

What are National Insurance contributions?



National Insurance contributions (NIC) are paid by both the employed and self-employed, based on their earnings from age 16 up to state retirement age. NIC are used to determine eligibility for certain benefits, including the state pension.

What type of NIC do I pay?

As an employed person, you pay Class 1 NIC (primary), while your employer pays Class 1 NIC (secondary). Your NIC are deducted from your wages before they are paid to you. If you are self-employed, you pay different types of NIC on which you can find further information on the [self-employment](#) pages on our main LITRG website.

If you wish, you may also pay voluntary Class 3 NIC. For 2018/19 these are at the rate of £14.65 per week. These contributions provide access to three benefits only – state pension, widow's benefits and bereavement benefits.

Why would I want to pay Class 3 NIC?

The main reason for paying Class 3 NIC would be to ensure that you had contributed enough to receive a full state pension. You can check your eligibility for a state pension by applying for a statement as shown on the [GOV.UK website](#).

What benefits am I entitled to as a result of paying Class 1 NIC?

- State Pension
- Bereavement Allowance/Payment
- Widowed Parent's Allowance
- Jobseeker's Allowance (for the contribution element based on Class 1 contributions)
- Employment and Support Allowance (for the contribution element based on Class 1 contributions)
- Maternity Allowance
- Incapacity benefit

What is a National Insurance number?

Your National Insurance number identifies your own individual account with HM Revenue & Customs (HMRC). Your employer uses your National Insurance number to ensure that any tax or NIC deducted from your earnings are properly allocated to you. You can start work without a National Insurance number, but will have to obtain one as soon as possible. The number should be kept securely as it could be used to help steal your identity. A National Insurance number consists of 2 letters, 6 numbers and a letter in the format **QQ 12 34 56 A**.

This number stays with you throughout your life and is required for various purposes, but particularly to claim benefits.

How do I get a National Insurance number?

It depends on whether you have always been resident in the UK or whether you have come to the UK to study.

Most UK resident students will already have been sent one just before their 16th birthday, but if this has been lost and you cannot find it on a previous payslip, for example, you can complete [form CA5403](#) 'Your National Insurance number'.

Alternatively you can contact the National Insurance Registrations hotline on 0300 200 3500. In no circumstances will you be given a National Insurance number over the phone. It will be sent to you at the address held for you by HMRC.



Remember to ensure HMRC have an up-to-date address!



How do I get a National Insurance number? (continued...)

If you have come to the UK to study, and you need a National Insurance number. It is printed on the [back of your biometric residence permit](#). If this is not the case, you need to apply by phone by calling **0800 141 2075**.

What will happen after I have applied for a National Insurance number?

If this is the first time a number will be allocated to you, you are likely to be called to an interview to 'Check your Identity'. The letter issued to you will explain which original documents you should bring to the interview, but if you do not have them to hand, you should still attend the interview and the documents may be sent on later. You are likely to need the following:

- Birth and/or adoption certificates
- Marriage/civil partnership certificate
- Passport or National Identity card
- Residence permit
- Driving licence.

How much NIC will I pay on my wages?

The table below shows the level of contributions for the 2018/19 tax year on a weekly basis. Note that NIC is calculated each time you are paid, so if you earn different amounts each pay period, then some weeks there may be no NIC to pay, whereas other weeks you may have to pay NIC. There is no annual "NIC-free allowance", so once NIC has been taken from your wages, it will not be refunded even if you earn less later in the year.

On first £162	Nil
On income between £162 and £892	12%
On income above £892	2%



I earned £202 last week and only £105 this week. I seem to have paid NIC. Is this correct?

As noted above, NIC is calculated each pay day. So you were due to pay National Insurance as follows (based on rates for 2018/19):

	National Insurance due
Earned £202	£4.80 (12% of £20 less £162)
Earned £105	nil

I have more than one job. How much NIC will I have to pay?

Usually each job is looked at entirely separately for NIC, so it would be possible to have two jobs, each paying £100 per week, and pay no NIC.

The exception to this is if the jobs are connected (broadly for the same employer), NIC will be calculated on an overall basis at each pay period.

There is an overall maximum amount that is due to be paid for each tax year, though, so if you are going to earn at least £892 per week in a job every week, you can apply on [form CA72A](#) to stop contributions from the other job, except at the rate of 2% on earnings above £162 per week. Further information is available on the [GOV.UK website](#).

When I stop work will my NIC be refunded?

No. Once paid, these contributions cannot be refunded, except if [paid in error](#).

My employer pays for private health insurance for me. Do I pay NIC on that cost?

No, but your employer has to pay extra NIC on this "benefit" and any other benefits provided to you. You may have to pay [Income tax](#) on the cost of the benefit.

I heard that although I have not paid NIC, I may be treated as paying some. How does that happen?

This is a quirk of the system. You will see in the table above that you do not pay NIC on your wages until you earn £162 per week.



If you earn between £116 per week (the Lower Earnings Limit) and £162 per week, you are treated as if you had paid some contributions for the purposes of entitlement to benefits!

I agreed with my employer that I would take less salary and, instead, he would pay more pension contributions for me. Do I still pay NIC on the full amount of salary?

No. Such “salary sacrifice” arrangements mean that you pay NIC only on the amount of salary paid to you and not on the amount sacrificed.



You may need to take care that by sacrificing salary in this way you do not prejudice your NIC record. This would only be the case if your new salary, after the sacrifice, took you below the limit of £116 per week, whereas before you were above it.



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