

UK financial services, regulation and ethics

CF1: 2023–24 edition

Web update 2: 16 January 2024

National Insurance contributions (NICs)

As announced in the November 2023 Autumn Statement:

- The main rate of employee Class 1 NICs has been cut from 12% to 10% from 6 January 2024.
- There is no change for employer Class 1 NICs.

Therefore, please note the following update (amendments in **bold**) to your copy of the **CF1** study text.

Chapter 7, section A1A, pages 7/2–7/3

Class 1 NICs are payable by employees with earnings above the primary threshold (PT) of **£242 per week (which equates to £1,048 per month and £12,570 annually – 2023/24)**.

Payment of Class 1 NICs qualifies an employee for certain State benefits, most notably sickness benefits and State Pension.

Employees pay:

- no NICs on earnings below the PT;
- **10% (12% from 6 April 2023 to 5 January 2024)** on earnings between the PT per week and the upper earnings limit of £967 per week; plus
- 2% on earnings over £967 per week (**which equates to £4,189 per month and £50,270 annually**) with no limit.

If an employee earns between £123 (the lower earnings limit) and the PT they receive National Insurance 'credits' which will entitle them to some State benefits, even though they have not paid any NICs.



Example 7.1

Jake is an employee aged over 21. He is neither an apprentice nor an armed forces veteran and does not work in a freeport. Jake is paid monthly, earning £2,000 during February 2024. Calculate the amount of employee Class 1 NICs due for this month in respect of Jake's earnings.

$$£2,000 - £1,048 = £952 \times 10\% = £95.20.$$



Example 7.2

Hannah is also employed aged over 21. She is neither an apprentice nor an armed forces veteran and does not work in a freeport. Hannah is paid monthly, earning £5,000 during February 2024. Calculate the amount of employee Class 1 NICs due for this month in respect of Hannah's earnings.

Hannah's earnings are above the Upper Earnings Limit (UEL) of £4,189 per month. Therefore, her contribution can be worked out as:

$$£4,189 \text{ (UEL)} - £1,048 \text{ (PT)} = £3,141 \times 10\% = £314.10$$

We then need to charge the excess earnings over the UEL at 2%.

$$£5,000 - £4,189 = £811 \times 2\% = £16.22.$$

Hannah's total monthly NICs for February 2024 are: £314.10 + £16.22 = £330.32.

Chapter 7, section A4, page 7/5

Please amend Table 7.2:

Table 7.2: NICs (2023/24)		
Class 1 – employee	Employee	Employer
NICs rate – from 6 January 2024 (NB: 12% from 6 April 2023 to 5 January 2024)	10%	13/8%
No NICs for employees generally on the first	£242 pw	£175 pw
No NICs for younger/veteran employees/freeport* on the first	£242 pw	£967 pw (£481 pw for freeport employees only)
NICs charged at 10% up to	£967 pw	No limit
2% NICs on earnings over	£967 pw	N/A
Employment allowance per business (subject to criteria)		£5,000
Self-employed		
Class 2 (flat rate per week) on earnings above £12,570 (also deemed paid on earnings between £6,725 and £12,570)		£3.45
Class 4 on profits between £12,570 and £50,270 p.a.		9%
Over £50,270 p.a.		2%
Class 3 (voluntary flat rate per week	£17.45	

*employees generally under age 21 and apprentices under age 25. Veterans in first twelve months of civilian employment. Qualifying freeport employees in first three years of employment.

Notes

- This change will be examined from 22 February 2024.
- This update has been incorporated into the digital copies (printable PDF and ebook) of the study text, available on RevisionMate.