



BUSINESS & PERSONAL TAX SUPPORT

National Insurance planning

2024-25

National Insurance contributions are payable by employer, employees and the self-employed. Individuals may also pay voluntary contributions. Different classes of contribution are payable by different types of contributor.

Employees: Class 1

Employees pay primary Class 1 contributions on their earnings to the extent that these exceed the primary threshold. Payment of contributions builds entitlement to the state pension and to contributory benefits. An individual needs 35 qualifying years for a full state pension, and at least 10 for a reduced state pension.

Individuals whose earnings are between the lower earnings limit and the primary threshold are treated as paying notional contributions at a zero rate. This provides a qualifying year for zero contribution cost.

The lower earnings limit is set at £123 per week for 2024/25 and the primary threshold at £242 per week.

Contributions are payable at the main primary rate of 8% on earnings between the primary threshold and the upper earnings limit. This is set at £967 per week for 2024/25. Contributions are payable on earnings in excess of the upper earnings limit at 2%.

Directors have an annual earnings period and their liability for the tax year is calculated by reference to the annual thresholds, rather than separately for each earnings period.

Employers: Class 1

Employers also pay Class 1 contributions (secondary Class 1 contributions) on the earnings of their employees. Contributions are payable at the secondary rate of 13.8% for 2024/25 on earnings above the secondary threshold, set at £175 per week for 2024/25.

Higher thresholds apply to certain categories of earner. Where the employee is under the age of 21, an apprentice under the age of 25 or an armed forces veteran in the first year of their first civilian employment since leaving the armed forces, employer contributions are only payable on earnings in excess of £967 per week. Where the employer has physical premises in a Freeport

tax zone, the employer only has to pay employer contributions on earnings of a qualifying new Freeport employee to the extent that they exceed £481 per week.

Eligible employers can also claim the Employment Allowance to offset against their secondary contributions. This is set at £5,000 for 2024/25. To qualify, their employers' National Insurance bill for 2023/24 must be £100,000 or less. Certain businesses are also excluded, including companies where the sole employee is also a director.

Class 1 planning tips

Employers can reduce their National Insurance bill by employing workers under the age of 21, employers under the age of 25 and armed forces veterans who have not yet had a civilian job since leaving the armed forces and taking advantage of the higher secondary thresholds applying to these groups of workers.

Employers can also minimise their overall bill by employing more part-time workers, benefitting from the secondary threshold for each employee.

Employers should also remember to claim the employment allowance where they are eligible to offset against their secondary Class 1 contributions.

Directors of personal and family companies can pay a salary of up to £12,570 for 2024/25 without having to pay any primary contributions. As long as the salary is at least £6,396, they will not pay any primary contributions, but will benefit from a qualifying year for state pension purposes. Secondary contributions will be payable to the extent that the salary exceeds £9,100.

Employee contributions cease when the employee reaches state pension age. However, employers must continue to pay secondary contributions on the earnings of employees above state pension age.

To ensure Class 1 National Insurance contributions are calculated correctly, employers should check that the employee has been given the correct category letter. They should also ensure that systems are in place to identify in-year

changes, for example, when an employee reaching age 21.

Class 1 rates and thresholds

The thresholds applying for 2024/25 are shown in the table below.

National Insurance Thresholds for 2024/25			
Threshold	Weekly	Monthly	Annual
Lower earnings limit	£123	£533	£6,396
Primary threshold	£242	£1,048	£12,570
Secondary threshold	£175	£758	£9,100
Upper earnings limit	£967	£4,189	£50,270
Upper secondary threshold for under 21s	£967	£4,189	£50,270
Apprentice upper secondary threshold	£967	£4,189	£50,270
Veterans' upper secondary threshold	£967	£4,189	£50,270
Freeport upper secondary threshold	£481	£2,083	£25,000

Class 1 rates applying for 2024/25 are shown in the following table.

National Insurance Rates for 2024/25	
Main primary rate	8%
Additional primary rate	2%
Married women's reduced rate	1.85%
Secondary rate	13.8%

Employers: Class 1A

Employers also pay Class 1A National Insurance contributions on most taxable benefits in kind. Class 1A National Insurance contributions are also payable on taxable termination payments exceeding the £30,000 limit and taxable sporting testimonials exceeding the £100,000 limit.

The Class 1A rate is aligned with the secondary rate and is set at 13.8% for 2024/25.

Class 1A on benefits in kind is payable annually with payments falling due by 22 July after the end of the tax year where they are paid electronically (i.e., by 22 July 2025 for 2024/25). Class 1A National Insurance that is due on termination payments and sporting testimonials must be reported via RTI in the pay period in which the payment is made and paid over to HMRC with the PAYE and National Insurance for that period.

Employers: Class 1B

Where a PAYE Settlement Agreement (PSA) is in place, Class 1B National Insurance contributions are payable on items included within the agreement in place of the Class 1 or Class 1A liability that would otherwise arise, and also on the tax due under the PSA.

Employers agreeing a PSA should note that because Class 1B contributions are also payable on the tax due under the agreement, the Class 1B liability will be more than the Class 1 and 1A contributions which it replaces.

The Class 1B rate is aligned with the secondary Class 1 rate and is set at 13.8% for 2024/25.

Class 1B contributions are payable by 22 October after the end of the tax year to which they relate where payment is made electronically (so by 22 October 2025 for 2024/25).

Self-employed: Class 2

Please note that from April 2024, there is no liability to Class 2 NIC for the self-employed.

Self-employed: Class 4

Self-employed pay Class 4 National Insurance contributions. These confer benefit entitlements to

the State Pension and other contributory benefits. They are payable at the main rate, set at 6% for 2024/25, on profits between the lower profits limit and the upper profits limit and at the additional rate of 2% on profits in excess of the upper profits limit.

The lower profits limit is set at £12,570 for 2024/25 and the upper profits limit is set at £50,270.

Class 4 contributions are payable via self-assessment and are due by 31 January after the end of the tax year to which they relate (i.e., by 31 January 2026 for 2024/25 contributions).

Class 4 rates and thresholds

The following table shows the rates and thresholds applying for Class 4 contributions for 2024/25.

Class 4	2024/25
Lower profits limit	£12,570
Upper profits limit	£50,270
Main rate	6%
Additional rate	2%

Voluntary contributions: Class 3

Class 3 contributions are voluntary contributions that can be paid by an individual to top up their contributions record. For 2024/25, the rate of Class 3 contribution is £17.45 per week.

Before paying Class 3 contributions, it is advisable to check your National Insurance record to ensure that payment of the contributions is worthwhile.

This can be done online at www.gov.uk/check-national-insurance-record.

We can help

We can help you understand your National Insurance liabilities and whether it may be advisable to consider making voluntary contributions.

We have used reasonable care and skill in assembling the information in this update. However, the information presented cannot be tailored to personal circumstances or particular situations. There may also be factors relevant to you which fall outside the scope of this publication. Accordingly, the material presented does not constitute personal or business advice. You should not rely solely on this update to make (or refrain from making) any decision or take (or refrain from taking) any action.
