

National Insurance for Company Directors

This manual gives detailed information about paying
National Insurance contributions for company directors

It also tells you about special or unusual cases

Help and further guidance

Help and further guidance about tax and National Insurance contributions (NICs) is available from the following sources.

The Internet

Log on to the HM Revenue & Customs (HMRC) website at www.hmrc.gov.uk/employers

Your Employer CD-ROM

Your Employer CD-ROM contains forms you can complete on screen. There is

- a **P11 Calculator** that you can save on screen. It works out the amount of tax and NICs due
- a P11D to help you report benefits in kind.

It has built-in calculators to help you work out:

- PAYE tax and NICs
- Car benefit and Car Fuel benefit
- Statutory payments.

There is a Learning Zone to help you understand topics such as Statutory Maternity Pay, Statutory Paternity Pay and Student Loan deductions.

You will find a section designed to help new and less experienced employers understand what to do when employing someone for the first time.

By telephone

(We may record calls for quality and training purposes.)

New and inexperienced employers **0845 60 70 143**
Monday to Friday 08.00 - 20.00
Saturday and Sunday 08.00 - 17.00

More experienced employers **0845 7 143 143**
Monday to Friday 08.00 - 20.00
Saturday and Sunday 08.00 - 17.00

For enquiries about our Online services **0845 60 55 999**
Monday to Friday 08.00 - 22.00
Saturday and Sunday 10.00 - 18.00

Employers with hearing difficulties
Textphone **0845 602 1380**

You must have specialised equipment such as Minicom to use this service.

A full list of Helplines and opening hours is in your Employer Bulletin and on our website at www.hmrc.gov.uk/contactus/helplines.htm

In person

We have Business Support Teams countrywide who will help you understand

- what records to keep
- what returns to make
- when to send us information
- online filing and electronic payments.

We offer a range of free workshops on many topics relevant to employers.

For more information on the workshops and other ways that the Business Support Teams may help

- log on to our website at www.hmrc.gov.uk/bst or
- call the New Employer Helpline on **0845 60 70 143** and ask for details of your local Business Support Team.

Your HM Revenue & Customs office

Your own HM Revenue & Customs office can also help you. All our office contact details are on our website at www.hmrc.gov.uk/local/employers/index.htm

Please tell us your Employer reference which is on correspondence from your HM Revenue & Customs office.

If your enquiry is about one of your employees, you must tell us their National Insurance number.

Employer Helpbooks

Our Employer Helpbooks are designed to help you understand and operate PAYE, NICs and other payroll related matters.

The Helpbooks are for guidance only, they are not comprehensive and have no legal force.

We also have many other leaflets and booklets that give further guidance, for example

- CWG2(2006), *Employer Further Guide to PAYE and NICs*
- CWG5(2006), *Class1A NICs on benefits in kind*
- 480(2006), *Expenses and Benefits – a tax guide*

You can view, download and print the full range of Helpbooks, booklets and other forms and guidance from

- the Internet – log on at www.hmrc.gov.uk/employers
- your Employer CD-ROM.

Or you can get copies from the Employer Orderline in one of three ways:

- log on to our website at www.hmrc.gov.uk/employers
- fax **0870 2 406 406**
- phone **0845 7 646 646**

Forms and guidance in Braille, large print and audio

For details of employer forms and guidance in Braille, large print or audio call the Employer Orderline on **0845 7 646 646** and ask to speak to the Customer Service Team.

Yr Iaith Gymraeg

Ffoniwch **0845 302 1489** i dderbyn fersiynau Cymraeg o ffurflenni a chanllawiau.

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Introduction

1 About this manual

This manual

- replaces the April 2005 edition of National Insurance for Company Directors, CA44.
- gives detailed information about the different National Insurance contribution (NIC) rules for company directors
- can also be used for employees who have annual or pro-rata annual earnings periods.

The normal rules about NICs are in the

- Employer Helpbooks
- *Employer Further Guide to PAYE and NICs, CWG2.*

More about this manual

This manual is for guidance only, and should not be regarded as a complete and authoritative statement of the law.

All the examples in this manual

- use the 2006-07 NICs rates and limits, and
- are for illustration purposes only.

2 If you are unhappy with our service

If you are unhappy with any aspect of the service you have received from HM Revenue & Customs, you should complain to the manager at the office you have been dealing with.

The rules for company directors

3 Introduction

This section describes what you need to know to work out NICs for company directors.

4 Company directors

Who is a company director?

For NI purposes, *Regulation 1 of the Social Security (Contributions) Regulations 2001* defines a company director as

- a member of a board, or similar body where the company is managed by a board or similar body
- a single person where the company is managed by an individual, or
- if a director as defined in either of the above is accustomed to acting under the instructions of another person, that person will be a director. This additional rule will not apply if the other person's instructions are limited to professional advice, for example, the advice given by a solicitor.

Directors of Building Societies which have not de-mutualised are not normally company directors for NI purposes.

What is a company director liable for?

For NI purposes, a company director is classified as an office holder.

Under Section 2(1) of the Social Security Contributions and Benefits Act 1992, (In Northern Ireland, Section 2(1) of the Social Security Contributions and Benefits (Northern Ireland) Act 1992) an office holder is liable for Class 1 NICs, provided the earnings received from that office are chargeable to income tax under employment income.

5 What you should do

To assess NICs for company directors

- use an annual, or pro-rata annual, earnings period to calculate NICs
- calculate NICs on the total earnings paid to the director each time a payment of earnings is made
- deduct the NICs already paid, if any, to arrive at the amount of NICs now due
- include all the director's earnings when calculating NICs, including fees and bonuses
- record NIC information on one *Deductions Working Sheet*, form P11, and one *End of Year Summary*, form P14, unless this manual tells you otherwise
- you can adapt the NIC tables to calculate NICs, (see paragraph 40 page 14).
- you can use the exact percentage method to calculate NICs (see paragraph 39 page 14).

Alternatively:

- you can apply the arrangements for the assessment and payment of directors' NICs outlined in paragraphs 6-9, see pages 4-7.

Alternative arrangements for the assessment of directors' NICs

6 How it works

Since 6 April 1999 HM Revenue & Customs has operated alternative arrangements for the assessment and payment of NICs for company directors.

Under *Regulation 8 of the Social Security (Contributions) Regulations 2001*, the earnings period for the assessment of directors' NICs remains an annual one but, subject to the qualifying conditions in paragraph 9, you can, if you wish, make payments on account of directors' NICs during the tax year based on the actual intervals of payment - usually weekly or monthly - in the same way as for other employees.

If you do choose to pay NICs in this way, you should apply the normal rules for assessing NICs, as set out in the *Employer Further Guide to PAYE and NICs, CWG2*, and the Employer Helpbooks.

7 Last payment of earnings in tax year (or directorship)

Normally you should assess NICs using the shorter earnings period throughout the year until the last payment of earnings in the tax year (or directorship) is being made (but see paragraph 8 page 7).

When the final payment of the director's earnings in the tax year (or directorship) is being made, you must

- reassess the NICs due on the director's total earnings for the tax year on the basis of an annual, or pro-rata annual, earnings period, as appropriate
- either deduct the amount of primary contributions then due from the payment or, if the earnings are insufficient to cover the primary contributions then due, pay the balance yourself
- adjust the final (or, if the director leaves, or dies, during the year, the next) remittance in the tax year to HM Revenue & Customs to take into account the reassessment
- fill in the director's *End of Year Summary* (form P14) to reflect the NICs due for the year based on the reassessment.

Remember, even if you use the weekly or monthly rates and limits to calculate NICs throughout the year, because directors have an annual earnings period you must still reflect the annual, or pro-rata annual, Lower Earnings Limit (LEL), Earnings Threshold (ET) and Upper Earnings Limit (UEL) figures on form P14 at the final reassessment.

Under this particular arrangement, regardless of the method used to calculate NICs during the year, you can use either the exact percentage method or adapt the NIC tables to calculate the NICs at the final reassessment.

Example for the 2006-07 tax year

Mr Armstrong is in not contracted-out employment and receives a regular monthly salary of £1,525. An annual earnings period would normally apply for the assessment of NICs. However, as he is paid monthly, a monthly earnings period can be used to assess NICs during the tax year.

NICs due

Monthly LEL = £364

Monthly ET = £420

Monthly UEL = £2,795

Month 1

Earnings	Director's NICs	Company's NICs
£1,525	£121.55	£141.44

Record the NIC details on form P11 but do not record in columns 1a - 1c the earnings on which employee's contributions are payable.

By month 11,

NICs paid are:

NIC table letter	Earnings	Director's NICs	Company's NICs	Total NICs
A	£16,775	£1,337.05	£1,555.84	£2892.89

On the final payment of earnings in the tax year, reassess NICs on the total earnings received by reference to an annual earnings period and adjust the final remittance to HM Revenue & Customs accordingly.

Month 12

Earnings: £1525

Total earnings from the directorship in the tax year (12 x £1525) = £18300

Based on an annual earnings period NICs due on £18300 are:

NIC table letter	Earnings	Director's NICs	Company's NICs	Total NICs
A	£18,300	£1,459.15	£1,697.92	£3,157.07

In month 12 of form P11, you must record the total earnings in columns 1a - 1c and NICs figures for the year following the reassessment (not what falls to be due just for month 12). Record these figures on *End of Year Summary* form P14.

NICs actually payable in month 12:

Director's NICs	Company's NICs
£122.10	£142.08
(£1,459.15 - £1,337.05)	(£1,697.92 - £1,555.84)

Mr Armstrong's form P14 would show:

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

Example for the 2006-07 tax year

Mr Morris is in not contracted-out employment and receives a regular monthly salary of £1,025. In addition, he is voted a bonus at the AGM on 5 June 2006 of £10,000 to be paid with his regular June salary. An annual earnings period would normally apply for the assessment of NICs. However, as he is paid monthly, a monthly earnings period can be used to assess NICs during the tax year.

NICs due

Monthly LEL = £364

Monthly ET = £420

Monthly UEL = £2,795

Month 1

Earnings	Director's NICs	Company's NICs
£1,025	£66.55	£77.44

Record the NIC details on form P11 but do not record in columns 1a - 1c the earnings on which employee's contributions are payable.

Month 3

The £10,000 bonus should be included with the salary of £1,025.

Earnings	Director's NICs	Company's NICs
£11,025	£343.55	£1,357.44

Record the NIC details on form P11 but do not record in columns 1a - 1c the earnings on which employee's contributions are payable.

By Month 11

NICs paid are:

NIC table letter	Earnings	Director's NICs	Company's NICs	Total NICs
A	£21,275	£1,009.05	£2,131.84	£3,140.89

On the final payment of earnings in the tax year, reassess NICs on the total earnings by reference to an annual earnings period and adjust the final remittance to HM Revenue & Customs accordingly.

Month 12

Earnings: £1025

Total earnings from the directorship in the tax year (12 x £1025 + £10,000) = £22,300

Based on an annual earnings period, NICs due on £22300 are:

NIC table letter	Earnings	Director's NICs	Company's NICs	Total NICs
A	£22,300	£1,899.15	£2,209.92	£4,109.07

In month 12 on form P11, you must record the total earnings in columns 1a - 1c and NICs figures for the year following the reassessment (not what falls to be due just for month 12). Record these figures on *End of Year Summary* form P14.

NICs payable in month 12:

Director's NICs	Company's NICs
£890.10	£78.08
(£1,899.15 - £1,009.05)	(£2,209.92 - £2131.84)

Mr Morris's form P14 would show:

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

8 What to do if the director receives a bonus or the category of contribution payable changes during the year

In many cases, directors will receive a bonus during the year. Waiting until the final payment of earnings to carry out the reassessment could lead to a disproportionate amount of primary NICs being payable at the year end.

Similarly, directors changing from not contracted-out to contracted-out employment, for example, during the year may mean that any refund of NICs due will not be paid until the reassessment takes place at the end of the year.

In these circumstances, you can, if you wish, carry out the reassessment at the time of the change. However, you must then continue to use the appropriate annual, or pro-rata annual, earnings period rules, as described in this manual, for the rest of that tax year.

9 Qualifying conditions for the new arrangements

You will be able to take advantage of this arrangement if

- the director agrees to NICs being assessed in this way, and
- the director normally receives his earnings in a payment pattern for which a regular earnings period can be established for the assessment of NICs, and
- those payments normally exceed the LEL for the pay period concerned.

Applying the annual (or pro-rata annual) earnings period rules

10 Earnings limits and Earnings Threshold

Both the company and the director are liable for Class 1, that is, employed-earners, NICs when the director's total earnings reach the Lower Earnings Limit (LEL). But the director and the company only pay NICs if the director's total earnings exceed the Earnings Threshold (ET).

If the director's total earnings reach or exceed the Upper Earnings Limit (UEL), the director pays NICs only at a rate of 1% on any earnings which exceed the UEL. The company pays NICs at the appropriate contracted-out or not contracted-out percentage rate on all earnings above the ET, including those which exceed the UEL.

The annual earnings limits and threshold are the same as for other employees and are in the National Insurance Contributions Tables CA37 - CA43.

11 Lower Earnings Limit

If the director has

- an annual earnings period, do not record the earnings details for NICs purposes until the director's total earnings for the tax year reach or exceed the annual LEL
- a pro-rata annual earnings period, do not record the earnings details for NICs purposes until the total earnings paid to the director since the date of appointment reach or exceed the pro-rata annual LEL.

See paragraph 24 page 9 for details of how to work out pro-rata annual earnings limits and threshold.

12 Earnings Threshold

If the director has

- an annual earnings period, no NICs are due from the director and the company until the director's total earnings for the tax year exceed the annual ET
- a pro-rata annual earnings period, no NICs are due from the director and the company until the total earnings paid to the director since the date of appointment exceed the pro-rata annual ET.

See paragraph 24 page 9 for details of how to work out pro-rata annual earnings limits and threshold.

13 When total earnings exceed Earnings Threshold

When the total earnings in the tax year or pro-rata period exceed the ET, the director and the company pay NICs on those earnings which exceed the ET.

14 Upper Earnings Limit

The director pays NICs on all earnings above the ET up to and including the employee's annual or pro-rata annual UEL, but only at a rate of 1% on those earnings which exceed the UEL.

The company pays NICs at the appropriate contracted-out or not contracted-out percentage rate on all earnings above the ET, up to and including the UEL, then at the not-contracted percentage rate on those earnings which exceed the UEL.

See paragraph 24 page 9 for details of how to work out pro-rata annual earnings limits and threshold.

15 National Insurance contribution rates

The percentage rates you use to calculate director's NICs depend on a number of factors.

The director's NICs, if any, depend

- on the director's age
- on whether the director has a married woman's or widow's election
- on whether the director is a member of the company's contracted-out occupational pension scheme.

The company's NICs depend if the director is a member of the company's contracted-out occupational pension scheme.

The NIC rates are the same as for other employees and are in the National Insurance Contributions Tables CA37 - CA43.

16 Directors paying standard rate NICs

If the director pays NICs at the standard rate, the director's NICs are paid at a single percentage rate on all earnings above the annual, or pro-rata annual, ET up to and including the annual, or pro-rata annual, UEL, then at a rate of 1% on those earnings which exceed the UEL.

The percentage rate due on the earnings between the ET and UEL depends if the director's employment is

- not contracted-out
- contracted-out.

17 Directors paying reduced rate NICs

If the director is a married woman or widow who is entitled to pay reduced rate NICs and wishes to continue paying at a reduced rate, she pays NICs at the reduced rate on all earnings above the annual, or pro-rata annual, ET up to and including the annual, or pro-rata annual, UEL. But she still pays at a rate of 1% on these earnings which exceed the UEL. You **must** hold a valid form CA4139 or form CF383, *Certificate of Election*, or form CF380A, *Certificate of Reduced Liability*, for these directors.

18 Directors over pension age

If earnings are paid or are due to be paid on or after pension age, currently 60 for women and 65 for men, the director pays no NICs. You **must** hold a valid CA4140 or form CF384, *Certificate of Age Exception*, for these directors.

19 Company's NICs

The percentage which you use to calculate the company's NICs depends if the director's employment is

- not contracted-out, that is, the director belongs to the State Second Pension, previously known as the State Earnings Related Pension Scheme (SERPS) or has an Appropriate Personal Pension or Appropriate Personal Pension Stakeholder Pension, or
- contracted-out, that is, the director belongs to the company's Contracted-out Salary Related or Contracted-out Money Purchase or Contracted-out Money Purchase Stakeholder Pension Scheme.

If the director pays reduced rate NICs, the company pays NICs as normal at the appropriate not contracted-out or contracted-out rate(s).

If the director is over pension age, the company pays NICs at the appropriate not contracted-out percentage rate even if the director was contracted-out before pension age.

20 Earnings periods

The interval at which employees are paid is usually the earnings period but directors are different.

Even if the directors are paid weekly or monthly, their earnings period is

- annual, or
- pro-rata annual.

21 Annual earnings period

A person who is a director at the beginning of the tax year, 6 April, has an annual earnings period for that tax year even if they cease to be a director before the tax year ends, 5 April.

The annual earnings period runs from 6 April to 5 April.

22 Pro-rata annual earnings period

Directors first appointed during the tax year have a pro-rata annual earnings period for the remainder of that tax year.

You need to work out

- the number of weeks in the pro-rata period
- the pro-rata annual LEL
- the pro-rata annual ET
- the pro-rata annual UEL.

See the "Quick Guide to pro-rata annual earnings periods" on page 40.

23 Number of weeks in the pro-rata annual earnings period

The number of weeks in the pro-rata annual earnings period is

- the tax week of appointment, and
- the remaining tax weeks in the tax year.

There are 53 weeks in the tax year, but use 52 weeks when working out the pro-rata period. Ignore 5 April, or 4 and 5 April in a leap year, which is week 53. But if someone is appointed in week 53, the pro-rata period is 1 week.

See the "Quick Guide to pro-rata annual earnings periods" on page 40.

24 Working out the pro-rata limits and Earnings Threshold

To work out the

- LEL, multiply the weekly LEL by the number of tax weeks in the pro-rata earnings period
- ET, divide the annual ET by 52, multiply the answer by the number of tax weeks in the pro-rata earnings period and round up to the next whole pound
- UEL, multiply the weekly UEL by the number of tax weeks in the pro-rata earnings period.

See the "Quick Guide to pro-rata annual earnings periods" on page 40.

25 Director resigns during tax year

If a director resigns during the tax year, the earnings period does not change.

26 Director resigns and is re-appointed

If the director resigns during the tax year and is re-appointed by the same company

- in the same tax year, the earnings period is the one which applied before resignation
- at the beginning of a later tax year, the earnings period is annual for the later tax year
- during a later tax year, the earnings period is pro-rata annual for the later tax year.

Directors' earnings

27 What is included

Employer Further Guide to PAYE and NICs, CWG2, gives details of what is and what is not included in gross pay when calculating NICs. Leaflet *Class 1A NICs on benefits in kind, CWG5*, gives details of what taxable benefits in kind attract Class 1A NICs.

The same rules apply to directors as for other employees but there are some additional rules for directors.

28 Fees and bonuses

Normally, when fees and bonuses are voted to directors, the fees or bonuses are added to all other earnings paid in the annual, or pro-rata annual, earnings period and NICs are assessed on the total.

The NIC rates used are normally those which relate to the earnings period.

But there are exceptions to this rule.

29 Advance or anticipatory payments

Payments made in advance or in anticipation of the voting of fees, or bonuses are earnings for NIC purposes.

NICs are due when the payments exceed the annual or pro-rata annual ET which applies when they are made.

Use the NIC rates which relate to that earnings period.

NICs paid on advance or anticipatory payments and fees or bonuses are later voted

If NICs have been paid on advance or anticipatory payments and fees or bonuses are later voted, NICs are due on the fees or bonuses minus the advance or anticipatory payments already made.

Use the NIC rates and the earnings period which relate to when the voting takes place.

NICs not paid on advance or anticipatory payments and fees or bonuses are later voted

If NICs have not been paid on advance or anticipatory payments because they were, in total, less than the ET and fees or bonuses are later voted, NICs are due on the full amount of the fees or bonuses which exceeds the annual or pro-rata annual ET which applies when the voting takes place.

Use the NIC rates which relate to that earnings period.

Fees or bonuses are less than the advance or anticipatory payments

If the fees or bonuses are less than the advance or anticipatory payments, no further NICs are due.

Fees or bonuses waived or refunded.

If the fees or bonuses are waived or refunded to the company, in total or in part, after they have been voted, NICs are still due on

- the advance or anticipatory payments
- any balance of the fees or bonuses.

Director has an account with the company

If the director has an account, for example, 'loan' or 'current', with the company, NICs are

- due when fees or bonuses are voted and the account credited. Use the NIC rates and the earnings period which apply when the voting takes place
- not due when the director draws money out of the account if the account remains in credit.

Director's account is overdrawn

If the director draws money out of the account and it becomes overdrawn, or there is an increase in the amount by which it is overdrawn, there is

- liability for NICs on the overdrawn amount, or the increase in the overdrawn amount, if the withdrawal is made in anticipation of an earnings payment, for example, fees or bonuses. Use the NIC rates and the earnings period which apply when the withdrawal is made
- no liability for NICs on the overdrawn amount, or the increase in the overdrawn amount, if the withdrawal is made in anticipation of an introduction of funds which are not earnings, for example, dividends, matured insurance policies or other personal income. But there could be a liability for Class 1A NICs. See *Class A NICs on benefits in kind, CWG5*.

Payment of a director's personal bills through an account with the company

Directors who have an account with their company may arrange for the company to settle their personal bills and then charge the amount to their account. If you meet a director's personal debt in this way and then debit the amount to the account, there is liability for NICs when

- the account becomes overdrawn or there is an increase in the amount by which it is overdrawn, and
- the debiting is made in anticipation of an earnings payment, for example, fees or bonuses.

NICs are due on the overdrawn amount, or the increase in the overdrawn amount. Use the NIC rates and the earnings period which apply when the account is debited.

There is no liability for NICs if

- the account becomes overdrawn or there is an increase in the amount by which it is overdrawn, and
- the debit is made in anticipation of an introduction of funds which are not earnings, for example dividends, matured insurance policies or other personal income.

30 No advance or anticipatory payments

If the director draws money out of the account and it becomes overdrawn or there is an increase in the amount by which it is overdrawn and the director does not normally receive advance or anticipatory payments, the amount overdrawn is not earnings unless the company authorises payment of the amount(s) overdrawn.

The amount overdrawn can be authorised

- in writing, or
- by the other directors agreeing verbally that they know about the situation.

When the amount(s) overdrawn are properly authorised, NICs are due on the overdrawn amount(s). Use the NIC rates and the earnings period which apply when the authority is given.

Fees voted for a future period

If fees are voted for a future period, NICs are due if the payments exceed the annual, or pro-rata annual, earnings threshold which applies when the fees are actually made available to the director.

Use the NIC rates which relate to that earnings period.

31 Payments under the Employment Rights Act 1996 (in Northern Ireland, Employment Rights (Northern Ireland) Order 1996)

If the director receives payments under the *Employment Rights Act 1996*

- add these payments to the director's other earnings for the tax year in which the payment is made
- use the percentage rates and earnings limits which apply at the time of payment.

32 Earnings paid for a period before appointment

Earnings paid to a person **before** the date on which he or she was appointed as a director, which relate, for example, to when they were employees of your company, **are not** included with the earnings paid after that date when the director's NICs are assessed.

Earnings paid to a person **after** the date on which he or she was appointed as a director, which relate, for example, to when they were employees of your company, **are** included with the other earnings paid after that date when the director's NICs are assessed. Use the director's earnings period, annual or pro-rata annual.

33 Earnings paid in same tax year after appointment ends

If earnings for the directorship are paid to a former director in the same tax year as their appointment ends

- add these earnings to the total earnings already paid
- calculate NICs on the total earnings using the director's earnings period.

This applies even if the director becomes an employee of the company. For the rest of the tax year any earnings paid, including those paid as an employee, should be assessed for NICs using the **annual** or, if the director was appointed after the beginning of the tax year, the pro-rata annual earnings period.

If the former director was in contracted-out employment and the payment of earnings is made more than six weeks after the appointment ends, work out NICs using the equivalent not contracted-out rate. See 'Change in category of contribution payable', paragraph 58 page 23 onwards.

34 Earnings paid in a later tax year after appointment ends

If earnings for the directorship are paid to a former director in a tax year which starts after their appointment ends

- do not add these earnings to any other earnings paid in that tax year
- calculate NICs using an annual earnings period
- use the percentage rates and earnings limits in force for the tax year in which the payment is made.

If the former director is working as an employee, separately calculate the NICs due on their earnings as an employee using the appropriate earnings period.

If the former director was in contracted-out employment and the payment of earnings is made more than six weeks after the appointment ends, work out NICs using the equivalent not contracted-out rate. See 'Change in category of contribution payable', paragraph 58 page 23 onwards.

35 Repayment of loans

If a director lends money to the company

- any repayment of that loan is not earnings for NIC purposes
- NICs are not due on the repayments.

36 Company pensions

If a director receives a company pension

- the pension is not earnings for NIC purposes
- NICs are not due on the pension payments.

NICs **are** due on any fees or bonuses or salary payments which are paid after the director has retired from the company. If the director is over pension age

- no director's NICs are due
- NICs are due from the company at the not contracted-out rate.

Calculating NICs

37 Introduction

Directors' NICs are calculated on a cumulative basis unlike other employees whose NICs are calculated each week or each month.

NICs must, therefore, be calculated each time a payment of earnings is made to a director.

To work out how much you must pay

- calculate the NICs on the total earnings paid to date in the tax year, or pro-rata period
- deduct the NICs already paid, if any.

This gives the NICs now due.

38 Methods of calculating NICs

You can calculate NICs

- using the exact percentage method, or
- by adapting the NIC tables.

You can only use one of these methods for a director in a tax year, or pro-rata period.

39 Exact percentage method

If you use the exact percentage method to calculate directors' NICs, wait until the total earnings to date reach or exceed the annual, or pro-rata annual, LEL.

To work out a director's standard rate NICs, multiply those earnings which exceed the annual, or pro-rata annual, ET, up to and including the annual, or pro-rata annual, UEL by the appropriate not contracted-out or contracted-out percentage rate. Round to the nearest penny, rounding down exact amounts of 0.5p. Deduct any employee's contracted-out NIC rebate to which the director is entitled. Multiply those earnings which exceed the annual, or pro-rata annual, UEL by 1%. Round to the nearest penny, rounding down exact amounts of 0.5p. Add the totals together.

This gives the NICs now due.

To work out a director's reduced rate NICs, multiply those earnings which exceed the annual, or pro-rata annual, ET, up to and including the annual, or pro-rata annual, UEL by the reduced percentage rate. Round to the nearest penny, rounding down exact amounts of 0.5p. Multiply those earnings which exceed the annual, or pro-rata annual, UEL by 1%. Round to the nearest penny, rounding down exact amounts of 0.5p. Add the totals together.

This gives the NICs now due.

To work out the company's NICs, multiply those earnings which exceed the ET by the appropriate not contracted-out or contracted-out percentage rate. Round to the nearest penny, rounding down exact amounts of 0.5p.

Deduct any employer's and, if appropriate, any employee's contracted-out NIC rebate to which the company is entitled.

This gives the NICs now due.

To work out how much you must pay if further payments of earnings are made in the tax year, or pro-rata period

- calculate the NICs due on the total earnings to date. Round to the nearest penny, rounding down exact amounts of 0.5p
- deduct the amount of NICs already paid. This gives the NICs now due.

40 Adapting the NIC tables

You can adapt the NIC tables to calculate NICs.

You must **not** use the NIC tables at 'face value' because the figures shown relate to weekly or monthly earnings periods.

41 Adapting the monthly tables

If the director has an annual earnings period, you can adapt the monthly tables to work out the NICs due each time earnings, including fees and bonuses, are paid.

- Divide the total earnings to date by 12. This gives the average monthly earnings to date.
- Look at the relevant monthly table for the average monthly earnings.
- If the average monthly earnings are
 - less than or equal to the monthly ET, no NICs are due
 - more than the monthly ET, multiply the NICs in the table by 12. This gives the NICs due to date.
- Deduct NICs already paid, if any. This gives the NICs now payable.

42 Adapting the weekly tables, annual earnings period

If the director has an annual earnings period, you can adapt the weekly tables instead of the monthly tables, but

- divide the total earnings by 52, not 12
- calculate NICs on the average weekly earnings
- multiply the weekly NICs by 52, not 12.

43 Adapting the weekly tables, pro-rata annual earnings period

If the director has a pro-rata annual earnings period, you can adapt the weekly tables to work out the NICs due each time earnings, including fees and bonuses, are paid.

- Work out the total number of tax weeks in the pro-rata annual earnings period.
- Divide the total earnings paid to the director since the appointment began by the number of tax weeks in the pro-rata annual earnings period. This gives the average weekly earnings to date.
- Look at the relevant weekly table for the average weekly earnings.
- If the average weekly earnings are
 - less than or equal to the weekly ET, no NICs are due
 - more than the weekly ET, multiply the NICs on the table by the number of tax weeks in the pro-rata period. This gives the NICs due to date
- deduct any NICs already paid. This gives the NICs now payable.

Paying NICs on account

44 Introduction

As directors have an annual or pro-rata annual earnings period, NICs will only become due from the director and the company when the total earnings exceed the ET.

You can, if you wish, pay NICs 'on account' before the total earnings reach the annual, or pro-rata annual, ET but you need the director's agreement to do this.

45 Paying the director's and company's NICs on account

If you expect the director's earnings to exceed the ET and the director agrees, you can pay NICs before the total earnings exceed the annual, or pro-rata annual, ET. Calculate the director's and the company's NICs at the appropriate percentage rates.

46 What to do when NICs have been paid on account

If NICs have been paid on account as in paragraph 45 (see above)

- pay those NICs to your Accounts Office in the normal way
- do not record the earnings details in columns 1a - 1c of form P11 until the actual earnings exceed the ET.

47 What to do if earnings do not reach expected level

If the total earnings do not reach the ET, see paragraph 63 page 32.

More than one job

48 Introduction

See *Employer Further Guide to PAYE and NICs, CWG2*, for the basic rules if the director

- has more than one job with entirely different employers
- is both employed and self-employed
- wants to know more about refunds of NICs paid in excess of the prescribed annual maximum
- wants to know about deferment of payment of Class 1 or Class 2 and 4 NICs.

This section describes the additional rules for directors.

49 More than one job with the same company

If the director is also an employee of your company

- add all the earnings together
- calculate NICs on the total earnings using the director's earnings period
- complete one form P11 and one form P14.

If the earnings from each job are separately calculated, you do not have to add them together if it is not reasonably practicable to do so. If this is the case

- calculate the NICs separately
- use the annual, or pro-rata annual, earnings period for the earnings as a director
- use the employee's earnings period for the earnings as an employee
- complete two forms P11 and two forms P14.

50 Companies carrying on business in association

Companies are considered to be carrying on business in association with each other if the companies have some degree of common purpose substantiated by the sharing of things such as facilities, personnel, accommodation, customers, etc.

If two or more companies are carrying on business in association with each other

- add all the earnings together
- calculate NICs on the total earnings using the longer, or longest earnings period, that is, the pro-rata or annual earnings period
- complete one form P11 and one form P14.

But see paragraph 53 page 18 if any of the jobs are contracted-out.

Share the company's NICs due, as agreed between yourselves. If there is no agreement, share them in the same proportion as the earnings paid by each company.

If the earnings cannot be added together because the earnings are paid through different pay points

- calculate the NICs separately
- use the appropriate earnings period for each job
- complete separate forms P11 and P14 for each job.

51 Single service contracts

Directors may be appointed to a group of companies under a single service contract, or single service agreement.

This usually means that the directors of the parent company are also directors of one, or more of the subsidiary companies. They are engaged under a single contract of service to perform duties for each of the companies as requested.

If one payment of earnings is made for all the duties, usually the parent company

- pays the NICs
- completes one form P11 and one form P14.

If earnings are paid by more than one of the companies, the companies involved must decide which company will

- add all the earnings together
- calculate NICs on the total earnings using the longer, or longest earnings period; that is, the pro-rata or annual earnings period
- complete one form P11 and one form P14.

But see paragraph 53 page 18 if any of the jobs are contracted-out.

If the earnings cannot be added together because the earnings are paid through different pay points

- calculate the NICs separately
- use the appropriate earnings period for each job
- complete separate forms P11 and forms P14 for each job.

52 One payment of earnings covering more than one job

Consider first if the companies are carrying on business in association with each other when a director gets paid by only one company but is a director of

- more than one company, or
- one company and an employee of another company.

If the companies are carrying on business in association with each other, the company which pays the earnings

- pays the NICs
- completes one form P11 and one form P14.

But see paragraph 53 if any of the jobs are contracted-out.

If the companies are not carrying on business in association with each other

- split or 'apportion' the single payment of earnings into the payment due for each job
- and any of the separate payments reach or exceed the appropriate LEL for the earnings period for that job, record the earnings details and if the payments exceed the ET, calculate NICs on them
- complete a separate form P11 for each job.

At the end of the tax year, put

- 'X' in the NIC table letter box on any forms P11 and P14 when the payment for the tax year does not reach the LEL
- the appropriate NIC table letter in the NIC table letter boxes on any other forms P11 and P14.

53 Earnings from contracted-out and not contracted-out jobs added together

If earnings from more than one job are added together, or apportioned, use the longer or longest earnings period.

The order in which to calculate reduced rate NICs is

- first on earnings on which NICs are payable under table letter G if the director belongs to the company's Contracted-out Money Purchase Scheme or Contracted-out money Purchase Stakeholder Pension Scheme
- then on earnings on which NICs are payable under table letter E if the director belongs to the company's Contracted-out Salary Related Scheme
- finally on earnings on which NICs are payable under table letter B if the director is in a not contracted-out employment.

The order in which to calculate standard rate NICs is

- first on earnings on which NICs are payable under table letter A if the director has an Appropriate Personal Pension or Appropriate Personal Pension Stakeholder Pension
- then on earnings on which NICs are payable under table letter F if the director belongs to the company's Contracted-out Money Purchase Scheme or Contracted-out Money Purchase Stakeholder Pension Scheme
- then on earnings on which NICs are payable under table letter D if the director belongs to the company's Contracted-out Salary Related scheme
- finally on earnings on which NICs are payable under table letter A if the director does not have an Appropriate Personal Pension or Appropriate Personal Pension Stakeholder Pension.

For more information, see *Employer Further Guide to PAYE and NICs*, CWG2, under 'Employees with more than one job'.

Example for the 2006-07 tax year

Three companies, Allsorts Ltd, Sortsall Ltd and Rotsalls Ltd, carry on business in association with each other.

Mrs Trollass has been

- 1 a director of Allsorts Ltd, a job with a Contracted-out Money Purchase Scheme, since 15 August 1986. She receives a monthly salary of £565 from this job
- 2 a director of Sortsall Ltd, a not contracted-out, no Appropriate Personal Pension, job since 18 May 1989. She receives fees of £20,000 from this job on 31 March 2007, but draws a regular weekly wage of £120 from the company

Annual LEL = £4,368

Annual ET = £5,035

Annual UEL = £33,540

- 3 a part-time employee of Rotsalls Ltd, a contracted-out job, same scheme as Allsorts, since 15 August 1986. She receives a monthly salary of £150

Priority should be given to the total category F earnings of £8,580, then to the total category A earnings of £26,240, as follows

NIC table letter	Earnings	Director's NICs	Company's NICs
F	£4,368 (earnings up to LEL)	NIL	NIL
	£667 (balance of earnings between LEL and ET)	@ 0% = NIL	@ 0% = NIL
	£3,545 (balance of earnings between ET and UEL)	@ 9.4% = £333.23	@ 11.8% = £418.31
	Less rebates on £667	@ 1.6% = £10.67	@ 1.0% = £6.67
	Total category F NICs payable	= £322.56	= £411.64
A	£24,960 (balance of earnings up to UEL)	@ 11% = £2,745.60	@ 12.8% = £3,194.88
	£1,280 (earnings over UEL)	@ 1.0% = £12.80	@ 12.8% = £163.84

Mr Trollass's form P14 would show:

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

54 Professional advisers

Some directors have more than one job because they are

- partners in firms carrying on a profession, for example accountancy
- also directors of Limited Companies providing a service to that company.

Payments made for the service to the Limited Company are not included in the director's earnings if

- the nature of the payment satisfies certain tests, see 'The tests' below, and
- the nature of the work satisfies certain conditions, see 'The conditions' outlined below.

The tests

To be excluded from the director's earnings, the payment must be a payment

- by a company
- to or for the benefit of a director of that company, and
- for Class 1, that is, employed-earners, employment of that director with that company.

The conditions

To be excluded from the director's earnings, all these conditions must be satisfied.

- The director must also be a partner in a firm carrying on a profession.
- Being a director of a company must be a common practice of membership of that profession and of that firm.
- Under the terms of the partnership, the director must account to the firm for the payment.
- The payment must form an insubstantial part of the gross returns of the firm.

55 HM Revenue & Customs Extra Statutory Concession (ESC) A37

Alternatively, if HM Revenue & Customs have applied ESC A37 to certain payments for income tax purposes, those payments can also be excluded from earnings for the purposes of assessing the director's Class 1 NICs.

56 Nominee directors

Some directors have more than one job because they are nominated to serve on the boards of other companies as 'nominee directors'.

Payments made by the companies employing 'nominee directors' are not included in directors' earnings if

- the nature of the payment satisfies certain tests, see 'The nature of payment tests' below, and
- one of two sets of conditions are satisfied, see 'Set of conditions 1' or 'Set of conditions 2' on the next page.

In the sets of conditions

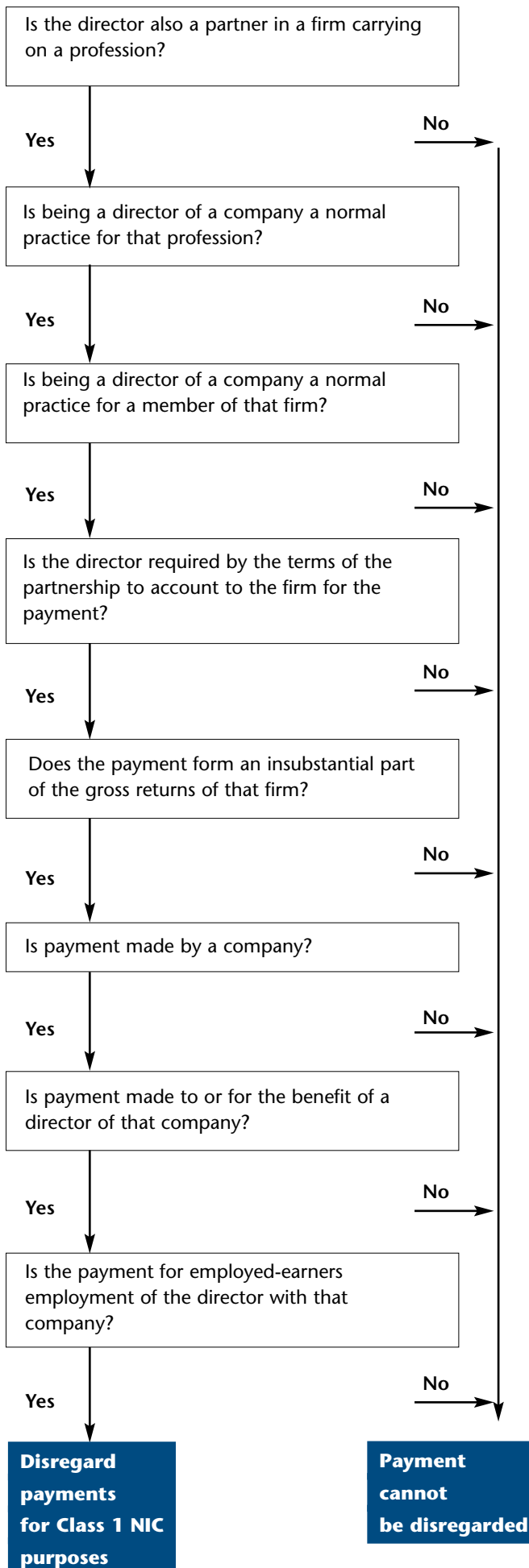
- Company 1 is the company which makes the nomination
- Company 2 is the company to which the director is appointed as a nominee.

The nature of payment tests.

To be excluded from the director's earnings for NIC purposes, the payment must be a payment

- by a company
- to or for the benefit of a director of that company, and
- for Class 1, that is, employed-earners, employment of that director with that company.

Professional advisers' flowchart



Set of conditions 1

All these conditions must be satisfied

- Company 1 has the right to appoint the director of Company 2 because
 - of its shareholding in Company 2, or
 - there is an agreement between Companies 1 and 2.

The director must account for the payment made by Company 2 to Company 1.

- The payments from Company 2 form part of the profits of Company 1 and are charged to
 - corporation tax, or
 - income tax.

See Nominee director's flow chart 1.

Set of conditions 2

All these conditions must be satisfied.

- The director was appointed to Company 2 by Company 1.
- The director is required to account for the payment made by Company 2 to Company 1.
- The payment forms part of the profits of Company 1 and is charged to corporation tax.
- The director has no control over Company 1.
- The director's family have no control over Company 1.
- The director and their family together have no control over Company 1.

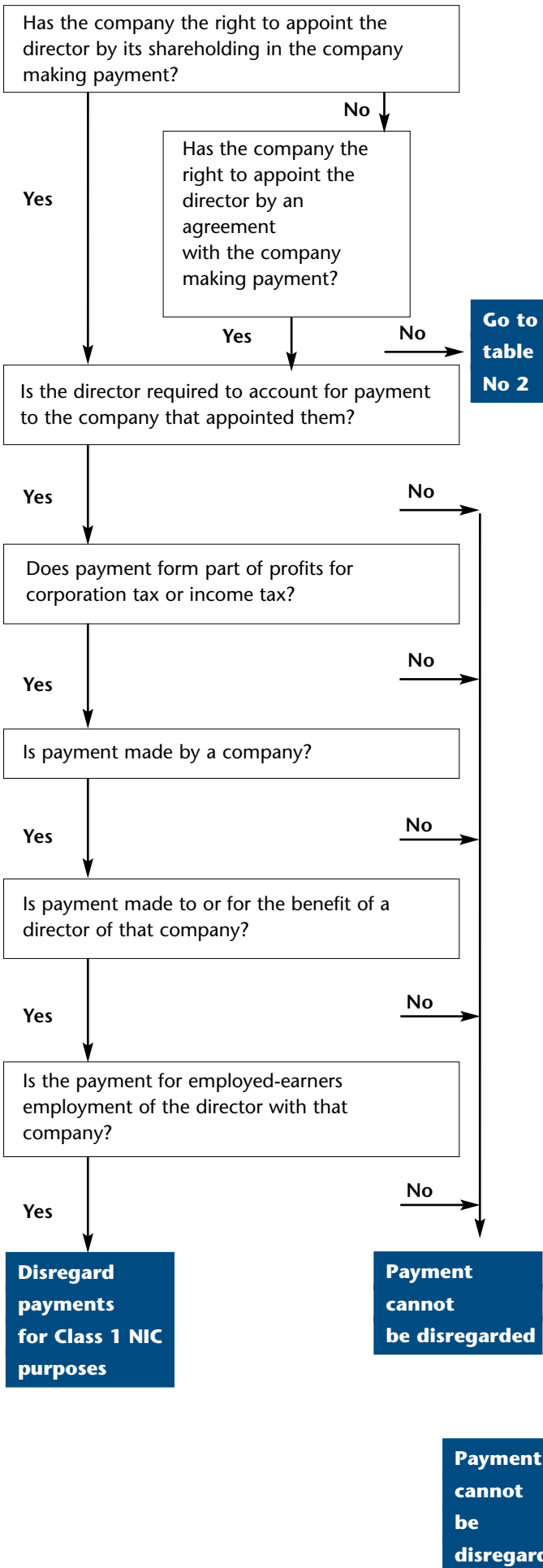
'Family' means spouse, civil partner, parent, child, son-in-law or daughter-in-law.

See Nominee director's flow chart 2.

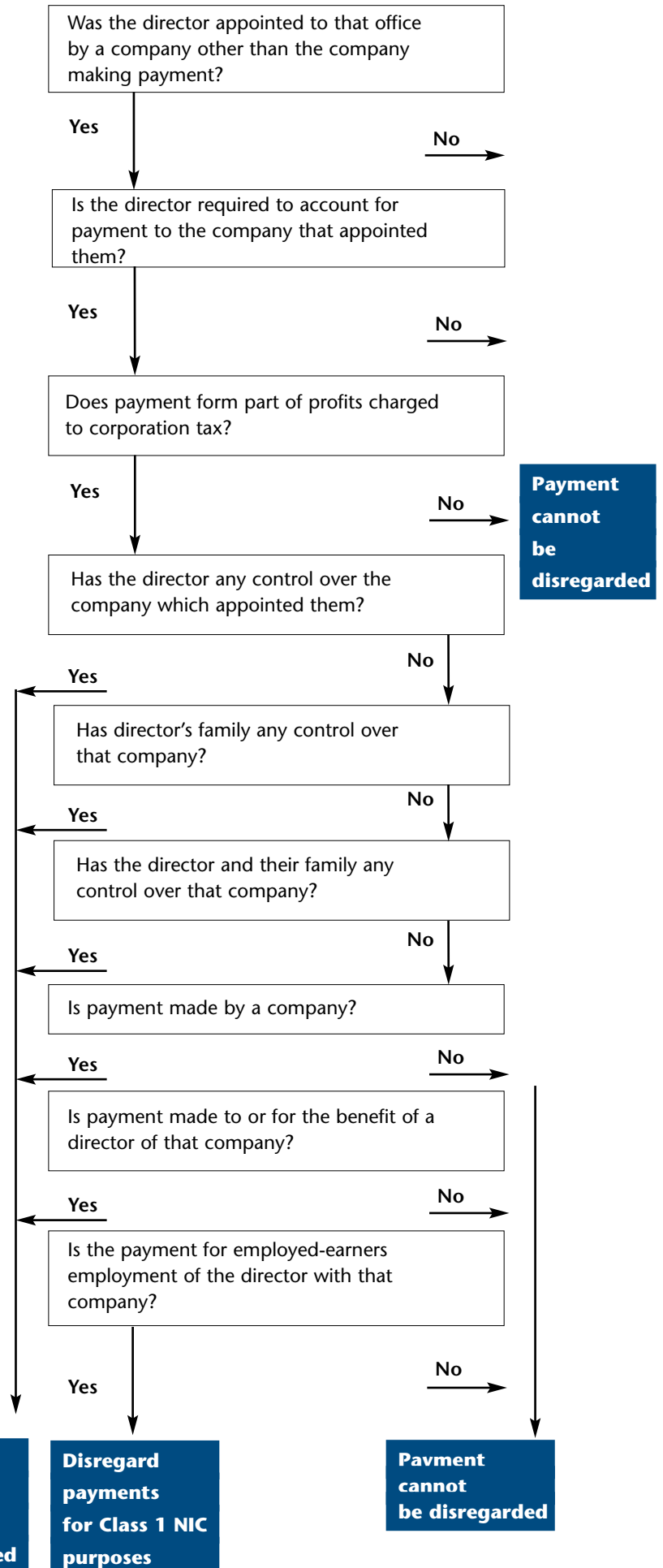
57 HM Revenue & Customs Extra Statutory Concession (ESC) A37

Alternatively, if HM Revenue & Customs have applied ESC A37 to certain payments for income tax purposes, those payments can also be excluded from the director's earnings for NICs purposes.

Nominee director's flowchart 1



Nominee director's flowchart 2



Change in category of contribution payable

58 Introduction

Category of contribution means the NIC table letter under which NICs are payable.

The category of contribution payable may change during directors' earnings periods if they

- reach pension age
- revoke or lose the right to pay reduced rate NICs
- leave the company's contracted-out occupational pension scheme
- join the company's contracted-out occupational pension scheme, or
- take out an Appropriate Personal Pension or Appropriate Personal Pension Stakeholder Pension.

If the category of contribution payable changes during a director's earnings period, there are some general rules which must be applied.

Earnings paid before and after the change are added together to calculate NICs due.

To ensure that NICs are payable by directors on the total of their earnings which exceeds the annual, or pro-rata annual, ET, the exact percentage method must be used to calculate all the NICs due for the tax year, or pro-rata period, in which the category of contribution changes.

The order in which to calculate NICs is

- first on earnings on which reduced rate NICs are payable in a contracted-out employment under table letter G where the director belongs to the company's Contracted-out Money Purchase Scheme or Contracted-out Money Purchase Stakeholder Pension Scheme
- then on earnings on which reduced rate NICs are payable in a contracted-out employment under table letter E where the director belongs to the company's Contracted-out Salary Related Scheme
- then on earnings on which reduced rate NICs are payable in a not contracted-out employment under table letter B
- then on earnings on which standard rate NICs are payable in a not contracted-out employment under table letter A where the director has an Appropriate Personal Pension or Appropriate Personal Pension Stakeholder Pension
- then on earnings on which standard rate NICs are payable in a contracted-out employment under table letter F where the director belongs to the company's Contracted-out Money Purchase Scheme or Contracted-out Money Purchase Stakeholder Pension Scheme.

- then on earnings on which standard rate NICs are payable in a contracted-out employment under table letter D where the director belongs to the company's Contracted-out Salary Related Scheme
- finally on earnings on which standard rate NICs are payable in a not contracted-out employment under table letter A if the director does not have an Appropriate Personal Pension or Appropriate Personal Pension Stakeholder Pension.

59 Director reaches pension age

If the director reaches pension age, currently 60 for women and 65 for men, during the tax year, or pro-rata period

- the category of contribution payable will change to table letter C, not contracted-out
- the director pays
 - NICs as normal on earnings paid or due to be paid before pension age
 - no NICs on earnings paid or due to be paid on or after pension age
- the company pays NICs on earnings paid or due to be paid
 - before pension age at the appropriate percentage rate(s), either not contracted-out or contracted-out
 - on, or after pension age at the not contracted-out percentage rate.

Example for the 2006-07 tax year

Mrs Brown, a director since 12 July 1988, revokes her election on 15 January 2007. She earns £33,540 before the change and £8,000 afterwards. The employment becomes contracted-out on 15 January 2007 in a Contracted-out Salary Related Scheme.

Annual LEL = £4,368

Annual ET = £5,035

Annual UEL = £33,540

Priority should be given to the total category B earnings of £ 33,540, then to the total category D earnings of £8,000, as follows

NIC table letter	Earnings	Director's NICs	Company's NICs
B	£4368 (earnings up to LEL)	NIL	NIL
	£667 (balance of earnings between LEL and ET)	@ 0% = NIL	@ 0% = NIL
	£28,505 (balance of earnings between ET and UEL)	@4.85% = £1,382.49	@ 12.8% = £3,648.64
D	£8,000 (earnings over UEL)	@ 1.0% = £80.00	@ 12.8% = £1024.00

Mrs Brown's form P14 would show:

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

The NICs under table letter D are included in the contributions under table letter B. A separate table letter D entry is not required.

If the total earnings exceed the annual, or pro-rata annual, ET before the change, but they do not reach the UEL, the director pays NICs at

- the reduced percentage rate on those earnings which exceed the annual, or pro-rata annual, ET paid, or due to be paid before the change
- the standard percentage rate, not contracted-out or contracted-out as appropriate, on the balance of earnings up to and including the annual, or pro-rata annual, UEL
- the rate of 1% on any earnings which exceed the UEL.

The company pays NICs at the appropriate not contracted-out or contracted-out percentage rate on all those earnings which exceed the annual, or pro-rata annual, ET paid before and after the change.

If the total earnings are less than the annual, or pro-rata annual, ET before the change, but the total earnings for the tax year or pro-rata period exceed the ET, the director pays NICs at the standard percentage rate, not contracted-out or contracted-out as appropriate, on those earnings which exceed the annual, or pro-rata annual, ET up to and including the annual, or pro-rata annual, UEL, then at a rate of 1% on any earnings which exceed the UEL.

The company pays NICs at the appropriate not contracted-out or contracted-out percentage rate on all those earnings which exceed the annual, or pro-rata annual, ET.

Example for the 2006-07 tax year

Mrs Cross's marriage ends in divorce on 9 August 2006. The employment is contracted-out in a Contracted-Out Money Purchase Scheme. She earns £9,290 in the 2006-07 tax year, £5,290 paid before 9 August 2006.

Annual LEL = £4,368
Annual ET = £5,035
Annual UEL = £33,540

Priority should be given to the total category G earnings of £5,290, then to the total category F earnings of £4,000, as follows

NIC table letter	Earnings	Director's NICs	Company's NICs
G	£4,368 (earnings up to LEL)	NIL	NIL
	£667 (balance of earnings between LEL and ET)	@ 0% = NIL	@ 0% = NIL
	£255 (balance of earnings between ET and UEL)	@ 4.85% = £12.37	@ 11.8% = £30.09
	Less rebates on £667		@ 1.0% = £6.67
	Total category G NICs payable	= £12.37	= £23.42
F	£4,000 (balance of earnings between ET and UEL)	@ 9.4% = £376.00	@ 11.8% = £472.00

Mrs Cross's form P14 would show:

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

Example for the 2006-07 tax year

Mrs Davies revokes her election on 17 May 2006.
The employment is contracted-out in a Contracted-Out Salary Related Scheme. She earns £2,368 before the change and £23,990 after.

Annual LEL = £4,368
Annual ET = £5,035
Annual UEL = £33,540

Priority should be given to the total category E earnings of £2,368, then to the total category D earnings of £23,990, as follows

NIC table letter	Earnings	Director's NICs	Company's NICs
E	£2,368 (earnings up to LEL)	NIL	NIL
D	£2,000 (balance of earnings up to LEL)	NIL	NIL
	£667 (balance of earnings between LEL and ET)	@ 0% = NIL	@ 0% = NIL
	£21,323 (balance of earnings between ET and UEL)	@ 9.4% = £2,004.36	@ 9.3% = £1,983.04
	Less rebates on £667	@ 1.6% = £10.67	@ 3.5% = £23.34
	Total category D NICs payable	= £1,993.69	= £1,959.70

Mrs Daviess' form P14 would show:

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

61 Joining or leaving a contracted-out pension scheme

The rules you must apply are exactly the same if the director's category of contribution payable changes

- from contracted-out to not contracted-out; that is, from F or D to A
- from not contracted-out to contracted-out; that is, from A to F or D.

If the total earnings paid both before and after the change are less than the annual, or pro-rata annual, ET, no NICs are payable.

No Appropriate Personal Pension or Appropriate Personal Pension Stakeholder Pension

The contracted-out earnings take priority over the not contracted-out earnings.

If the earnings from the contracted-out employment reach or exceed the annual, or pro-rata annual, UEL the director pays NICs at the appropriate contracted-out percentage rate on those earnings which exceed the annual, or pro-rata annual, ET up to and including the annual, or pro-rata annual, UEL, then at a rate of 1% on any earnings which exceed the UEL.

The company pays NICs at

- the appropriate contracted-out percentage rate on all those earnings which exceed the annual, or pro-rata annual, ET up to and including the annual, or pro-rata annual, UEL
- the appropriate not contracted-out percentage rate on the remainder of the total earnings.

Example for the 2006-07 tax year
Mr Evans is appointed a director of A N Other and Company Limited on 15 May 2006.

Pro-rata annual LEL = £3,948
Pro-rata annual ET = £4,551
Pro-rata annual UEL = £30,315

He joins the company's Contracted-out Money Purchase Scheme on 1 August 2006. Earnings paid before the change are £5,000 and earnings paid after the change £30,350.

Priority should be given to the total category F earnings of £30,350, then to the total category A earnings of £5,000, as follows

NIC table letter	Earnings	Director's NICs	Company's NICs
F	£3,948 (earnings up to LEL)	NIL	NIL
	£603 (balance of earnings between LEL and ET)	@ 0% = NIL	@ 0% = NIL
	£25,764 (balance of earnings between ET and UEL)	@ 9.4% = £2,421.82	@ 11.8% = £3,040.15
	Less rebates on £603	@ 1.6% = £9.65	@ 1.0% = £6.03
	Category F NICs payable on earnings between ET and UEL	= £2,412.17	= £3,034.12
	(£35 earnings over UEL to be included with category A earnings)		
A	£5,035 (earnings over UEL, including £35 category F earnings)	@ 1% = £50.35	@ 12.8% = £644.48

Mr Evans's form P14 would show:

National Insurance contributions in this employment							(Note: LEL = Lower Earnings Limit, ET = Earnings Threshold, UEL = Upper Earnings Limit)											
NIC table letter	Earnings at the LEL (where earnings are equal to or exceed the LEL)(whole £s only) From col.1a on P11			Earnings above the LEL, up to and including the ET (whole £s only) From col.1b on P11			Earnings above the ET, up to and including the UEL (whole £s only) From col.1c on P11			Total of employee's and employer's contributions From col.1d on P11			Employee's contributions due on all earnings above the ET From col.1e on P11					
	1a	£		1b	£		1c	£		1d	£	p		1e	£	p		
F	3	9	48	6	0	3	2	5	764	6	1	41	12		2	4	62	52

The NICs under table letter A are included in the contributions under table letter F. A separate table letter A entry is not required.

If the earnings from the contracted-out employment are less than the annual, or pro-rata annual, ET but the total earnings exceed the ET

- the director pays NICs at the appropriate not contracted-out percentage rate on those earnings which exceed the annual, or pro-rata annual, ET up to and including the UEL, then at a rate of 1% on any earnings which exceed the UEL

- the company pays NICs at the appropriate not contracted-out percentage rate on those earnings which exceed the annual, or pro-rata annual, ET.

Example for the 2006-07 tax year

Mr Francis, a director of Spratt's Fat Ltd since 6 April 1975, leaves his company's Contracted-Out Salary Related pension scheme in 2006-07. Earnings paid before the change are £1,208 and earnings paid after the change are £15,212.

Annual LEL = £4,368
 Annual ET = £5,035
 Annual UEL = £33,540

Priority should be given to the total category D earnings of £1,208, then to the total category A earnings of £15,212, as follows

NIC table letter	Earnings	Director's NICs	Company's NICs
D	£1,208 (earnings up to LEL)	NIL	NIL
A	£3,160 (balance of earnings up to LEL)	NIL	NIL
	£667 (balance of earnings between LEL and ET)	@ 0% = NIL	@ 0% = NIL
	£11,385 (balance of earnings between ET and UEL)	@ 11% = £1,252.35	@ 12.8% = £1457.28

Mr Francis's form P14 would show:

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

If the earnings from the contracted-out employment are between the annual, or pro-rata annual, ET and the UEL the director pays NICs at

- the appropriate contracted-out percentage rate on those contracted-out earnings which exceed the annual, or pro-rata annual, ET, and
- the appropriate not contracted-out percentage rate on the not contracted-out earnings until the total earnings reach the UEL, then
- the rate of 1% on any earnings which exceed the UEL.

The company pays NICs at

- the appropriate contracted-out percentage rate on those contracted-out earnings which exceed the annual, or pro-rata annual, ET, and
- the appropriate not contracted-out percentage rate on the not contracted-out earnings.

Director has Appropriate Personal Pension or Appropriate Personal Pension Stakeholder Pension

If the director has an Appropriate Personal Pension or Appropriate Personal Pension Stakeholder Pension under table letter A, the Appropriate Personal Pension or Appropriate Personal Pension Stakeholder Pension earnings take priority over the contracted-out earnings.

Example for the 2006-07 tax year

Mr Griffiths, a director of CHIPS plc since 30 November 1990, joins his company's Contracted-out Money Purchase pension scheme on 1 May 2006. Earnings paid before the change are £300 and earnings paid after the change are £8,290. He resigns on 1 October 2006 but is reappointed on 1 December 2006 and gets a bonus of £10,000 but he does not rejoin the company's contracted-out pension scheme.

Annual LEL = £4,368
Annual ET = £5,035
Annual UEL = £33,540

Priority should be given to the total category F earnings of £8,290, then to the total category A earnings of £10,300, as follows

NIC table letter	Earnings	Director's NICs	Company's NICs
F	£4,368 (earnings up to LEL)	NIL	NIL
	£667 (balance of earnings between LEL and ET)	@ 0% = NIL	@ 0% = NIL
	£3,255 (balance of earnings between ET and UEL)	@ 9.4% = £305.97	@ 11.8% = £384.09
	Less rebates on £667	@ 1.6% = £10.67	@ 1.0% = £6.67
	Total category F NICs payable	= £295.30	= £377.42
A	£10,300 (balance of earnings between ET and UEL)	@ 11% = £1,133.00	@ 12.8% = £1,318.40

Mr Griffiths's form P14 would show:

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

Example for the 2006-07 tax year

If Mr Evans (see page 28) has an Appropriate Personal Pension, priority should be given to the total category A earnings of £5,000, then to the total category F earnings of £30,350, as follows

NIC table letter	Earnings	Director's NICs	Company's NICs
A	£3948 (earnings up to LEL)	NIL	NIL
	£603 (balance of earnings between LEL and ET)	@ 0% = NIL	@ 0% = NIL
	£449 (balance of earnings between ET and UEL)	@11% = £49.39	@ 12.8% = £57.47
F	£25,315 (balance of earnings between ET and UEL)	@ 9.4% = £2,379.61	@ 11.8% = £2,987.17
	£5,035 (earnings over UEL)	@ 1.0% = £50.35	@12.8% = £644.48

Mr Evans' form P14 would show:

National Insurance contributions in this employment										(Note: LEL = Lower Earnings Limit, ET = Earnings Threshold, UEL = Upper Earnings Limit)				
NIC table letter	Earnings at the LEL (where earnings are equal to or exceed the LEL)(whole £s only) From col.1a on P11		Earnings above the LEL, up to and including the ET (whole £s only) From col.1b on P11		Earnings above the ET, up to and including the UEL (whole £s only) From col.1c on P11		Total of employee's and employer's contributions From col.1d on P11			If amount in col.1d is a minus amount, enter 'R' here	Employee's contributions due on all earnings above the ET From col.1e on P11			
	1a	£	1b	£	1c	£	p	1d	£		p	1e	£	p
A	3	948	6	03		449			106	86			49	39
F		0		0	25	315			6061	61			2429	96

Example for the 2006-07 tax year

If Mr Griffiths (see page 30) has an Appropriate Personal Pension, priority should be given to the total category A earnings of £10,300, then to the total category F earnings of £8,290, as follows

NIC table letter	Earnings	Director's NICs	Company's NICs
A	£4,368 (earnings up to LEL)	NIL	NIL
	£667 (balance of earnings between LEL and ET)	@ 0% = NIL	@ 0% = NIL
	£5,265 (balance of earnings between ET and UEL)	@11% = £579.15	@ 12.8% = £673.92
F	£8,290 (balance of earnings between ET and UEL)	@ 9.4% = £779.26	@ 11.8% = £978.22

Mr Griffiths' form P14 would show:

National Insurance contributions in this employment										(Note: LEL = Lower Earnings Limit, ET = Earnings Threshold, UEL = Upper Earnings Limit)				
NIC table letter	Earnings at the LEL (where earnings are equal to or exceed the LEL)(whole £s only) From col.1a on P11		Earnings above the LEL, up to and including the ET (whole £s only) From col.1b on P11		Earnings above the ET, up to and including the UEL (whole £s only) From col.1c on P11		Total of employee's and employer's contributions From col.1d on P11			If amount in col.1d is a minus amount, enter 'R' here	Employee's contributions due on all earnings above the ET From col.1e on P11			
	1a	£	1b	£	1c	£	p	1d	£		p	1e	£	p
A	4	368	6	67	5	265			1253	07			579	15
F		0		0	8	290			1757	48			779	26

Recording NIC information

62 Introduction

The normal rules about recording NIC information are in the Employer Helpbooks.

63 If you have paid NICs before earnings exceed Earnings Threshold

If NICs are paid on account before the total earnings exceed the annual, or pro-rata annual, ET

- record the NICs paid on form P11
- leave columns 1a - 1c of form P11 blank.

When the total earnings exceed the annual, or pro-rata annual, ET, put the earnings details in columns 1a - 1c.

If you adjust the NICs later because the earnings do not exceed the annual, or pro-rata annual, ET

- amend the final entry on form P11
- if form P14 has been completed, destroy it and prepare another form P14
- adjust the final payment to your Accounts Office
- refund the NICs paid to the director.

64 If you pay NICs at the time they are due

You can use one of two methods to record director's NIC information on form P11.

Payment by payment method

If you use the payment by payment method to record NIC information, record on form P11

- the actual NICs due each time a payment of earnings is made
- the actual earnings details in columns 1a - 1c, as appropriate, each time a payment of earnings is made
- all other NIC information.

In a contracted-out employment, depending on the level of the director's earnings and the NIC rebates due, it is possible for the amount of the company's NICs to be a negative figure. Under this particular method, if a further payment of earnings is subsequently made, adjust the company's NICs figure to reflect the actual amount now due after taking into account any previously 'over-recovered' rebate.

At the end of the tax year

- add up the figures on form P11 as normal
- put the totals in the appropriate boxes on forms P11 and P14.

See the example of a completed form P11 on page 38.

Cumulative method

If you use the cumulative method to record NIC information, record on form P11

- the cumulative NICs due each time a payment of earnings is made
- the cumulative earnings details in columns 1a - 1c, as appropriate, each time a payment of earnings is made
- all other cumulative NIC information. At the end of the tax year, record the cumulative totals in the appropriate boxes on form P11.

Cumulative records can easily be converted to a payment by payment record by deducting the previous NIC information from the current NIC information.

See the example of a completed form P11 on page 39.

65 Earnings added together or change in category of contribution payable

The examples in this manual show how to record the earnings details in columns 1a - 1c of forms P11 and P14. See 'Change in category of contribution payable', paragraph 58 page 23 onwards.

Remember to record the other NIC and tax information on forms P11 and P14.

66 If you use a computerised payroll system

Please make sure the total earnings have been accumulated in the data areas corresponding with columns 1a - 1c, as appropriate, of form P14.

If you use the cumulative method to record NIC information, your system must be capable of

- holding all the cumulative data
- producing printouts giving the NIC information on a payment by payment basis.

The examples in this manual show how to record the earnings details in columns 1a - 1c of forms P11 and P14. See 'Change in category of contribution payable', paragraph 58 page 23 onwards.

If columns 1a - 1c on form P14 should be left blank, record zeros in these data areas.

67 HM Revenue & Customs online services

PAYE Online for Employers

Using online services speeds up processing, provides a secure method of transmission and can cut out paper altogether.

PAYE Online for Employers offers two options to send and receive forms and file returns online. The options are

- Internet - suitable for all employers
- Electronic Data Interchange (EDI) - this option is more suitable for larger employers with a high number of employees, typically in the thousands.

Find all the information you need to do it online at www.hmrc.gov.uk/ebu/payee_online.htm

Online filing of Employer's Annual Returns (P14s and P35)

New rules mean that employers must file their Employer's Annual Returns (P14s and P35) online either directly or through an intermediary.

When you must file online depends on the number of employees you have. The filing dates are

- 250 or more employees, from 2004-05 due by 19 May 2005
- between 50-249 employees, from 2005-06 due by 19 May 2006
- fewer than 50 employees, from 2009-10 due by 19 May 2010

Small employers with fewer than 50 staff can get a tax-free payment for filing online early. For 2005-06 this payment is £250.

For more information about online filing and the tax-free payments offered go online at www.hmrc.gov.uk/payeeonline.

68 Employer's Annual Returns (P14s and P35) by magnetic media

Returns made on magnetic media (CD-ROM, disk, and cartridges) will not be treated as online filing. You should also note that HM Revenue & Customs is unlikely to maintain their magnetic media end of year service until 2010.

Special circumstances

69 Directors living and/or working abroad

This section provides brief guidelines relating to Class 1 NICs for directors living and/or working abroad.

The rules governing Class 1 NICs depend on where the director lives and works.

There are different rules if the director lives and/or works

- in a European Economic Area country or a country which has a Reciprocal Agreement with the United Kingdom, or
- outside of the European Economic Area and Reciprocal Agreement countries.

European Economic Area countries

Austria

Belgium

Cyprus

Czech Republic

Denmark

Estonia

Finland

France

Germany

Greece

Hungary

Iceland

Italy

Latvia

Lichtenstein

Lithuania

Luxembourg

Malta

Netherlands

Norway

Poland

Portugal

Republic of Ireland

Slovakia

Slovenia

Spain

Sweden

Switzerland

United Kingdom, including Gibraltar for European Economic Area purposes.

The United Kingdom includes England, Scotland, Wales and Northern Ireland but **not** the Channel Islands or the Isle of Man.

Reciprocal Agreement countries

The countries with which the United Kingdom has a Reciprocal Agreement are

Barbados

Bermuda

Canada (Double Contributions Convention)*

Israel

Jamaica

Japan (Double Contributions Convention)*

Jersey and Guernsey

Korea (Double Contributions Convention)*

Mauritius

New Zealand

Philippines

Turkey

USA

Yugoslavia, including all former Republics (except Slovenia).

**a Double Contributions Convention covers only social security contribution liability and does not include benefit provisions.*

Director living or working in a European Economic Area or Reciprocal Agreement country

Write for advice to HM Revenue & Customs, Centre for Non-Residents, Room BP1301 Benton Park View, Newcastle upon Tyne NE98 1ZZ, if the director

- is a United Kingdom (UK) national working in the European Economic Area
- is a European Economic Area national or Swiss national working in the UK
- lives in a country with which the UK has a Reciprocal Agreement and works in the UK, or
- lives and works in the UK but also works in another European Economic Area or Reciprocal Agreement country.

Director living and/or working in a country outside the European Economic Area with which there is no Reciprocal Agreement

For countries outside the European Economic Area, if the UK does not have a Reciprocal Agreement with the other country, an employer is not normally liable to pay Class 1 NICs for the director unless the director is

- resident or present in the UK, or
- ordinarily resident in the UK.

It is important to distinguish between directors who usually live

- abroad, but occasionally work in the UK
- in the UK but go abroad to work in which case they may have to pay NICs for the first 52 weeks abroad.

Whether a director is 'ordinarily resident' in the UK or is 'resident or present' at a particular time depends on all the circumstances.

If there is any doubt if Class 1 NICs should be paid, ask your nearest HM Revenue & Customs office for advice.

Directors coming to the UK from Reciprocal Agreement countries and countries outside the European Economic Area with which there are no Reciprocal Agreements

At present, when a director is neither resident nor ordinarily resident in the UK, HM Revenue & Customs does not seek payment of Class 1 NICs for employment in the UK as a director if

- the only work they do in the UK is to attend board meetings, and
- either
 - they attend no more than 10 board meetings in a tax year, none of which lasts more than two days, or
 - there is only one board meeting in a tax year and that meeting does not last more than two weeks.

70 Joint employment of spouses or civil partners

A spouse or civil partner may get a joint payment of earnings as

- two directors, or
- a director and an employee.

Earnings can be apportioned

If the earnings are divided or apportioned for income tax under employment income, divide or apportion the earnings for NIC purposes in the same way.

Earnings cannot be apportioned

If the earnings cannot be divided or apportioned, for example because there is no employment income tax scheme or the split is considered unreasonable, or doubtful, contact your nearest HM Revenue & Customs office for advice.

71 Director supplying services through a limited company

Legislation, commonly known as 'IR 35' legislation, came into effect on 6 April 2000 which affects directors who use a limited company to provide their service or services of others to clients. Under the legislation a worker who would have been classed as an employee of the client if it were not for the service company, is required to pay NICs on the amounts earned by the company from the client (less certain deductions) even if the director draws those earnings from the service company as a dividend.

A company director is treated as a worker for the purposes of the legislation if he/she has

- beneficial ownership of, or the ability to control, more than 5% of the ordinary share capital of the company, or
- possession of, or entitlement to acquire rights entitling him to receive, more than 5% of any distributions made by the company, or
- receives, or could receive, payments or benefits from the company which are not salary but could reasonably be taken to represent payment for the services he provides to clients.

The company is able to make certain deductions before working out the amount which is liable for NICs as the director's earnings. The company must work out at the end of the tax year, 5 April, just how much income received from contracts with clients has not been subjected to NICs and make the deductions then. This is known as the worker's attributable earnings for the year.

The rules for determining whether a company director is subject to the legislation rely upon the existing factors used to determine a person's employment status. These factors, which have been established by the courts, determine whether an individual should be treated as employed or self-employed.

The factors which most people would recognise, include whether the individual risks his capital, provides substantial equipment and materials, whether he/she works a fixed number of hours, on the client's premises, under the direction of a manager, etc. No single factor is conclusive, each engagement has to be looked at in the light of all the facts.

Full details of the rules are given on the HM Revenue & Customs website at www.hmrc.gov.uk which also explains how to account on forms P11 and P14 for any additional NICs payable under the legislation.

Statutory Payments

72 Introduction

Directors of limited companies are treated like other employees for Statutory Payment purposes.

The Statutory Payments are

- Statutory Sick Pay (SSP)
- Statutory Maternity Pay (SMP)
- Statutory Paternity Pay (SPP)
- Statutory Adoption Pay (SAP)

See the Helpbooks:

- *What to do if your employee is sick, - Special Cases, E14 and E14 Supplement*
- *Pay and time off work for parents, - Special Cases, E15 and E15 Supplement*
- *Pay and time off work for adoptive parents, - Special Cases, E16 and E16 Supplement*

for general information on how to operate the schemes and for detailed information on calculating a director's average weekly earnings for Statutory Payment purposes.

Examples of PAYE form P11

Forms P11 showing the payment by payment method of recording NICs. In the following example, the director is paid a monthly salary of £1150 in a Contracted-out Salary Related Scheme and you use the exact percentage method to calculate the NICs due.

parents'; and for Statutory Adoption Pay see Employer Helpbook E
If you need further assistance, please contact the Employer Helpline

Month number		Week number		National Insurance contributions													
				Earnings details						Contribution details							
		For Employer's use		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 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
1	1																
1	2																
1	3																
1	4																
2	5																
2	6																
2	7																
2	8																
3	9																
3	10																
3	11																
3	12																
3	13																
4	14																
4	15																
4	16																
4	17	4600		4368		232		00				R 11		83			0 00
5	18																
5	19																
5	20																
5	21	5750				435		00		715		111		52			56 54
6	22																
6	23																
6	24																
6	25																
6	26	6900							1150		00	215		05			108 10
7	27																
7	28																
7	29																
7	30	8050							1150		00	215		05			108 10
		Total c/fwd		Total c/fwd		Total c/fwd		Total c/fwd		Total c/fwd		Total c/fwd		Total c/fwd		Total c/fwd	

(1) Add all amounts of NICs not marked 'R'.
 (2) Add all amounts of NICs marked 'R'.
 (3) Take away (2) from (1).
 (4) If (3) is a minus amount, mark the amount 'R' and carry forward to page 2.

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Month number		Week number		National Insurance contributions													
				Earnings details						Contribution details							
		For Employer's use		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 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
	Bt/fwd																
	Mth																
	7																
8	31																
8	32																
8	33																
8	34																
8	35	9200							1150		00	215		05			108 10
9	36																
9	37																
9	38																
9	39	10350							1150		00	215		05			108 10
10	40																
10	41																
10	42																
10	43	11500							1150		00	215		05			108 10
11	44																
11	45																
11	46																
11	47	12650							1150		00	215		05			108 10
12	48																
12	49																
12	50																
12	51																
12	52	13800							1150		00	215		05			108 10
12	53																

5 Complete this line if pay day falls on 5 April (in leap years 4 & 5 April)

End of Year Summary		Round down the annual total of the earnings recorded in columns 1b and 1c to the nearest whole pound		(1) Add all amounts of NICs not marked 'R'. (2) Add all amounts of NICs marked 'R'. (3) Take away (2) from (1). (4) Enter (3) in column 1d below - if this is a minus amount mark the entry as 'R'. If more than one contribution Table letter has been used during this employment, steps (1) to (4) should be applied separately to each Table letter.									
Enter NI Contribution Table letter here (see Note 2 overlaid)		1a	£	1b	£	1c	£	1d	£	p	1e	£	p
D		4368		667		8765		1605		04	813		24

P11(2006-07) Page 2

Form P11 showing the cumulative method of recording NICs. In the following example, the director is paid a monthly salary of £1500 in a not contracted-out employment and you adapt the monthly NIC tables to calculate the NICs due.

parents' and for Statutory Adoption Pay see Employer Helpbook E
If you need further assistance, please contact the Employer Helpline

National Insurance contributions Note: LEL = Lower Earnings Limit;
ET = Earnings Threshold; UEL = Upper Earnings Limit

Month number	Week number	For Employer's use	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 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	1c	1d	1e	
			£	£ p	£ p	£ p	£ p	£ p
	1							
	2							
	3							
1	4							
	5							
	6							
	7							
2	8							
	9							
	10							
	11							
	12							
3	13	4500	4368	132 00	0 00	0 00	0 00	
	14							
	15							
	16							
4	17	6000	4368	667 00	965 00	234 24	108 24	
	18							
	19							
	20							
5	21	7500	4368	667 00	2465 00	588 36	271 92	
	22							
	23							
	24							
	25							
6	26	9000	4368	667 00	3965 00	942 48	435 60	
	27							
	28							
	29							
7	30	10500	4368	667 00	5465 00	1296 60	599 28	
			Total c/fwd	Total c/fwd	Total c/fwd	Total c/fwd	Total c/fwd	

If the contribution Table letter changed during this part of the tax year, please see Note 2 above.
If more than one contribution Table letter has been used during this employment, steps (1) to (4) should be applied separately to each Table letter.

(1) Add all amounts of NICs not marked 'R'.
(2) Add all amounts of NICs marked 'R'.
(3) Take away (2) from (1).
(4) If (3) is a minus amount, mark the amount 'R' and carry forward to page 2.

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National Insurance contributions Note: LEL = Lower Earnings Limit;
ET = Earnings Threshold; UEL = Upper Earnings Limit

Month number	Week number	For Employer's use	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 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	1c	1d	1e	
			£	£ p	£ p	£ p	£ p	£ p
	Bt/fwd							
	Mth							
	Wk							
	7							
	31							
	32							
	33							
	34							
8	35	12000	4368	667 00	6965 00	1662 24	768 24	
	36							
	37							
	38							
9	39	13500	4368	667 00	8465 00	2016 36	931 92	
	40							
	41							
	42							
10	43	15000	4368	667 00	9965 00	2370 48	1095 60	
	44							
	45							
	46							
	47							
11	48	16500	4368	667 00	11465 00	2724 60	1259 28	
	49							
	50							
	51							
12	52	18000	4368	667 00	12965 00	3090 24	1428 24	
	53							
	54							
	55							
	56							
	57							
	58							
	59							
	60							
			Total c/fwd	Total c/fwd	Total c/fwd	Total c/fwd	Total c/fwd	

(1) Add all amounts of NICs not marked 'R'.
(2) Add all amounts of NICs marked 'R'.
(3) Take away (2) from (1).
(4) Enter (3) in column 1d below - if this is a minus amount mark the entry as 'R'.
If more than one contribution Table letter has been used during this employment, steps (1) to (4) should be applied separately to each Table letter.

Round down the annual total of the earnings recorded in columns 1b and 1c to the nearest whole pound

Enter NI Contribution Table letter here (see Note 2 overlap)

			1a	1b	1c	1d	1e												
			£	£ p	£ p	£ p	£ p	£ p	£ p	£ p	£ p	£ p	£ p	£ p	£ p	£ p	£ p	£ p	£ p
			A	4368	667	12965	3090 24	1428 24											

End of Year Summary

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Quick Guide to pro-rata annual earnings periods

	Tax period TH F SA SU M TU W	Appointed in Tax week number	No of weeks in pro-rata period	Pro-rata annual LEL	Pro-rata annual ET	Pro-rata annual UEL
April	6 7 8 9 10 11 12	1	<i>Annual earnings period applies</i>			
	13 14 15 16 17 18 19	2	51	4284	4939	32895
	20 21 22 23 24 25 26	3	50	4200	4842	32250
	27 28 29 30 1 2 3	4	49	4116	4745	31605
	4 5 6 7 8 9 10	5	48	4032	4648	30960
May	11 12 13 14 15 16 17	6	47	3948	4551	30315
	18 19 20 21 22 23 24	7	46	3864	4455	29670
	25 26 27 28 29 30 31	8	45	3780	4358	29025
June	1 2 3 4 5 6 7	9	44	3696	4261	28380
	8 9 10 11 12 13 14	10	43	3612	4164	27735
	15 16 17 18 19 20 21	11	42	3528	4067	27090
	22 23 24 25 26 27 28	12	41	3444	3970	26445
	29 30 1 2 3 4 5	13	40	3360	3874	25800
July	6 7 8 9 10 11 12	14	39	3276	3777	25155
	13 14 15 16 17 18 19	15	38	3192	3680	24510
	20 21 22 23 24 25 26	16	37	3108	3583	23865
	27 28 29 30 31 1 2	17	36	3024	3486	23220
	3 4 5 6 7 8 9	18	35	2940	3389	22575
Aug	10 11 12 13 14 15 16	19	34	2856	3293	21930
	17 18 19 20 21 22 23	20	33	2772	3196	21285
	24 25 26 27 28 29 30	21	32	2688	3099	20640
	31 1 2 3 4 5 6	22	31	2604	3002	19995
	7 8 9 10 11 12 13	23	30	2520	2905	19350
Sept	14 15 16 17 18 19 20	24	29	2436	2808	18705
	21 22 23 24 25 26 27	25	28	2352	2712	18060
	28 29 30 1 2 3 4	26	27	2268	2615	17415
	5 6 7 8 9 10 11	27	26	2184	2518	16770
	12 13 14 15 16 17 18	28	25	2100	2421	16125
Oct	19 20 21 22 23 24 25	29	24	2016	2324	15480
	26 27 28 29 30 31 1	30	23	1932	2228	14835
	2 3 4 5 6 7 8	31	22	1848	2131	14190
	9 10 11 12 13 14 15	32	21	1764	2034	13545
	16 17 18 19 20 21 22	33	20	1680	1937	12900
Nov	23 24 25 26 27 28 29	34	19	1596	1840	12255
	30 1 2 3 4 5 6	35	18	1512	1743	11610
	7 8 9 10 11 12 13	36	17	1428	1647	10965
	14 15 16 17 18 19 20	37	16	1344	1550	10320
	21 22 23 24 25 26 27	38	15	1260	1453	9675
Dec	28 29 30 31 1 2 3	39	14	1176	1356	9030
	4 5 6 7 8 9 10	40	13	1092	1259	8385
	11 12 13 14 15 16 17	41	12	1008	1162	7740
	18 19 20 21 22 23 24	42	11	924	1066	7095
	25 26 27 28 29 30 31	43	10	840	969	6450
Jan	1 2 3 4 5 6 7	44	9	756	872	5805
	8 9 10 11 12 13 14	45	8	672	775	5160
	15 16 17 18 19 20 21	46	7	588	678	4515
	22 23 24 25 26 27 28	47	6	504	581	3870
	1 2 3 4 5 6 7	48	5	420	485	3225
Mar	8 9 10 11 12 13 14	49	4	336	388	2580
	15 16 17 18 19 20 21	50	3	252	291	1935
	22 23 24 25 26 27 28	51	2	168	194	1290
	29 30 31 1 2 3 4	52	1	84	97	645
	5	53	1	84	97	645

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