



13 April 2022

New National Insurance Contribution (NIC) changes from April 2022

The introduction of the Health and Social Care levy and changes to National Insurance Contributions by the Government in April 2022 will have an impact for both employers and employees. Here is everything you need to know:

Employers' Class 1 NIC

The rate is rising from 13.8% to 15.05% – this is an increase of 1.25%. This will be split out as a stand-alone Health and Social Care levy from April 2023.

Most employers will pay 15.05% on wages above £175 per week/£758 per month. There are higher thresholds for apprentices, employees under 21 and employees working in a Freeport.

For small businesses (where employers NIC liability is less than £100,000) the annual Employment Allowance (EA) for NIC can be used to offset NICs and the Health and Social Care levy of £5,000 (up from £4,000).

Employees Class 1 NIC

The rate is increasing from 12% to 13.25% and from 2% to 3.25% for the upper rate, an increase of 1.25%.

An added complication introduced in the Spring Statement is that thresholds for employees' Class 1 NIC will change part way through the tax year on 6 July 2022. This will increase the Employee Class 1 NIC threshold in line with the personal allowance for income tax.

Employee Class 1 will be paid at 13.25% on wages above the following limits up to the upper earnings limit.

6 April 2022 to 5 July 2022: £190 per week/£823 per month/£9,880 per annum.

6 July 2022 to 5 April 2023: £242 per week/£1,048 per month/£12,570 per annum.

Earnings above the upper limit will pay employee Class 1 at 3.35%.

As NIC is not cumulative and is paid according to the pay period, only nine months of earnings will benefit from the increase in thresholds. This could be particularly relevant for some company directors.

Workers at retirement age will be subject to the 1.25% levy on earnings above £242 per week/£1,048 per month from April 2023.

Self-employed Class 4 NIC

The threshold from which Class 4 NIC is payable has also increased to the personal allowance, but over two years. The upper threshold has been frozen at £50,270.

Class 4 NIC payable has increased by 1.25% to 10.25% on taxable profits above £11,908 for 2022/23 and £12,570 for 2023/24 up to £50,270. Taxable profits above £50,270 will now pay Class 4 NIC at 3.25%. This rate includes the Health and Social Care levy.

Self-employed Class 2 NIC

Class 2 is a flat-rate contribution paid per week of £3.15 (previously £3.05 per week).

The change made in the Spring Statement is that no Class 2 contributions are payable if the lower profits limit is not exceeded.

Class 2 credits will be built up without paying contributions if taxable profits are between the small profits' threshold and the lower profits limit.

	Small Profits	Lower Profits
2022/23	£6,515	£11,908
2023/24	£ TBA	£12,570

To receive the Class 2 credits, a tax return will have to be submitted.



Voluntary Class 2 NIC can still be paid if taxable profits are below the small profits limit.

Dividends tax rate

If you receive dividends, the NIC changes will affect this. The dividend rate is also increased by 1.25%.

Basic rate dividends up to 8.75% from 7.5%

Higher rate dividends up to 33.75% from 32.5%

Additional rate dividends up to 39.35% from 38.1%

Class 1A NIC on benefits provided to employees

The Class 1A NICs paid by an employer on many benefits provided to employees, such as company cars, private medical insurance increases by 1.25% to 15.05% from 13.8%.

If any PAYE settlement agreements are in place, the Class 1B rates increase in the same way.

Director loans

If you have any directors and shareholders' overdrawn loan accounts which give rise to a S455 charge, this rate will also increase to 33.75% from 32.5%.

These increases will have significant extra costs for many businesses. It is important to analyse the impact this will have on cashflows and profitability for the current and future years.

If not already offered, employers can provide a variety of reward packages to employees, which may help manage overall employment costs. For example, salary sacrifice arrangements for staff pensions, electric cars, and cycle-to-work schemes.



For more information or advice about the NIC changes or any other payroll-related matter, please [get in touch](#).