	21.0	5.25	10.5
55	21.0	5.25	10.5

Column A	Column B	Column C	Column D
Age on last day of preceding tax year	Band 1- Earnings between £4264 and £12,100	Band 2 - Earnings between £12,100 and £27,800	Band 3 – Earnings between £27,800 and £33,390
56	21.0	5.25	10.5
57	21.0	5.25	10.5
58	21.0	5.25	10.5
59	20.4	5.1	10.2
60	21.0	5.25	10.5
61	21.0	5.25	10.5
62	21.0	5.25	10.5
63	21.0	5.25	10.5

Appropriate age-related percentages for the tax year 2006-2007			
Column A	Column B	Column C	Column D
Age on last day of preceding tax year	Band 1- Earnings between £4368 and £12,500	Band 2 - Earnings between £12,500 and £28,800	Band 3 – Earnings between £28,800 and £34,185
15	8.4	2.10	4.2
16	8.4	2.10	4.2
17	8.4	2.10	4.2
18	8.6	2.15	4.3
19	8.6	2.15	4.3
20	8.8	2.2	4.4
21	8.8	2.2	4.4
22	9.0	2.25	4.5
23	9.0	2.25	4.5
24	9.0	2.25	4.5
25	9.2	2.3	4.6
26	9.2	2.3	4.6
27	9.4	2.35	4.7
28	9.4	2.35	4.7
29	9.6	2.4	4.8
30	9.6	2.4	4.8
31	9.8	2.45	4.9
32	9.8	2.45	4.9
33	10.0	2.5	5.0
34	10.0	2.5	5.0
35	10.2	2.55	5.1
36	10.2	2.55	5.1
37	10.4	2.6	5.2
38	10.4	2.6	5.2
39	10.6	2.65	5.3
40	10.6	2.65	5.3
41	10.8	2.70	5.4
42	10.8	2.7	5.4
43	11.0	2.75	5.5
44	11.2	2.8	5.6
45	11.6	2.9	5.8
46	12.0	3.0	6.0
47	12.4	3.1	6.2
48	12.8	3.2	6.4
49	13.2	3.3	6.6
50	13.6	3.4	6.8
51	14.6	3.65	7.3
52	16.2	4.05	8.1
53	18.2	4.55	9.1
54	20.6	5.15	10.3
55	21.0	5.25	10.5

Column A	Column B	Column C	Column D
Age on last day of preceding tax year	Band 1- Earnings between £4368 and £12,500	Band 2 - Earnings between £12,500 and £28,800	Band 3 – Earnings between £28,800 and £34,185
56	21.0	5.25	10.5
57	21.0	5.25	10.5
58	21.0	5.25	10.5
59	19.6	4.9	9.8
60	20.6	5.15	10.3
61	21.0	5.25	10.5
62	21.0	5.25	10.5
63	21.0	5.25	10.5

## Appendix 3A

Appropriate age-related percentages for tax years 2007-08 to 2011-12

Appropriate age-related percentages for the tax year 2007-2008			
Column A	Column B	Column C	Column D
Age on last day of preceding tax year	Band 1- Earnings between £4524 and £13,000	Band 2 - Earnings between £13,000 and £30,000	Band 3 – Earnings between £30,000 and £35,510
15	9.4	2.35	4.7
16	9.4	2.35	4.7
17	9.6	2.4	4.8
18	9.8	2.45	4.9
19	9.8	2.45	4.9
20	10.0	2.5	5.0
21	10.2	2.55	5.1
22	10.4	2.6	5.2
23	10.4	2.6	5.2
24	10.6	2.65	5.3
25	10.8	2.7	5.4
26	11.0	2.75	5.5
27	11.0	2.75	5.5
28	11.2	2.8	5.6
29	11.4	2.85	5.7
30	11.6	2.9	5.8
31	11.8	2.95	5.9
32	12.0	3.0	6.0
33	12.0	3.0	6.0
34	12.2	3.05	6.1
35	12.6	3.15	6.3
36	12.8	3.2	6.4
37	13.0	3.25	6.5
38	13.4	3.35	6.7
39	13.6	3.4	6.8
40	14.0	3.5	7.0
41	14.2	3.55	7.1
42	14.4	3.6	7.2
43	14.8	3.7	7.4
44	14.8	3.7	7.4
45	14.8	3.7	7.4
46	14.8	3.7	7.4
47	14.8	3.7	7.4
48	14.8	3.7	7.4
49	14.8	3.7	7.4
50	14.8	3.7	7.4

Column A	Column B	Column C	Column D
Age on last day of preceding tax year	Band 1- Earnings between £4524 and £13,000	Band 2 - Earnings between £13,000 and £30,000	Band 3 – Earnings between £30,000 and £35,510
51	14.8	3.7	7.4
52	14.8	3.7	7.4
53	14.8	3.7	7.4
54	14.8	3.7	7.4
55	14.8	3.7	7.4
56	14.8	3.7	7.4
57	14.8	3.7	7.4
58	14.8	3.7	7.4
59	14.8	3.7	7.4
60	14.8	3.7	7.4
61	14.8	3.7	7.4
62	14.8	3.7	7.4
63	14.8	3.7	7.4

Appropriate age-related percentages for the tax year 2008-2009			
Column A	Column B	Column C	Column D
Age on last day of preceding tax year	Band 1- Earnings between £4680 and £13,500	Band 2 - Earnings between £13,500 and £31,100	Band 3 – Earnings between £31,100 and £40,810
15	9.4	2.35	4.7
16	9.4	2.35	4.7
17	9.6	2.4	4.8
18	9.8	2.45	4.9
19	9.8	2.45	4.9
20	10.0	2.5	5.0
21	10.2	2.55	5.1
22	10.4	2.6	5.2
23	10.4	2.6	5.2
24	10.6	2.65	5.3
25	10.8	2.7	5.4
26	11.0	2.75	5.5
27	11.0	2.75	5.5
28	11.2	2.8	5.6
29	11.4	2.85	5.7
30	11.6	2.9	5.8
31	11.8	2.95	5.9
32	12.0	3.0	6.0
33	12.0	3.0	6.0
34	12.2	3.05	6.1
35	12.6	3.15	6.3
36	12.8	3.2	6.4
37	13.2	3.3	6.6
38	13.4	3.35	6.7
39	13.6	3.4	6.8
40	14.0	3.5	7.0
41	14.2	3.55	7.1
42	14.4	3.6	7.2
43	14.8	3.7	7.4
44	14.8	3.7	7.4
45	14.8	3.7	7.4
46	14.8	3.7	7.4
47	14.8	3.7	7.4
48	14.8	3.7	7.4
49	14.8	3.7	7.4
50	14.8	3.7	7.4
51	14.8	3.7	7.4
52	14.8	3.7	7.4
53	14.8	3.7	7.4
54	14.8	3.7	7.4

Column A	Column B	Column C	Column D
Age on last day of preceding tax year	Band 1- Earnings between £4680 and £13,500	Band 2 - Earnings between £13,500 and £31,100	Band 3 – Earnings between £31,100 and £40,810
55	14.8	3.7	7.4
56	14.8	3.7	7.4
57	14.8	3.7	7.4
58	14.8	3.7	7.4
59	14.8	3.7	7.4
60	14.8	3.7	7.4
61	14.8	3.7	7.4
62	14.8	3.7	7.4
63	14.8	3.7	7.4

Appropriate age-related percentages for the tax year 2009-2010			
Column A	Column B	Column C	Column D
Age on last day of preceding tax year	Band 1- Earnings between £4940 and £13900	Band 2 - Earnings between £13900 and £31800	Band 3 – Earnings between £31800 and £40810
15	9.4	2.35	4.7
16	9.4	2.35	4.7
17	9.6	2.4	4.8
18	9.8	2.45	4.9
19	9.8	2.45	4.9
20	10.0	2.5	5.0
21	10.2	2.55	5.1
22	10.4	2.6	5.2
23	10.4	2.6	5.2
24	10.6	2.65	5.3
25	10.8	2.7	5.4
26	11.0	2.75	5.5
27	11.2	2.8	5.6
28	11.2	2.8	5.6
29	11.4	2.85	5.7
30	11.6	2.9	5.8
31	11.8	2.95	5.9
32	12.0	3.0	6.0
33	12.0	3.0	6.0
34	12.2	3.05	6.1
35	12.6	3.15	6.3
36	12.8	3.2	6.4
37	13.2	3.3	6.6
38	13.4	3.35	6.7
39	13.6	3.4	6.8
40	14.0	3.5	7.0
41	14.2	3.55	7.1
42	14.4	3.6	7.2
43	14.8	3.7	7.4
44	14.8	3.7	7.4
45	14.8	3.7	7.4
46	14.8	3.7	7.4
47	14.8	3.7	7.4
48	14.8	3.7	7.4
49	14.8	3.7	7.4
50	14.8	3.7	7.4
51	14.8	3.7	7.4
52	14.8	3.7	7.4
53	14.8	3.7	7.4
54	14.8	3.7	7.4

Column A	Column B	Column C	Column D
Age on last day of preceding tax year	Band 1- Earnings between £4940 and £13900	Band 2 - Earnings between £13900 and £31800	Band 3 – Earnings between £31800 and £40810
55	14.8	3.7	7.4
56	14.8	3.7	7.4
57	14.8	3.7	7.4
58	14.8	3.7	7.4
59	14.8	3.7	7.4
60	14.8	3.7	7.4
61	14.8	3.7	7.4
62	14.8	3.7	7.4
63	14.8	3.7	7.4

Appropriate age-related percentages for the tax year 2010-2011		
Column A	Column B	Column C
Age on last day of preceding tax year	Band 1- Earnings between £5044 and £14,100	Band 2 - Earnings between £14,100 and £40,810
15	9.4	2.35
16	9.4	2.35
17	9.6	2.4
18	9.8	2.45
19	9.8	2.45
20	10.0	2.5
21	10.2	2.55
22	10.4	2.6
23	10.4	2.6
24	10.6	2.65
25	10.8	2.7
26	11.0	2.75
27	11.2	2.8
28	11.2	2.8
29	11.4	2.85
30	11.6	2.9
31	11.8	2.95
32	12.0	3.0
33	12.0	3.0
34	12.2	3.05
35	12.6	3.15
36	12.8	3.2
37	13.2	3.3
38	13.4	3.35
39	13.6	3.4
40	14.0	3.5
41	14.2	3.55
42	14.6	3.65
43	14.8	3.7
44	14.8	3.7
45	14.8	3.7
46	14.8	3.7
47	14.8	3.7
48	14.8	3.7
49	14.8	3.7
50	14.8	3.7
51	14.8	3.7
52	14.8	3.7
53	14.8	3.7
54	14.8	3.7

Column A	Column B	Column C
Age on last day of preceding tax year	Band 1- Earnings between £5044 and £14,100	Band 2 - Earnings between £14,100 and £40,810
55	14.8	3.7
56	14.8	3.7
57	14.8	3.7
58	14.8	3.7
59	14.8	3.7
60	14.8	3.7
61	14.8	3.7
62	14.8	3.7
63	14.8	3.7

Appropriate age-related percentages for the tax year 2011-2012		
Column A	Column B	Column C
Age on last day of preceding tax year	Band 1- Earnings between £5304 and £14,400	Band 2 - Earnings between £14,400 and £40,810
15	9.4	2.35
16	9.4	2.35
17	9.6	2.4
18	9.8	2.45
19	10.0	2.5
20	10.0	2.5
21	10.2	2.55
22	10.4	2.6
23	10.4	2.6
24	10.6	2.65
25	10.8	2.7
26	11.0	2.75
27	11.2	2.8
28	11.2	2.8
29	11.4	2.85
30	11.6	2.9
31	11.8	2.95
32	12.0	3.0
33	12.2	3.05
34	12.2	3.05
35	12.6	3.15
36	12.8	3.2
37	13.2	3.3
38	13.4	3.35
39	13.8	3.45
40	14.0	3.5
41	14.2	3.55
42	14.6	3.65
43	14.8	3.7
44	14.8	3.7
45	14.8	3.7
46	14.8	3.7
47	14.8	3.7
48	14.8	3.7
49	14.8	3.7
50	14.8	3.7
51	14.8	3.7
52	14.8	3.7
53	14.8	3.7

Age on last day of preceding tax year	Band 1- Earnings between £5304 and £14,400	Band 2 - Earnings between £14,400 and £40,810
54	14.8	3.7
55	14.8	3.7
56	14.8	3.7
57	14.8	3.7
58	14.8	3.7
59	14.8	3.7
60	14.8	3.7
61	14.8	3.7
62	14.8	3.7
63	14.8	3.7

## Appendix 4

### *Calculating the contracted-out rebate and tax relief for a tax year between 1997-98 and 2001-02.*

#### Calculating the contracted-out rebate:

The contracted-out rebate is based on the part of your earnings between the Lower Earnings Limit and the Upper Earnings Limit, on which class 1 National Insurance contributions have been paid. However, the maximum earnings to count for minimum contributions in any tax year will be:

- 53 x weekly Upper Earnings Limit minus
- 52 x weekly Lower Earnings Limit.

**Note:** Although from 2000-01 onwards no N.I. contributions are paid on earnings between the Lower Earnings Limit and the Earnings Threshold these earnings will still count for the payment of Minimum Contributions.

The contracted-out rebate is also dependant upon your age on 5 April of the tax year immediately prior to the tax year in question.

#### **Example**

Your date of birth is 29 December 1966.

The calculation is in respect of the 1999-2000 tax year. Therefore the age that is used is that on 5 April 1999 (the tax year immediately prior to the tax year in question) i.e. 32.

The appropriate age-related percentage is then applied to your earnings.

#### **Formula**

To calculate the contracted-out rebate for a tax year, you should:

- identify all of your earnings up to and including the Upper Earnings Limit. Details of where you can find the relevant earnings information can be found at [Appendix 1](#).
- deduct the amount of the annual Lower Earnings Limit - See [Appendix 2](#)
- if you were a member of an employer's contracted-out pension scheme deduct any contracted-out earnings between the Lower Earnings Limit and the Upper Earnings Limit
- multiply the resulting earnings by the appropriate age-related percentage, see [Appendix 4A](#)

## Example

### 1999-2000 tax year

If your earnings below the Upper Earnings Limit for the 1999-2000 tax year are £24180, your date of birth is 29 December 1966 and you have not paid any contracted-out contributions as a member of an employer's pension scheme, your contracted-out rebate will be:

$$(\text{£}24180 - \text{£}3432) = \text{£}20748 \times 4.6\% = \text{£}954.41$$

### Calculating the tax relief:

The contracted-out rebate is made up of an employee's share and an employer's share. You will normally be entitled to tax relief at the basic rate on your share of the contracted-out rebate.

HM Revenue and Customs National Insurance Contributions and Employer Office work out the amount of tax relief you are entitled to and pay it into your Appropriate Personal Pension/Appropriate Personal Pension Stakeholder Pension.

### Formula

To calculate the amount of tax relief, you should:

- multiply the amount of contracted-out rebate by 1.6% - your (employee) share of the age-related percentage, then
- divide the resulting amount by the total age-related percentage (employee's and employer's share), and then
- multiply by the basic rate of tax – see Appendix 2A
- divide by 100 minus the basic percentage tax rate

## Example

Using the rebate calculation shown above, the tax relief would be:

### 1999-2000 tax year

$$\text{£}954.41 \times \frac{1.6}{4.6} \times \frac{23}{77} = \text{£}99.16$$

## Appendix 4A

Age-related percentages for tax years 1997-98 to 2001-02

<b>Appropriate age-related percentage for the tax year</b>					
<b>Age on the day of the preceding tax year</b>	<b>1997-98</b>	<b>1998-99</b>	<b>1999-2000</b>	<b>2000-01</b>	<b>2001-02</b>
15	3.4	3.4	3.8	3.8	3.8
16	3.4	3.4	3.8	3.8	3.8
17	3.5	3.5	3.9	3.9	3.9
18	3.5	3.5	3.9	3.9	3.9
19	3.6	3.6	4.0	4.0	4.0
20	3.6	3.6	4.0	4.0	4.0
21	3.7	3.7	4.1	4.1	4.1
22	3.7	3.7	4.1	4.1	4.1
23	3.8	3.8	4.2	4.2	4.2
24	3.8	3.8	4.2	4.2	4.2
25	3.9	3.9	4.3	4.3	4.3
26	3.9	3.9	4.3	4.3	4.3
27	4.0	4.0	4.4	4.4	4.4
28	4.0	4.0	4.4	4.4	4.4
29	4.1	4.1	4.5	4.5	4.5
30	4.2	4.2	4.5	4.5	4.5
31	4.2	4.2	4.6	4.6	4.6
32	4.3	4.3	4.6	4.6	4.6
33	4.3	4.3	4.7	4.7	4.7
34	4.4	4.4	4.7	4.7	4.7
35	4.5	4.4	4.8	4.8	4.8
36	4.7	4.6	4.8	4.8	4.8
37	4.9	4.8	5.0	4.9	4.9
38	5.0	4.9	5.1	5.0	4.9
39	5.2	5.1	5.3	5.2	5.1
40	5.4	5.3	5.5	5.4	5.3
41	5.6	5.5	5.7	5.5	5.4
42	6.0	5.7	5.9	5.7	5.6
43	6.7	6.1	6.1	5.9	5.8
44	7.4	6.8	6.5	6.1	6.0
45	8.2	7.5	7.1	6.6	6.2
46	9.0	8.3	7.9	7.2	6.6
47	9.0	9.0	8.7	8.0	7.3
48	9.0	9.0	9.0	8.8	8.1
49	9.0	9.0	9.0	9.0	8.9
50	9.0	9.0	9.0	9.0	9.0
51	9.0	9.0	9.0	9.0	9.0
52	9.0	9.0	9.0	9.0	9.0

<b>Age on the day of the preceding tax year</b>	<b>1997-98</b>	<b>1998-99</b>	<b>1999-2000</b>	<b>2000-01</b>	<b>2001-02</b>
53	9.0	9.0	9.0	9.0	9.0
54	9.0	9.0	9.0	9.0	9.0
55	9.0	9.0	9.0	9.0	9.0
56	9.0	9.0	9.0	9.0	9.0
57	9.0	9.0	9.0	9.0	9.0
58	9.0	9.0	9.0	9.0	9.0
59	9.0	9.0	9.0	9.0	9.0
60	9.0	9.0	9.0	9.0	9.0
61	9.0	9.0	9.0	9.0	9.0
62	9.0	9.0	9.0	9.0	9.0
63	9.0	9.0	9.0	9.0	9.0

Note: The employee's share of the rebate is 1.6% in all cases. The employer's share varies according to age, for example, the employer's share for age 30 is 4.2% - 1.6% = 2.6%

## Appendix 5

### *Calculating the contracted-out rebate and tax relief for a tax year prior to 1997-98.*

Calculating the contracted-out rebate:

The contracted-out rebate is based on the part of your earnings between the Lower Earnings Limit and the Upper Earnings Limit, on which class 1 National Insurance contributions have been paid. However, the maximum earnings to count for minimum contributions in any tax year will be:

- 53 x weekly Upper Earnings Limit minus
- 52 x weekly Lower Earnings Limit.

For tax years up to and including 1996-97 the contracted-out rebate is the difference between the full not contracted-out and the lower contracted-out rate for National Insurance contributions, see [Appendix 5A](#).

### Formula

To calculate the contracted-out rebate for a tax year, you should:

- identify all of your earnings up to and including the Upper Earnings Limit. Details of where you can find the relevant earnings information can be found at [Appendix 1](#).
- deduct the amount of the annual Lower Earnings Limit - See [Appendix 2](#)
- if you were a member of an employer's contracted-out pension scheme deduct any contracted-out earnings between the Lower Earnings Limit and the Upper Earnings Limit
- multiply the resulting earnings by the relevant contracted-out rebate, see [Appendix 5A](#)

### Example

#### **1994-95 tax year**

If your earnings below the Upper Earnings Limit for the 1994-1995 tax year are £17500, your date of birth is 29 December 1966 and you have not paid any contracted-out contributions as a member of an employer's pension scheme, your contracted-out rebate will be:

$$(\pounds17500 - \pounds2964) = \pounds14536 \times 4.8\% = \pounds697.73$$

## Calculating the tax relief:

The contracted-out rebate is made up of an employee's share and an employer's share. You will normally be entitled to tax relief at the basic rate on your share of the contracted-out rebate.

HM Revenue and Customs National Insurance Contributions and Employer Office work out the amount of tax relief you are entitled to and pay it into your Appropriate Personal Pension/Appropriate Personal Pension Stakeholder Pension.

## Formula

To calculate the amount of tax relief, you should:

- multiply the amount of contracted-out rebate by your (employee) share of the contracted-out rebate (see [Appendix 5A](#)), then
- divide the resulting amount by the total contracted-out rebate (employee's and employer's share), and then
- multiply by the basic rate of tax – see Appendix 2A
- 
- divide by 100 minus the basic percentage tax rate

## Example

Using the rebate calculation shown above, the tax relief would be:

### 1994-1995 tax year

$$£697.73 \times \frac{1.8}{4.8} \times \frac{25}{75} = £87.22$$

## Appendix 5A

### *Contracted-out rebates for the period 1987-88 to 1996-97*

Tax Year	Contracted-out rebate	Employee's share	Employer's share
1987/88	6.25%	2.15%	4.1%
1988/89	5.8%	2.0%	3.8%
1989/90	5.8%	2.0%	3.8%
1990/91	5.8%	2.0%	3.8%
1991/92	5.8%	2.0%	3.8%
1992/93	5.8%	2.0%	3.8%
1993/94	4.8%	1.8%	3.0%
1994/95	4.8%	1.8%	3.0%
1995/96	4.8%	1.8%	3.0%
1996/97	4.8%	1.8%	3.0%

Note: The contracted-out rebate figure is the total of the employee's share and the employer's share.

## Appendix 6

### *Additional payments made with minimum contributions for tax years prior to 1997-98*

#### The 2% incentive

For tax years 1987-88 to 1992-93 inclusive, you may have received an additional 2% incentive payment of minimum contributions unless

- you were previously in your employer's contracted-out pension scheme for two years or more, and
- you were entitled to stay in that contracted-out pension scheme, but left voluntarily after 5 April 1988 while continuing to work for the same employer.

If you were entitled to the incentive payments, an extra 2% would have been paid into your Appropriate Personal Pension scheme from the tax year it began, until the earlier of

- 5 April 1993, or
- the tax year when your Appropriate Personal Pension was cancelled.

#### Formula

To calculate the special incentive payment:

- identify all your earnings up to the amount of the annual Upper Earnings Limit - see [Appendix 2](#) (information about where the relevant earnings details can be found is at [Appendix 1](#)), then
- if appropriate deduct any earnings contracted-out i.e. those between the Lower Earnings Limit and the Upper Earnings Limit, and
- deduct the amount of the relevant annual Lower Earnings Limit, then
- multiply by 2%.

#### Example

If your earnings for the 1992-93 tax year were £10000 and there were no contracted-out contributions paid, then the incentive would be:

$$(\pounds 10000 - \pounds 2808) \times 2\% = \pounds 143.84.$$

## The 1% age addition

For tax years 1993-94 to 1996-97 inclusive, you may have been entitled to the 1% age addition.

The 1% age addition was paid into your Appropriate Personal Pension if you

- were aged 30 or over on 6 April 1993
- reached age 30 after 6 April 1993, the addition was payable from the beginning of the tax year after the date you reached 30
- reached age 30 on 6 April in any year, the addition was payable from that tax year.

### Example

If you were 30 on 6 April 1994, then you would have received the 1% age addition from the 1994-95 tax year.

If you qualified, the 1% age addition was paid from the later of

- the first tax year you qualified, or
- the tax year in which you joined your Appropriate Personal Pension

up to and including the 1996-97 tax year or, if earlier, the tax year when the Appropriate Personal Pension was cancelled.

### Formula

To calculate the 1% age addition you should:

- identify all your earnings up to the amount of the annual Upper Earnings Limit - see [Appendix 2](#) (information about where the relevant earnings details can be found is at [Appendix 1](#)), then
- if appropriate deduct any contracted-out earnings i.e. those between the Lower Earnings limit and the Upper Earnings Limit, and
- deduct the amount of the relevant annual Lower Earnings Limit, then
- multiply by 1%.

### Example

Using a rebate figure of £24115 (for tax year 1996-97) the 1% age addition would be:

$$(\text{£}24115 - \text{£}3172) \times 1\% = \text{£}209.43.$$

## Appendix 7

### *Increases to minimum contributions for the 1997-98 year where payment was delayed*

For the 1997-98 tax year you may have been entitled to compensation for payment delays.

Normally, minimum contributions are made between May and October following the end of a tax year. But the delay in introducing our new computer system meant that payments for 1997-98 started later than usual.

The rebate levels on which payments are made to Appropriate Personal Pension schemes are set on the basis that payments will, on average, be made by the October following the tax year to which they refer. As many payments for 1997-98 were set to be made after October 1998, Ministers decided that compensation should be added to payments made after 31 October 1998.

Payments of minimum contributions have therefore, been automatically increased by 0.5% for each month of delay (i.e. 0.5% for one months delay, 1% for two months delay etc)

#### **The 0.5% increase applied as follows:**

Minimum contribution payments made at the beginning of:

- November 98 increased by 0.5%
- December 98 increased by 1.0%
- January 99 increased by 1.5%
- February 99 increased by 2.0%
- March 99 increased by 2.5%
- April 99 increased by 3.0%

Payments continued to be increased by 0.5% each month until 31 March 2003 when this arrangement stopped. The rate of compensation in payment at this date was 27.5%. **From 1 April 2003, no automatic increases are included with payment of minimum contributions.**

How to calculate your 1997-98 minimum contributions where the payment became due before 1 April 2003

### Example

Payment made to your pension provider in November 1998

Calculate the rebate as explained in [Appendix 4](#)

**Rebate = £880.15**

Multiply this by the relevant compensation percentage, i.e. for November this would be 0.5%

**Compensation = £880.15 x 0.5% = £4.40**

**Rebate = £880.15 + £4.40 = £884.55**

Use the rebate amount before compensation is added (i.e. £880.15) to calculate tax relief as explained in [Appendix 4](#)

**Tax relief = £100.15**

Multiply by the relevant compensation percentage:

**Compensation = £100.15 x 0.5% = £0.50**

**Tax relief = £100.15 + £0.50 = £100.65**

**Total = £884.55 + £100.65 = £985.20.**