

YOUR SIMPLE GUIDE TO THE

NATIONAL INSURANCE CHANGES

FOR CONTRACTORS

WHAT'S CHANGING AND WHY?

The amount you pay for National Insurance is set to rise in April 2022.

The reason for the increase is to help fund both improvements to social care and also provide a boost for the NHS. It's believed that this new legislation will see the Treasury's purse grow significantly by an extra £12bn every year.

WHO WILL BE IMPACTED BY THE RISE?

The increase will affect almost everybody in employment. All Class 1 and Class 4 National Insurance tax rates will be increased by 1.25%.

- Class 1 Employers' NICs will increase from 13.8% to 15.05% on earnings over £8,840.
- Class 1 Employees' NICs above the £9,568 threshold will increase from 12% to 13.25% (main rate), and from 2% to 3.25% (higher rate).
- Class 4 contributions (for the self-employed) above the £9,568 threshold will increase from 9% to 10.25% (main rate), and from 2% to 3.25% (higher rate).

As a contractor, how much extra you will pay depends on your chosen payroll solution.

WHAT WILL IT MEAN TO YOU?



IF YOU'RE A PEO CONTRACTOR

If you are employed and paid through a PEO, like every directly employed person, you will see Employee's National Insurance deductions increase by 1.25%. But you'll continue to enjoy the other benefits, such as pension and holiday.

Everything is simple and transparent, with no hidden costs.

IF YOU'RE AN UMBRELLA COMPANY CONTRACTOR

If you are employed and paid through an Umbrella company, then things get more complex.

Employer's NIC's are increasing by 1.25%. Every Umbrella company is legally obliged to pay employer's National Insurance from the Umbrella rate it receives from the agency. Consequently the amount left as gross taxable pay will reduce unless there has been an increase in the agreed daily rate. The deduction from gross taxable salary for employee's NIC's will also increase by 1.25% in line with every other PAYE employee.

IF YOU'RE A LIMITED COMPANY OWNER

You probably remunerate yourself through dividends and keep any salaries small to avoid paying NICs. Nevertheless, you will still be hit by a 1.25% rise on your dividends.

If you're an Umbrella company contractor and concerned with how the NI increase will affect your net pay, you may be interested in finding out more about the other options available to you.

Our Client Care team would be delighted to chat to you - they're available Monday to Friday, 9am to 5pm, to answer your queries.

ANY QUESTIONS?

This is a big change to the majority of the UK work force, and their net pay. So, if you have any queries, then please get in touch.

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