

# INCREASED NATIONAL INSURANCE CONTRIBUTIONS

## Mitigating the impact on employers and employees April 2022

**From 6 April 2022, National Insurance contributions (NICs) will rise by 1.25% for both you as an employer and your employees, which will clearly affect your business and your employees' take-home pay.**

### What does this mean for you as an employer?

Employers pay NICs on employee annual earnings above £9,100. This will increase to 15.05% (previously 13.8%). Without exact payroll figures and pension contribution rates, we can only give a guide as to the increase in NICs and the amount you and your employees can expect.

One way you could help to mitigate the NIC increases is to consider a pension salary exchange. This is where the employer pays the employees' workplace pension contributions directly. As the contributions are deducted before tax and NICs less is paid by you as the employer and your employees, employers may retain ALL, SOME or NONE of the savings in NICs. You could use these savings to pay additional pension contributions to enhance employees' pensions or fund other employee benefits.

### Figure 1 – implications for employers

*All figures approximate and effects are per annum.*

No. of employees	Total annual payroll	Increase in employer NICs	Indicative employer NIC savings with pension salary exchange
20	£1 million	£10,000	£5,000
50	£2 million	£20,000	£10,000
100	£4 million	£40,000	£20,000

If you would like to find out how to reduce the impact of the NIC rise with pension salary exchange, please contact your usual Moore Kingston Smith adviser, or contact our Employee Benefit Consultant, Paul Beck, on 020 7566 4031 or [pbeck@mks.co.uk](mailto:pbeck@mks.co.uk).

### What does this mean for your employees?

Employees aged 16 upwards earning £9,880 pay National Insurance (subject to the recent announcement made by the Chancellor in the Spring

Statement – see below). This qualifies them for certain welfare benefits and the State Pension. Currently, this will be at an increased rate of 13.25% on earnings between the primary threshold (£9,880) and upper earnings limit (£50,270); and 3.25% on earnings over the upper earnings limit. Previously, the applicable rates were 12% and 2%.

### Figure 2 – examples of how the 1.25% rise affects a range of employee salaries

*All figures approximate and effects are per annum.*

Salary	Current NIC	NIC from April 2022	Increase
£30,000	£2,450	£2,666	£216
£50,000	£4,850	£5,316	£466
£80,000	£6,435	£7,306	£871

### Future changes covered in the Chancellor's Spring Statement

The Chancellor has announced that the threshold at which workers start paying NICs will increase from an annual amount of £9,880 to £12,570 as of 6 July 2022. The three month delay from the start of the tax year gives employers a chance to ensure their software has been updated.

The new threshold of £12,570 will align with the income tax personal allowance.

### What does this mean for your employees?

Essentially, employees earning up to £60,000 will benefit from the increase in the threshold by approximately £356 (£2,690 increased threshold limit at 13.25%). However, for higher earners with salaries of over £80,000, there is likely to be an increase in NICs where the 3.25% charge over the upper earnings limit outweighs the increase in the primary threshold.

If you have any questions or would like further help, please contact your usual Moore Kingston Smith adviser.