



MAD ABOUT BOOK-KEEPING

NATIONAL INSURANCE

Why do I need to pay National Insurance?

National Insurance contributions count towards some state benefits.

Benefit	Class 1:	Class 2:	Class 3:
Basic State Pension	Yes	Yes	Yes
Additional State Pension	Yes	No	No
New State Pension	Yes	Yes	Yes
Contribution-based Jobseeker's Allowance	Yes	No	No
Contribution-based Employment & Support Allowance	Yes	Yes	No
Maternity Allowance	Yes	Yes	No
Bereavement Support Payment	Yes	Yes	No

The class you pay depends on your employment status and how much you earn.

Class 1	Employees earning more than £183 a week and under State Pension age - they're automatically deducted by your employer
Class 1A or 1B	Employers pay these directly on their employee's expenses or benefits
Class 2	Self-employed people - you don't have to pay if you earn less than £6,475 a year (but you can choose to pay voluntary contributions)
Class 3	Voluntary contributions - you can pay them to fill or avoid gaps in your National Insurance record
Class 4	Self-employed people earning profits over £9,500 a year (Not applicable to state benefits)

CLASS 1

If you're employed, you will pay class 1 National Insurance contributions.

The rates for most people for the 2020 to 2021 tax year are:

£792 to £9,500 per month	12%
Over £9,500 per month	2%

Your employer will also pay Class 1 NI. The amount they pay will depend on the Monthly thresholds set out by HMRC which are:

	20/21	19/20	18/19
Lower Earnings Limit (LEL) Employees don't pay NI but get the benefits of paying	£520	£512	£503
Primary Threshold (PT) Employees start paying NI	£792	£719	£702
Secondary Threshold (ST) Employers start paying NI	£732	£719	£702
Upper Accrual Point (UAP) Employees with a contracted-out pension pay a lower rate of NI up to this point	£4,167	£4,167	£3,863
Upper Earnings Limit (UEL) All employees pay a lower rate of NI above this point	£4,167	£4,167	£3,863

CLASS 2

If you are self employed, you will pay Class 2 National Insurance to qualify for benefits like the state pension. HMRC will send you a payment request every April.

	20/21	19/20	18/19
Small Profits Threshold	£6,475	£6,365	£6,205
Weekly Rate	£3.05	£3.00	£2.95

CLASS 3 – VOLUNTARY CONTRIBUTIONS

You pay Class 3 voluntary National Insurance to fill gaps in your contributions record and qualify for benefits like the State Pension.

You can [Check your National Insurance record](#) to find out if you have gaps. Your record will tell you if you can pay voluntary contributions and how much it will cost you.

CLASS 4

If you are self employed, in addition to Class 2, you will pay Class 4 NI based on your business profits in the year. However, if your earnings are less than the lower profits limit (currently £9,500) you will not pay any Class 4 NI.

£ per year	2020 to 2021	2019 to 2020	2018 to 2019
Lower Profits Limit Self-employed people start paying Class 4 NI	£9,500	£8,632	£8,424
Upper Profits Limit Self-employed people pay a lower rate	£50,000	£50,000	£46,350
Rate between Lower Profits Limit and Upper Profits Limit	9%	9%	9%
Rate above Upper Profits Limit	2%	2%	2%