



Will the increase in National Insurance Contributions mean your employees will want a pay rise?

Prime Minister Boris Johnson, has announced that employers, employees and the self-employed will initially pay an additional 1.25% in National Insurance Contributions (NICs) from April 2022. This is being introduced to boost funding for the NHS and social care.

This rate will remain in place but from April 2023, in the form of a 'health and social care levy', at which point individuals who have attained state pension age and continue to work will also pay this levy on their 'earned income'.

Employers currently pay 13.8% in NICs on earnings from £8,840 upwards with no upper ceiling (and this rate applies for employees who have attained state pension age).

Employees currently pay 12% in NICs on earnings between £9,568 and £50,270, and 2% on earnings above that, while employers pay a flat rate of 13.8%.

The self-employed will also see their NIC rate rise, with the main rate of 9% increasing to 10.25% and the higher rate from 2% to 3.25%.

This increase in NICs is estimated to generate an additional £12 billion for health and social care.

Clearly this will mean a reduction in employees take home pay, therefore, employers may need to start to consider salary increases required to help offset this increase in tax to their employees.

As an alternative, employers may wish to look at boosting their employees pay by changing how their employees make their pension contributions. Not only could this mean employees would be able to maintain their current take home pay levels but would also bring savings to the employer.

Below is the annual effect for an employee earning £30,000 per annum.

	Current tax year 2021/2022	Next tax year 2022/2023	Additional Cost
Employee NIC	£2,451.84	£2,707.24	£255.40
Company NIC	£2,920.08	£3,184.58	£264.50

This example would result in an additional company cost of £2,645 for every 10 employees.

If you would like to know how to reduce this additional cost to your employees and how your business could save from this, then please give me a call.



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For now. For the future.