

## National Insurance guidance for software developers 2018/2019

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## Key for abbreviations in formulae

c	Before the change
COSR	Contracted Out Salary Related
EE	Employee
EER	Employee's Percentage Rate appropriate to Table Letter
EE'RR	Rebate % rate on employee's NICs appropriate to Table Letter
ER	Employer
ER'CO % R	Employer's contracted-out percentage rate appropriate to Table Letter
ER'NCO % R	Employer's not contracted-out percentage rate appropriate to Table Letter
ERR	Employer's Percentage Rate appropriate to Table Letter
ER'RR	Rebate % rate on employer's NICs appropriate to Table Letter
ET	Annual Earnings Threshold
GP	Gross Pay for NI purposes
LEL	Annual Lower Earnings Limit
NI	National Insurance
NIC	National Insurance contributions
p	Number of weeks/months in Pay Period. Round result of calculation at this point up to nearest whole pound.
p <sup>1</sup>	Number of weeks/months in Pay Period. If equals 1 round result of calculation at this point to the nearest whole pound. If equals more than 1 round <b>UP</b> to whole pounds.
PT	Annual Primary Threshold
ptd	Paid to date
R	Round at this point
ST	Annual Secondary Threshold
UAP	Upper Accrual Point
UEL	Annual Upper Earnings Limit
w/m	Number of weeks or months in tax year i.e. 52 weeks or 12 months.

## National Insurance Contributions from April 2018

From 6 April 2018 the rates payable for employee and employer National Insurance Contributions (NICs) remain unchanged in the Isle of Man (IOM). The Lower Earnings Limit (LEL) increases to £116 per week, the Primary and Secondary thresholds remain aligned and unchanged, the Upper Accrual Point (UAP) and Upper Earnings Limit (UEL) remain unchanged (see page 7 for figures).

**During the 2018/19 tax year the state pension age for women equalises with that for men and both rise above age 65. Both men and women will remain liable to pay contributions until they reach the new state pension age.**

### State Pension Age table for women and men

Due to changes in Social Security legislation, which came into effect from 6 April 2010 women remain liable to pay National Insurance contributions after their 60<sup>th</sup> birthday until they reach their revised State Pension Age. This was introduced to align the female state pension age with the male state pension age.

To check the date on which an employee will reach State Pension Age, find their date of birth in the first column and check the other columns to find the date at which they will reach State Pension Age. For example, if employee female employee's date of birth is 20 October 1953, she will reach State Pension Age on 06 July 2018.

Payments made to the employee on or after the date that they reach State Pension Age should have table letter C applied to them. The National Insurance tables for letter C are available in leaflet CF393(IOM) on the Income Tax Division's website at [www.gov.im/incometax](http://www.gov.im/incometax) under National Insurance Contributions, Downloadable Documents.

<b>Date of birth</b>	<b>State Pension Age date for women</b>	<b>State Pension Age date for men</b>
06/10/1953 - 05/11/1953	06/07/2018	65 <sup>th</sup> birthday
06/11/1953 - 05/12/1953	06/11/2018	65 <sup>th</sup> birthday
06/12/1953 - 05/01/1954	06/03/2019	06/03/2019

For a full current list of state pension ages please see [www.gov.im/pensions](http://www.gov.im/pensions) under Retirement and Pensions, Retirement Pension, Downloadable Documents.

## **Compulsory use of Online Tax Services for employers**

The compulsory use of Online Tax Services for employers with 5 or more employees was required from 6 April 2014. All submissions to the Division from that date, regarding new employees, monthly remittances and leavers must be made using Online Tax Services.

The following would be considered as automatic grounds for exemption from compulsory use of Online Tax Services:

- companies with **fewer** than five employees; and
- those which do not have access to a computer or the internet.

This list is not exhaustive and may be expanded.

The Assessor will also consider, and be able to accept, any reasonable request from an employer who considers that they should be exempt from the compulsory use of Online Tax Services for employers.

## **Electronic submission of an employer's return**

The Division has the facility to accept employer returns in an electronic format. For further details on how to submit your annual return in this format please see the Employers Annual Electronic Specification 2018/19 document on the Income Tax Division's website at [www.gov.im/incometax](http://www.gov.im/incometax) under Employers, Downloadable Documents.

## **Substitute T14s**

If you provide substitute T14 forms then you must have the form approved by the Division. For further details on the approval of substitute T14 forms, please contact the National Insurance section on 01624 685400.

## **1. INTRODUCTION**

1.1 This specification sets out the calculation format for National Insurance Contributions (NICs) for **2018/2019**.

1.2 The method of calculation preferred by the Division is the exact percentage method.

1.3 Please note that the manual NIC tables are designed for the convenience of the manual user, incorporating various roundings which make for possible differences to the calculations undertaken by computerised NIC routines. Software packages which use a mixture of NIC Tables and the Exact Percentage Method must not allow National Insurance to be deducted, for an employee, by both methods within one tax year by the same payroll.

1.4 This specification gives instructions for weekly/monthly paid or multiples of weeks or months i.e., 3, 4, 5 weeks etc.

## 2. NI RATES AND EARNINGS LIMITS FROM 6 APRIL 2018

The following NI rates and earnings limits will apply from 6 April 2018

### Earnings Limits

	<b>Lower Earnings Limit (LEL)</b>	<b>Earnings Threshold (ET)</b> employee; Primary Threshold (PT) employer; Secondary Threshold (ST)	<b>Upper Accrual Point (UAP)</b>	<b>Upper Earnings Limit (UEL)</b>
<b>Weekly</b>	£116	£118	£770	£784
<b>Monthly</b>	£503	£512	£3337	£3398
<b>Yearly</b>	£6032	£6136	£40040	£40768

### Rates

	<b>Employee</b>	<b>Employer</b>
<b>Not Contracted-out</b>		
Earnings above ET up to UAP	11%	12.8%
Earnings above UAP up to UEL	11%	12.8%
Earnings above UEL	1%	12.8%
<b>Contracted-out Salary related (COSR)</b>		
Earnings above ET up to UAP	9.4%	9.1%
Earnings above UAP up to UEL	11%	12.8%
Earnings above UEL	1%	12.8%

**The following contracted-out rebates will apply from 6 April 2018**

<b>Contracted-out Salary related (COSR)</b>	Employer	3.7%
	Employee	1.6%

## Earnings Bands and NICs Percentage Rates

TIER	VALUE	2018/19	% BANDS	EMPLOYEE NI% RATES						EMPLOYER NI % RATES	
				A	D	B/E	C	J	L	A/B/C/J	D/E/L
6	UEL+	∞	<b>BAND E</b>	1%	1%	1%	NIL	1%	1%	12.8%	12.8%
5	UEL	40768	<b>BAND D</b>	11%	11%	4.85%	NIL	1%	1%	12.8%	12.8%
4	UAP	40040	<b>BAND C</b>	11%	9.4%	4.85%	NIL	1%	1%	12.8%	9.1%
3	ET	6136	<b>BAND B#</b>	0%	1.6%	0%	NIL	0%	1.6%	0%	3.7%
2	LEL	6032	<b>BAND A</b>	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
1	0	0									

# Band B gives the appropriate NIC rebate % rates

Note: Mariner rates are not included in this table

### 3. ACCOUNTING FOR NIC REBATES

Employees and employers in contracted-out employment are entitled to a reduction in their NICs on earnings between the LEL and the UAP. NICs are paid on earnings above the ET. The term 'NICs rebate' is used to describe the reduction in NICs on the earnings between the LEL and ET on which no NICs are due.

NIC rebates are only appropriate for contracted-out contributions:

- Employers are entitled to NIC rebates for contribution table letters D, E & L
- Employees are only entitled to NIC rebates for contribution table letters D & L

Employees in contracted-out employment pay NICs at 9.4% on earnings between the ET and the UAP. They are also entitled to a NIC rebate of 1.6% on earnings between the LEL and ET.

#### Employee's NIC Rebate

The employee's NIC rebate is calculated on earnings between the LEL and the ET. The employee is entitled to his rebate providing it can be offset against his NICs. The employer is entitled to any balance of the employee's NIC rebate that cannot be offset against the employee's NICs.

#### Employer's NIC Rebate

The employer's NIC rebate is calculated on earnings between the LEL and the ET. The employer is entitled to his own rebate plus any balance of employee's NIC rebate not offset.

Examples

An employee earning £118 per week (Contribution Table letter L)

Employee's NICs = £0 (amount over ET) x 1% = £0.00

Employer's NICs = £0 (amount over ET) x 9.1% = £0.00

Employee's NIC rebate = £118 - £116 = £2 x 1.6% = £0.03

Employer's NIC rebate = £118 - £116 = £2 x 3.7% = £0.07

As there is no employee NIC liability to offset the employee rebate against, the £0.03 employee rebate is transferred to the employer and added to the employer rebate of £0.07. Giving the employer a total rebate of £0.10

A rebate figure should be shown by an 'R' immediately before the entry in the relevant column of the form T11.

Form T11

NI table letter	Pay	1a	1b	1c	1d	1e	1f	1g
L	£118.00	116	2.00	0.00	0.00	0.00	R 0.10	0.00



An employee earning £119 per week (Contribution Table letter L)

Employee's NICs = £1 (amount over ET) x 1% = £0.01

Employer's NICs = £1 (amount over ET) x 9.1% = £0.09

Employee's NIC rebate = £118 - £116 = £2 x 1.6% = £0.03

Employer's NIC rebate = £118 - £116 = £2 x 3.7% = £0.07

The employee is entitled to £0.01 of their £0.03 NIC rebate which reduces their NIC liability to nil with the balance of £0.02 going to the employer.

The employer is entitled to the balance of £0.02, PLUS their own NIC rebate of £0.07 = £0.09.

£0.09 employer rebate offset against £0.09 employer NICs = £0.00.

Form T11

NI table letter	Pay	1a	1b	1c	1d	1e	1f	1g
L	£119.00	116	2.00	1.00	0.00	0.00	0.00	0.00

Where the NICs are bigger than the rebate, the result will be a positive figure.

Example

An employee earning £122 per week (Contribution Table letter D)

Employee's NICs = £4 (amount over ET) x 9.4% = £0.38

Employer's NICs = £4 (amount over ET) x 9.1% = £0.36

Employee's NIC rebate = £118 - £116 = £2 x 1.6% = £0.03

Employer's NIC rebate = £118 - £116 = £2 x 3.7% = £0.07

The employee is entitled to all of their £0.03 NIC rebate as they have NIC liability higher than this, therefore there is no balance for the employer. The employee NIC figure is £0.35 (£0.38 NIC minus £0.03 rebate).

The £0.07 employer rebate offset against £0.36 employer NICs = £0.29 Employer NICs.

The total employee plus employer NICs is £0.64 (£0.35 employee NI plus £0.29 employer NI).

Form T11

NI table letter	Pay	1a	1b	1c	1d	1e	1f	1g
D	£122.00	116	2.00	4.00	0.00	0.00	0.64	0.35

#### **4. COMPLETING FORM T11 FOR 2018/2019**

4.1 The format for the deductions working sheet - form T11 has remained unchanged from 6 April 2013 and is reflected in the following paragraphs.

4.2 Earnings - Columns 1a to 1e should contain whole pounds only if NICs are calculated using the tables method. If NICs are calculated using the exact percentage method, column 1a should contain whole pounds only, and column 1b to 1e should contain pounds and pence.

4.3 All references to LEL, ET, UAP and UEL in this section are the rates appropriate to the earnings period, i.e. weekly, monthly or multiples thereof.

**1a Earnings at the LEL:** populate with LEL as soon as earnings reach or exceed LEL, even when no NICs are due

**1b Earnings from LEL to ET:** earnings above LEL up to and including ET

**1c Earnings from ET to UAP:** earnings above ET up to and including UAP

**1d Earnings from UAP to UEL:** earnings above UAP up to and including UEL

**1e Earnings above UEL**

4.4 Contributions - Columns 1f and 1g should contain pounds and pence

**1f Total of employee's and employer's contributions:** All earnings above ET multiplied by the appropriate employer's percentage rates, plus, all earnings above ET multiplied by the appropriate employee's percentage rates, minus, any NIC rebates due on earnings between the LEL and ET (see section 3)

**1g Employee contributions:** All earnings above ET multiplied by the appropriate employee's percentage rates, minus any NIC rebate due to the employee on earnings between the LEL and ET (see section 3)

## 5. DEFERRED CONTRACTED-OUT NICs

5.1 All **employees** who **defer** are required to pay NICs in the deferred employment, at 1% on all earnings above the ET, including any earnings above the UEL. Employees in **deferred contracted-out** employment will be required to pay NICs at the rate of 2.6% on earnings between the ET and the UAP but this will be reduced by the available contracted-out rebate of 1.6% on all earnings between the LEL and the UAP.

NIC Due      LEL ← 0% → ET ← 2.6% → UAP ← 1% → UEL ← 1% → ∞  
 NIC rebate    LEL ← 1.6% → ET ← 1.6% → UAP ← 0% → UEL ← 0% → ∞

5.2 The contracted-out rebate is used to

- reduce the not contracted-out % rate from 11% to 9.4% on earnings between the ET and UAP, and
- reduce employee's NICs by a further 1.6% of earnings between the LEL and the ET. The employee's NICs can be reduced to zero with any balance being transferred to the employer.

5.3 The effect of the 1.6% contracted-out rebate in deferred employment is to reduce the employees NIC liability on earnings between the ET and the UAP to 1%, any remaining balance of the 1.6% on earnings between the LEL and the ET that cannot be set against the employees NICs can be transferred to the employer. NI is then due as follows

### **Table letter L (COSR)**

EE NIC due	LEL to ET	0%
	ET to UAP	1%
	UAP to UEL	1%
	UEL to ∞	1%
EE NIC rebate	LEL to ET	1.6% (any remaining balance not used against EE's NICs to be transferred to ER)
ER NIC due	LEL to ET	0%
	ET to UAP	9.1%
	UAP to UEL	12.8%
	UEL to ∞	12.8%
ER NIC rebate	LEL to ET	3.7% + any balance of the 1.6% from the EE

## **6. DESCRIPTION OF THE DIFFERENCES BETWEEN CALCULATING NICs USING THE TABLES AND THE EXACT PERCENTAGE METHOD**

The figures shown in the manual NIC tables may differ from the exact percentage method figures. This is because with the exception of the LEL, ET, UAP and UEL, the figures in the tables are calculated on the mid-point between the earnings bands shown. Therefore the table figures will only match the exact percentage figures when the mid-point is the same as the earnings used in the exact percentage calculation, or where the earnings match exactly the LEL, ET, UAP or UEL figures.

## **7. RULES FOR ROUNDING**

General NI contributions

- 7.1 The Social Security (Contributions) Regulations 2001 (as applied to the Island) provide specific rules for rounding in the calculation of National Insurance contributions.

Regulation 12(1)(b) provides that:

“primary and secondary Class 1 contributions shall be calculated to the nearest penny and any amount of a half penny or less shall be disregarded”.

- 7.2 As the law requires that £0.005 or less is disregarded, we only look at the third decimal place in calculating NICs due where such calculation results in more than two decimal places.

If it is 5 or less round down.

If it is 6 or more round up.

For example, if the NIC calculated was to result in:

£67.5558 the NIC payable would be £67.55, but if the NIC payable came to £67.5568 the NIC payable would be £67.56.

- 7.3 Where rounding is required within the body of the calculation this has been indicated in the formulae with the symbol (R).

## 8. VALIDATION CHECKS

8.1 The following validation checks should be built into the routines. This will ensure that the information, if required, will be correct and help to eliminate errors.

8.2 Appropriate cross referencing within these fields will let the user know an error has been made. This could be when a field is completed with information that is incompatible with another field, or requires the completion of another field, e.g. contracted-out contributions but no ECON or SCON entered.

DATA	SPECIFICATION
Employer's reference number	Mandatory field - Field must <b>not</b> contain <b>all</b> spaces.
Employer's Name	Mandatory field - Field must <b>not</b> contain <b>all</b> spaces.
Employer's Address	Encouraged completion field - Field should <b>not</b> contain <b>all</b> spaces.
Employer's Contracting-Out Number (ECON)	A 9 character serial number which should be in the format: character 1 must be E characters 2 to 8 must be in the range 3000000 to 3999999 Character 9 must be alpha. ECON mandatory if contracted-out contributions are paid and should produce error message if not in correct format.
Scheme Contracted-Out Number (SCON)	A 9 character serial number which should be in the format: character 1 must be S characters 2 to 8 must be numeric character 9 must be alpha SCON mandatory if contracted out contributions are paid and should produce error message if not in correct format.
Employee's Surname	Mandatory field - Error message should be displayed if omitted.
Employee's Forename(s)	Mandatory field - Error message should be displayed if omitted. Initials not acceptable.
Employee's address	Mandatory field - Error message should be displayed if address is omitted.
Date of birth	Encouraged completion field – 8 digit number e.g. YYYYMMDD. Error message should be displayed if omitted.
Sex	Mandatory field - Must be M or F. This field should contain cross validation with the category letters B and E to ensure Married Woman Reduced Rate contributions are not paid by a male employee.
Marital status	Encouraged completion field - Error message should be displayed if SGL (single), MAR (married) or CVP (civil partner) are omitted.
NI Number	Mandatory field - Error message should be displayed if omitted.

DATA	SPECIFICATION
NI Number	Mandatory field - Error message should be displayed if NINO is not in the correct format. The NI number should be in the following format: characters 1 and 2 should both be in the range A to Z Characters 1 and 2 cannot be QQ characters 3 to 8 should be numeric character 9 <b>must</b> be in the range A to D.
NI Contributions Table Letter	Mandatory field - error message should be displayed if omitted. Must be A, B, C, D, E, J or L. No other table letter is acceptable.
NI Contributions	Earnings must be recorded when the LEL is reached even when no NICs are payable.
NI Contributions	No Employee NIC is due on earnings at or below the Primary Threshold.
NI Contributions	Employee NIC is due on earnings above the UEL at 1%.
NI Contributions	Employer NIC is due on earnings above the UEL.
NI Contributions	NIC will not be due for employees under age 16.
NI Contributions	No Employer NIC is due on earnings at or below the Secondary Threshold.
Categories B and E contributions	An error message should be displayed by the system if category B or E is input to the account of a male employee, or an unmarried/divorced female.
Categories B and E contributions	If category B or E is entered the system should prompt the user to confirm that a valid certificate of election is held for the employee.
Categories J or contracted-out L contributions	If category J or contracted-out L is entered, the system should prompt the user to confirm that a valid certificate of deferment is held. NIC is due at 1%. Earnings fields must be completed.
Categories D,E and L	NIC rebates must only be recorded for these category letters.
Categories D,E and L	If contracted-out categories D, E or L are recorded an error message should be displayed if the ECON or SCON is omitted.
Category C	If category C is recorded for an employee who is state pension age or over the system should prompt the user to confirm that proof of pension age is held.
Category C	If category C is recorded, no figure should be in the employee field for NI. Earnings fields must be completed.
Categories D, E and L	An error message should be displayed if an attempt to enter category D, E or L is made for any pension scheme other than a contracted-out salary related scheme (COSR).
Categories A, B, J, D, E & L	If categories A, B, J, D, E or L are recorded an error message should be displayed if the employee is state pension age or over (must revert to category C).

## 9. NIC CALCULATION FORMULAE

### Exact percentage method

Step 1 Earnings up to and including LEL

$$\left( GP - \left( \frac{LEL \times p}{w/m} \right)^{\#} \right) =$$

If answer is negative no NICs due and no recording required. Stop.

If answer is zero or positive enter result of calculation at this point <sup>#</sup> in column 1a and proceed to Step 2.

Step 2 Earnings above LEL up to and including ET

$$\left( GP - \left( \frac{LEL \times p}{w/m} \right) \right) - \left( GP - \left( \frac{ET \times p^1}{w/m} \right)^{\#} \right) =$$

<sup>#</sup> If answer is negative treat as zero.

If answer is zero no NICs due and column 1b should be zero filled. Stop.

If answer is positive proceed to Step 3.

Step 3 Earnings above ET up to and including UAP

$$\left( GP - \left( \frac{ET \times p^1}{w/m} \right)^{\#} \right) - \left( GP - \left( \frac{UAP \times p}{w/m} \right)^{\#} \right) =$$

<sup>#</sup> If answer is negative treat as zero.

If answer is zero no NICs due and column 1c should be zero filled.

If answer is positive enter in column 1c and proceed to Step 4.

Step 4 Earnings above UAP up to and including UEL

$$\left( GP - \left( \frac{UAP \times p}{w/m} \right)^{\#} \right) - \left( GP - \left( \frac{UEL \times p^1}{w/m} \right)^{\#} \right) =$$

<sup>#</sup> If answer is negative treat as zero.

If answer is zero column 1d should be zero filled.

If answer is positive enter in column 1d and proceed to Step 5.

Step 5 Earnings above UEL

$$\left( GP - \left( \frac{UEL \times p^1}{w/m} \right)^{\#} \right) =$$

<sup>#</sup> If answer is zero or negative no earnings above UEL. Proceed to Step 6.

If answer is zero column 1e should be zero filled

If answer is positive enter in column 1e and proceed to Step 6.

Step 6 - Employee's NICs

Step 3 multiplied by employee's Band C % rate (round)

PLUS

Step 4 multiplied by employee's Band D % rate (round)

PLUS

Step 5 multiplied by employee's Band E % rate (round)

Step 7 - Employer's NICs

Step 3 multiplied by employer's Band C % rate (round)

PLUS

Step 4 multiplied by employer's Band D % rate (round)

PLUS

Step 5 multiplied by employer's Band E % rate (round)

Step 8- Employee's NIC rebate

Step 2 multiplied by employee's Band B % rate (round)

Step 9 - Employer's NIC rebate

Step 2 multiplied by employer's Band B % rate (round)

Step 10 - Employee's net NICs

Step 6

MINUS

Step 8

=Net NICs. (If result is negative enter zero in column 1g and carry forward balance to Step 11)

Step 11 - Employer's net NICs

Step 7

MINUS

Step 9 (include any minus figure from Step 10)

= Net NICs



## Step 12 – Total NICs

Step 10

PLUS

Step 11

= Total employer and employee NICs (enter in column 1f – this could be a minus figure which should be preceded by 'R' on form T11).

## 10. WORKED EXAMPLES USING THE NIC CALCULATION FORMULAE

### Example 1

An employee earns £117.53 a week and pays standard not contracted-out NICs

#### Category A NICs

Step 1 Earnings up to and including LEL

$$\left( GP - \left( \frac{LEL \times p}{w/m} \right)^* \right) =$$
$$\left( £117.53 - \left( \frac{£6,032 \times 1}{52} \right)^* \right) = £1.53$$

(enter weekly LEL (£116) in column 1a)

If answer is negative no NICs due and no recording required. Stop.  
If answer is zero or positive enter result of calculation at this point \* in column 1a and proceed to Step 2.

Step 2 Earnings above LEL up to and including ET

$$\left( GP - \left( \frac{LEL \times p}{w/m} \right) \right) - \left( GP - \left( \frac{ET \times p^1}{w/m} \right) \right)^{\#} =$$
$$\left( £117.53 - \left( \frac{£6,032 \times 1}{52} \right) \right) - \left( £117.53 - \left( \frac{£6,136 \times 1}{52} \right) \right)^{\#} = £1.53$$

# If answer is negative treat as zero.  
If answer is zero no NICs due and column 1b should be zero filled. Stop.  
If answer is positive enter in column 1b and proceed to Step 3.

Step 3 Earnings above ET up to and including UAP

$$\left( GP - \left( \frac{ET \times p^1}{w/m} \right) \right)^{\#} - \left( GP - \left( \frac{UAP \times p}{w/m} \right) \right)^{\#} =$$

$$\left( \pounds 117.53 - \left( \frac{\pounds 6,136 \times 1}{52} \right) \right) - \left( \pounds 117.53 - \left( \frac{\pounds 40,040 \times 1}{52} \right) \right)^{\#} = \pounds 0$$

# If answer is negative treat as zero.

If answer is zero no NICs due and column 1c should be zero filled.

If answer is positive enter in column 1c and proceed to Step 4.

Steps 4 to 12 are not applicable as no NICs due. Zero fill columns 1c to 1g.

Although no NICs are due, as earnings have reached or exceeded the LEL they must be recorded on the T11 as follows:

	1a	1b	1c	1d	1e	1f	1g
A	116	1.53	0.00	0.00	0.00	0.00	0.00

## Example 2

An employee earns £800 a week and pays standard not contracted-out NIC

### Category A NICs

Step 1 Earnings up to and including LEL

$$\left( \text{GP} - \left( \frac{\text{LEL} \times p}{w/m} \right)^* \right) =$$

$$\left( \pounds 800 - \left( \frac{\pounds 6,032 \times 1}{52} \right)^* \right) = \pounds 684 \quad (\text{enter weekly LEL } (\pounds 116) \text{ in column 1a)}$$

If answer is negative no NICs due and no recording required. Stop.

If answer is zero or positive enter result of calculation at this point \* in column 1a and proceed to Step 2.

Step 2 Earnings above LEL up to including ET

$$\left( \text{GP} - \left( \frac{\text{LEL} \times p}{w/m} \right) \right) - \left( \text{GP} - \left( \frac{\text{ET} \times p^1}{w/m} \right) \right)^{\#} =$$

$$\left( \pounds 800 - \left( \frac{\pounds 6,032 \times 1}{52} \right) \right) - \left( \pounds 800 - \left( \frac{\pounds 6,136 \times 1}{52} \right) \right)^{\#} = \pounds 2 \quad (\text{enter in column 1b})$$

# If answer is negative treat as zero.

If answer is zero no NICs due & column 1b should be zero filled. Stop.

If answer is positive enter in column 1b and proceed to Step 3.

### Step 3 Earnings above ET up to and including UAP

$$\left( GP - \left( \frac{ET \times p^1}{w/m} \right) \right)^{\#} - \left( GP - \left( \frac{UAP \times p}{w/m} \right) \right)^{\#} =$$
$$\left( \pounds 800 - \left( \frac{\pounds 6,136 \times 1}{52} \right) \right)^{\#} - \left( \pounds 800 - \left( \frac{\pounds 40,040 \times 1}{52} \right) \right)^{\#} = \pounds 652 \text{ (enter in column 1c)}$$

# If answer is negative treat as zero.

If answer is zero no employee NICs due and column 1c should be zero filled.

If answer is positive enter in column 1c and proceed to Step 4.

### Step 4 Earnings above UAP up to and including UEL

$$\left( GP - \left( \frac{UAP \times p}{w/m} \right) \right)^{\#} - \left( GP - \left( \frac{UEL \times p^1}{w/m} \right) \right)^{\#} =$$
$$\left( \pounds 800 - \left( \frac{\pounds 40,040 \times 1}{52} \right) \right)^{\#} - \left( \pounds 800 - \left( \frac{\pounds 40,768 \times 1}{52} \right) \right)^{\#} = \pounds 14 \text{ (enter in column 1d)}$$

# If answer is negative treat as zero.

If answer is zero no employee NICs due and column 1d should be zero filled.

If answer is positive enter in column 1d and proceed to Step 5.

### Step 5 Earnings above UEL

$$\left( GP - \left( \frac{UEL \times p^1}{w/m} \right) \right)^{\#} =$$
$$\left( \pounds 800 - \left( \frac{\pounds 40,768 \times 1}{52} \right) \right)^{\#} = \pounds 16 \text{ (enter in column 1e)}$$

# If answer is zero or negative no earnings above UEL. Proceed to Step 6.

If answer is zero column 1e should be zero filled

If answer is positive enter in column 1e and proceed to Step 6.

### Step 6 Employee's NICs

Step 3 multiplied by employee's Band C% rate (round)

$$\pounds 652 \times 11\% = \pounds 71.72$$

PLUS

Step 4 multiplied by employee's Band D% rate (round)

$$\pounds 14 \times 11\% = \pounds 1.54$$

PLUS

Step 5 multiplied by employee's Band E% rate (round)

$$£16 \times 1\% = £0.16$$

$$£71.72 + £1.54 + £0.16 = £73.42 \text{ Employee's NICs}$$

#### Step 7 Employer's NICs

Step 3 multiplied by employer's Band C% rate (round)

$$£652 \times 12.8\% = £83.46$$

PLUS

Step 4 multiplied by employer's Band D% rate (round)

$$£14 \times 12.8\% = £1.79$$

PLUS

Step 5 multiplied by employer's Band E% rate (round)

$$£16 \times 12.8\% = £2.05$$

$$£83.46 + £1.79 + £2.05 = £87.30 \text{ Employer's NICs}$$

Steps 8 and 9 = £0.00 (rebate not applicable)

#### Step 10 Employee's net NICs

Step 6 £73.42

MINUS

Step 8 £0.00

= £73.42 Employee's net NICs

#### Step 11 Employer's net NICs

Step 7 £87.30

MINUS

Step 9 £0.00 (include any minus figure from Step 10)

= £87.30 Employer's net NICs

#### Step 12 Total NICs

Step 10 £73.42

PLUS

Step 11 £87.30

= £160.72 Total employer and employee NICs (enter in column 1f)

NICs must be recorded on the T11 as follows:

	1a	1b	1c	1d	1e	1f	1g
A	116	2.00	652.00	14.00	16.00	160.72	73.42

### Example 3

An employee earns £800 a week and pays contracted-out NICs (COSR)

#### Category D NICs

Step 1 Earnings up to including LEL

$$\left( \text{GP} - \left( \frac{\text{LEL} \times p}{w/m} \right)^* \right) =$$

$$\left( \text{£800} - \left( \frac{\text{£6,032} \times 1}{52} \right)^* \right) = \text{£684} \quad (\text{enter weekly LEL (£116) in column 1a})$$

If answer is negative no NICs due and no recording required. Stop.  
If answer is zero or positive enter result of calculation at this point \* in column 1a and proceed to Step 2.

Step 2 Earnings above LEL up to and including ET

$$\left( \text{GP} - \left( \frac{\text{LEL} \times p}{w/m} \right) \right) - \left( \text{GP} - \left( \frac{\text{ET} \times p^1}{w/m} \right) \right)^{\#} =$$

$$\left( \text{£800} - \left( \frac{\text{£6,032} \times 1}{52} \right) \right) - \left( \text{£800} - \left( \frac{\text{£6,136} \times 1}{52} \right) \right)^{\#} = \text{£2} \quad (\text{enter in column 1b})$$

# If answer is negative treat as zero.  
If answer is zero no NICs due & column 1b should be zero filled. Stop.  
If answer is positive proceed to Step 3.

Step 3 Earnings above ET up to and including UAP

$$\left( \text{GP} - \left( \frac{\text{ET} \times p^1}{w/m} \right) \right)^{\#} - \left( \text{GP} - \left( \frac{\text{UAP} \times p}{w/m} \right) \right)^{\#} =$$

$$\left( \text{£800} - \left( \frac{\text{£6,136} \times 1}{52} \right) \right)^{\#} - \left( \text{£800} - \left( \frac{\text{£40,040} \times 1}{52} \right) \right)^{\#} = \text{£652} \quad (\text{enter in column 1c})$$

# If answer is negative treat as zero.

If answer is zero no employee NICs due and column 1c should be zero filled.

If answer is positive enter in column 1c and proceed to Step 4.

#### Step 4 Earnings above UAP up to and including UEL

$$\left( \text{GP} - \left( \frac{\text{UAP} \times p}{w/m} \right) \right)^{\#} - \left( \text{GP} - \left( \frac{\text{UEL} \times p^1}{w/m} \right) \right)^{\#} =$$
$$\left( \text{£}800 - \left( \frac{\text{£}40,040 \times 1}{52} \right) \right)^{\#} - \left( \text{£}800 - \left( \frac{\text{£}40,768 \times 1}{52} \right) \right)^{\#} = \text{£}14 \text{ (enter in column 1d)}$$

# If answer is negative treat as zero.

If answer is zero no employee NICs due and column 1d should be zero filled.

If answer is positive enter in column 1d and proceed to Step 5.

#### Step 5 Earnings above UEL

$$\left( \text{GP} - \left( \frac{\text{UEL} \times p^1}{w/m} \right) \right)^{\#} =$$
$$\left( \text{£}800 - \left( \frac{\text{£}40,768 \times 1}{52} \right) \right)^{\#} = \text{£}16 \text{ (enter in column 1e)}$$

# If answer is zero or negative no earnings above UEL. Proceed to Step 6.

If answer is zero column 1e should be zero filled.

If answer is positive enter in column 1e and proceed to Step 6.

#### Step 6 Employee's NICs

Step 3 multiplied by employee's Band C % rate (round)

$$\text{£}652 \times 9.4\% = \text{£}61.29$$

PLUS

Step 4 multiplied by employee's Band D % rate (round)

$$\text{£}14 \times 11\% = \text{£}1.54$$

PLUS

Step 5 multiplied by employee's Band rate E % (round)

$$\text{£}16 \times 1\% = \text{£}0.16$$

$$\text{£}61.29 + \text{£}1.54 + \text{£}0.16 = \text{£}62.99 \text{ employee's NICs}$$

#### Step 7 Employer's NICs

Step 3 multiplied by employer's Band C % rate (round)

$$£652 \times 9.1\% = £59.33$$

PLUS

Step 4 multiplied by employer's Band D % rate (round)

$$£14 \times 12.8\% = £1.79$$

PLUS

Step 5 multiplied by Employer's Band E rate (round)

$$£16 \times 12.8\% = £2.05$$

$$£59.33 + £1.79 + £2.05 = £63.17 \text{ Employer's NICs}$$

Step 8 Employee's NIC rebate

Step 2 multiplied by employee's Band B % rate (round)

$$£2 \times 1.6\% = £0.03 = \text{employee rebate}$$

Step 9 Employer's NIC rebate

Step 2 multiplied by employer's Band B % rate (round)

$$£2 \times 3.7\% = £0.07 = \text{employer rebate}$$

Step 10 Employee's net NICs

$$\text{Step 6 } £62.99$$

MINUS

$$\text{Step 8 } £0.03$$

$$= £62.96 \text{ employee's net NICs}$$

Step 11 Employer's net NICs

$$\text{Step 7 } £63.17$$

MINUS

$$\text{Step 9 } £0.07$$

$$= £63.10 \text{ employer's net NICs}$$

Step 12 Total NICs

Step 10 £62.96

PLUS

Step 11 £63.10

= £126.06 total employer and employee NICs (enter in column 1f).

NICs must be recorded on the T11 as follows:

	1a	1b	1c	1d	1e	1f	1g
D	116	2.00	652.00	14.00	16.00	126.06	62.96

## 11. DIRECTOR'S NIC CALCULATION FORMULAE

11.1 For National Insurance purposes, company directors are classified as office holders and, under Section 2(1) of the Social Security Contributions and Benefits Act 1992 (as applied to the Island), office holder's fall into the definition of 'employed earner'. As such, provided their earnings reach appropriate levels, they are liable for Class 1 NICs.

11.2 The earnings period for calculating NICs is usually determined by the interval between payments. For example an employee who is monthly paid will have a monthly earnings period. However, to calculate NICs for directors you must use either:

- an annual earnings period, or
- a pro-rata annual earnings period.

11.3 This applies regardless of the actual interval between payments.

11.4 Under the Regulation 8(6) of the Social Security (Contributions) Regulations 2001 (as applied to the Island), contributions can now be deducted on a weekly/monthly basis and the annual calculation completed at the end of the tax year to confirm the correct amount has been paid. Any subsequent amendments are then made to the Deductions Working Sheet, Form T11 or Substitute.

11.5 The following calculation formulae set out the basic calculations for Director's NICs, using an annual or pro rata annual earnings period.

Step 1 Earnings up to and including LEL

$$GP_{pid} - LEL =$$

If answer is negative no NICs due and no recording required. Stop.

If answer is zero or positive enter LEL in column 1a and proceed to Step 2.

Step 2 Earnings above LEL up to and including ET

$$(GP_{pid} - LEL) - (GP_{pid} - ET)^{\#} =$$

# If answer is negative treat as zero.

If answer is zero no NICs due & column 1b should be zero filled. Stop.

If answer is positive proceed to Step 3.



Step 3 Earnings above ET up to and including UAP

$$(GP_{ptd} - ET)^{\#} - (GP_{ptd} - UAP)^{\#} =$$

# If answer is negative treat as zero.

If answer is zero no NICs due and column 1c should be zero filled.

If answer is positive enter in column 1c and proceed to Step 4.

Step 4 Earnings above UAP up to and including UEL

$$(GP_{ptd} - UAP)^{\#} - (GP_{ptd} - UEL)^{\#} =$$

# If answer is negative treat as zero.

If answer is zero column 1d should be zero filled.

If answer is positive enter in column 1d and proceed to Step 5.

Step 5 Earnings above UEL

$$GP_{ptd} - UEL =$$

If answer is zero or negative no earnings above UEL. Proceed to Step 6.

If answer is zero column 1e should be zero filled.

If answer is positive enter in column 1e and proceed to Step 6

Step 6 Director's NICs

Step 3 multiplied by employee Band C % rate (round)

PLUS

Step 4 multiplied by employee's Band D % rate (round)

PLUS

Step 5 multiplied by employee's Band E % rate (round)

= Employee's NIC due to date.

Step 7 Director's NIC rebate

Step 2 multiplied by employee's Band B % rate (round)

= Employee's rebate due to date.

Step 8 Director's net NICs

Step 6

MINUS

Step 7

= Employee's net NICs due to date (if result is negative enter zero in column 1g and carry forward balance to Step 11)

MINUS

Employee's net NICs paid to date  
= Employee's net NIC's due this period.

Step 9

Employer's NICs

Step 3 multiplied by employer's Band C % rate (round)

PLUS

Step 4 multiplied by employer's Band D % rate (round)

PLUS

Step 5 multiplied by employer's Band E % rate (round)

= Employer's NICs due to date.

Step 10

Employer's NIC rebate

Step 2 multiplied by employer's Band B % rate (round)

= Employer's rebate due to date.

Step 11

Employer's net NICs

Step 9

MINUS

Step 10 (include any minus figure from Step 8)

= Employer's net NICs due to date

MINUS

Employer's net NICs paid to date

= Employer's net NICs due this period

Step 12

Total NICs

Step 8

PLUS

## Step 11

= Total employer and employee NICs (enter in column 1f this could be a minus figure)

## 12. DIRECTOR'S WORKED EXAMPLE USING FORMULAE

A director is appointed from 1st December 2018 earns £38,128 in the rest of the tax year (18 weeks). Pays standard rate not contracted-out NICs.

### Pro rata limits

LEL	£6,032 ÷ 52 x 18	= £2,088
ET	£6,136 ÷ 52 x 18	= £2,124
UAP	£40,040 ÷ 52 x 18	= £13,860
UEL	£40,768 ÷ 52 x 18	= £14,112

### Category A NICs

Step 1 Earnings up to and including LEL

$$GP_{pid} - LEL =$$

$$£38,128 - £2,088 = £36,040$$

If answer is negative no NICs due & no recording required. Stop.  
If answer is zero or positive enter LEL (£116 x 18 weeks = £2,088) in column 1a and proceed to Step 2.

Step 2 Earnings above LEL up to and including ET

$$(GP_{pid} - LEL) - (GP_{pid} - ET)^{\#} =$$

$$(£38,128 - £2,088) - (£38,128 - £2,124)^{\#} = £36$$

# If answer is negative treat as zero.  
If answer is zero no NICs due & column 1b should be zero filled. Stop.  
If answer is positive enter in column 1b and proceed to Step 3.

Step 3 Earnings above ET up to and including UAP

$$(GP_{pid} - ET)^{\#} - (GP_{pid} - UAP)^{\#} =$$

$$(£38,128 - £2,124)^{\#} - (£38,128 - £13,860)^{\#} = £11,736$$

# If answer is negative treat as zero.  
If answer is zero no NICs due and column 1c should be zero filled.  
If answer is positive enter in column 1c and proceed to Step 4.

Step 4 Earnings above UAP up to and including UEL

$$(GP_{ptd} - UAP)^{\#} - (GP_{ptd} - UEL)^{\#} =$$

$$(\pounds38,128 - \pounds13,860)^{\#} - (\pounds38,128 - \pounds14,112)^{\#} = \pounds252$$

# If answer is negative treat as zero.

If answer is zero column 1d should be zero filled.

If answer is positive enter in column 1d and proceed to Step 5.

#### Step 5 Earnings above UEL

$$GP_{ptd} - UEL =$$

$$\pounds38,128 - \pounds14,112 = \pounds24,016$$

If answer is zero or negative no earnings above UEL. Proceed to Step 6.

If answer is zero column 1e should be zero filled.

If answer is positive enter in column 1e and proceed to Step 6

#### Step 6 Director's NICs

Step 3 multiplied by employee's Band C % rate (round)

$$\pounds11,736 \times 11\% = \pounds1,290.96$$

PLUS

Step 4 multiplied by Band D % rate (round)

$$\pounds252 \times 11\% = \pounds27.72$$

PLUS

Step 5 multiplied by Band E % rate (round)

$$\pounds24,016 \times 1\% = \pounds240.16$$

$$= \pounds1,290.96 + \pounds27.72 + \pounds240.16 = \pounds1,558.84$$

#### Step 7 Director's NIC rebate

Not applicable

#### Step 8 Director's net NICs

Step 6  $\pounds1,558.84$

MINUS

Step 7  $\pounds0.00$

=  $\pounds1,558.84$  Employee's net NICs due to date

MINUS

Employee's net NICs paid to date

£0.00

=£1,558.84

Step 9 Employer's NICs

Step 3 multiplied by employer's Band C % rate (round)

£11,736 x 12.8% = £1,502.21

PLUS

Step 4 multiplied by employer's Band D % rate (round)

£252 x 12.8% = £32.26

PLUS

Step 5 multiplied by employer's Band E % rate (round)

£24,016 x 12.8% = £3,074.05

£1,502.21 + £32.26 + £3,074.05 = £4,608.52

Step 10 Employers NIC rebate

Step 2 multiplied by employer's Band B % rate (round)

Not applicable.

Step 11 Employer's net NICs

Step 9 £4,608.52

MINUS

Step 10 (include any minus figure from Step 8)

= £4,608.52

MINUS

Employer's net NICs paid to date

£0.00

= £4,608.52

Step 12 Total NICs

Step 8 £1,558.84

PLUS

Step 11 £4,608.52

= £6,167.36 total employer and employee NICs (enter in column 1f – this could be a minus figure)

NICs must be recorded on the T11 as follows:

	1a	1b	1c	1d	1e	1f	1g
A 2088		36.00	11736.00	252.00	24016.00	6167.36	1558.84