Worked examples – National Insurance contributions

An employee

During the tax year 2014/15 Claire works part time in a bar at weekends and in the evenings. She is paid weekly. The minimum she is paid in a week is £60, but last week she earned as much as £180. Over the tax year 2014/15 she estimates she will earn around £4,500 in total.

*What National Insurance contributions will she pay on her weekly earnings of £60 and £180 and when are they due?*

Work this out and then click [here](#) for the answer.

A self-employed earner

Matthew designs and maintains websites. This started slowly but now he thinks he will have profits of £12,000 for 2014/15.

*What National Insurance contributions will he pay and when are they due?*

Work this out and then click [here](#) for the answer.
An employee

Claire is an employee and so will pay Class 1 National Insurance contributions. These will be deducted from her wages by her employer before the net amount is paid to her.

Since Claire is paid weekly, her National Insurance contributions are calculated weekly and retained from her wages weekly. She pays no National Insurance contributions until she earns more than £153 in a week. She then pays 12% NIC on the balance of her earnings. Even though, on average, she earns less than this, these contributions cannot be refunded to her.

So when she earns £60 a week she pays no NIC; when she earns £180 a week, she pays £3.24 (that is £180 less £153 @ 12%).

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A self-employed earner

Matthew is self-employed and will pay both Class 2 and Class 4 NIC.

His total NIC bill is £526.96.

His earnings are higher than the small earnings exception (£5,885 for 2014/15), so he is liable to pay Class 2 NIC. This will be paid monthly by direct debit or he will pay a bill six-monthly. The current rate for 2014/15 is £2.75 per week. **He will pay Class 2 of £143 (52 times £2.75) for the year in total.**

Class 4 NIC is paid on his earnings above £7,956 at the rate of 9%. This NIC is collected from him at the same time as the income tax due for a year. Depending on his income he may have to pay payments on account; if not, the whole sum is due on 31 January following the year of assessment. For 2014/15, this would be due on 31 January 2016. **The Class 4 sum due is £363.96 (£12,000 less £7,956 @ 9%).**

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