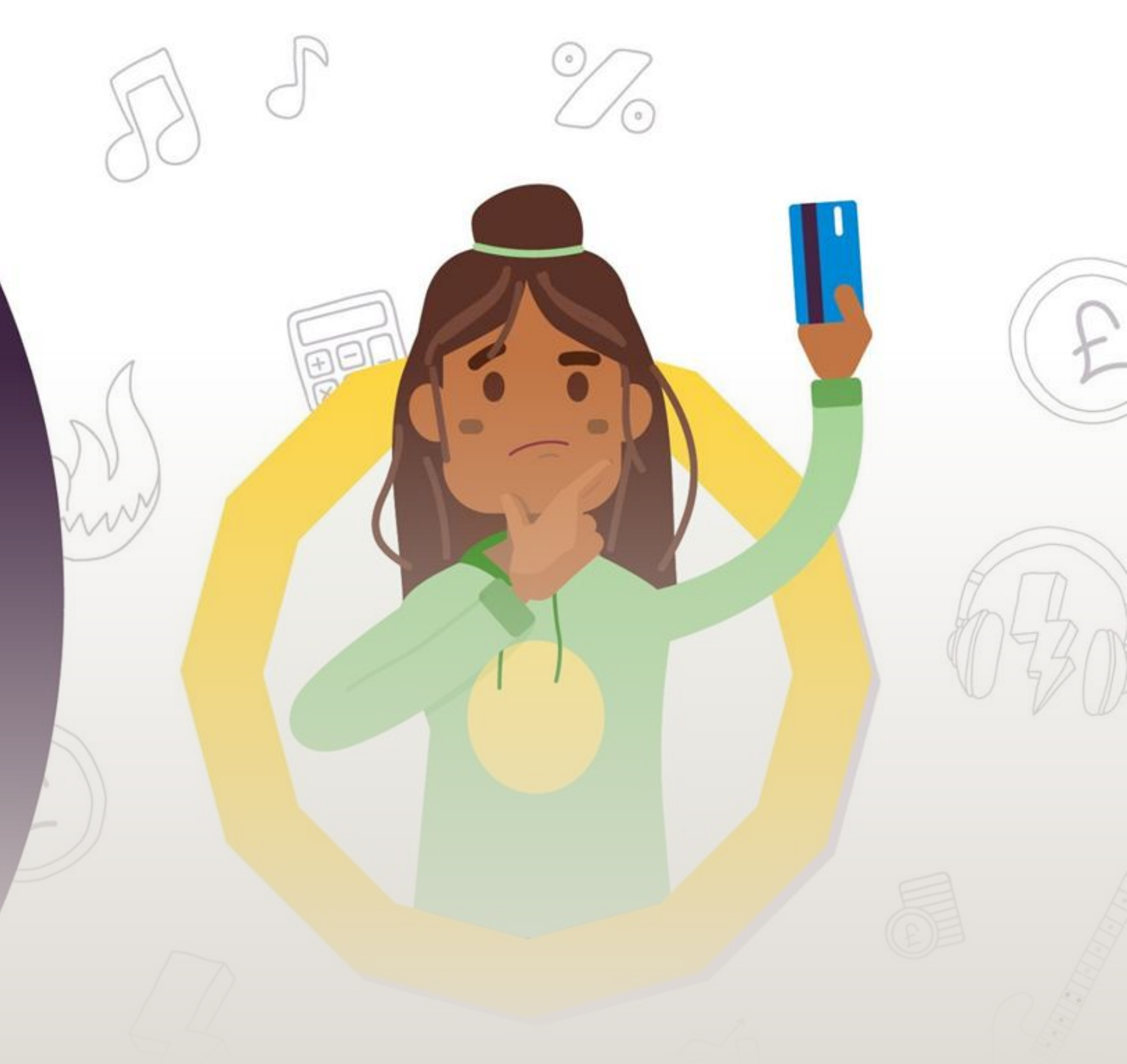


Lesson 5.

Tax and National Insurance Deductions.



When I get paid.



**There are 2 amounts listed on your
payslip. Gross Income and Net
Income.**



Payments:



Gross Income is the amount you receive **BEFORE** any deductions.



Net Income is the amount you receive **AFTER** deductions such as TAX, NI, Pensions and Student Loans.

Why do I have TAX deducted ?

- Income Tax is collected by HMRC (His Majesty's Revenue & Customs) on behalf of the government.
- It's used to help provide funding for public services
 - **the NHS,**
 - **Education,**
 - **the welfare system,**
 - **investment in public projects, such as roads, rail and housing.**

Tax - The numbers as of April 2022

- You can earn £12,570 per year before paying tax.
- On any earnings over £12,570 but under £50,270, you will pay 20% tax.
- On any earnings over £50,270 but below £150,000, you will pay 40% tax.
- On any earnings over £150,000, you will pay 45% tax.

Tax – A basic example!

- You have a salary of £24,000
- You can earn £12,570 before paying tax.
- You will be taxed at 20% on:
 $(£24000 - £12570 = £11430)$.
- You will pay 20% of £11,430
= £2,286 tax.

Why do I have National Insurance deducted:

- This is paid and contributes directly towards your state benefits and pension.
- State Pension
- Jobseekers allowance - if eligible
- Maternity Allowance
- Sick payments (self employed)
- Bereavement support payments.

National Insurance - The numbers as of July 2022

- You pay NI contributions on anything earned over £12,570 per year.
- You will be charged 13.25% on all earnings above £12,570.
- Once you earn over £50,270, you will be charged an additional 3.25% on your income above £50,270.

NI – A basic example!

- You have a salary of £24,000
- You can earn £12,570 before paying NI (National Insurance).
- You will be taxed at 13.25% on:
 $(£24000 - £12570 = £11430)$.
- You will pay 13.25% of £11,430
 $= £1,514.48$ NI.

What is my Pension deduction ?

- Pension Contributions are often paid by both the employee and the employer.
- They are made up of a percentage of your wage/salary depending on your employer.
- They build up a pension pot ready for you to draw money from when you retire (in addition to any state pension that you may receive).

Deductions

- Your Gross Pay is £24,000
- You pay £2,286 tax.
- You pay £ 1,514.48 NI.
- You will pay approximately 8% pension (£1,920).
- Your Net Pay = £18,279.52

What's next?

Do you have any
questions about Tax
and National
Insurance?

Do you have any
questions about
deductions from your
wage/salary?