



## National Insurance Savings

*(First Published: 27 June 2022)*

Payments to employees and directors are subject to Income Tax and Employee's National Insurance. In addition, the employer may need to pay Employer's National Insurance.

In March 2022, in the Spring Statement, the Chancellor increased some of the National Insurance thresholds for the 2022-23 tax year (and beyond). This means that employees and those that are self-employed will pay less National Insurance because less of their income qualifies as chargeable to National Insurance.

This was great news, but it affects different businesses in different ways.

### Employees (non-directors)

From 6 July 2022, all non-director employees will see an increase in their take-home pay because the amount of National Insurance that they currently pay will reduce.

The primary threshold is the technical name given to the 'level' at which National Insurance becomes chargeable on salaries. On 6 July 2022, this threshold will increase from £9,880 per annum to £12,570 per annum. All things being equal, this means that £2,690 of an employee's salary will no longer attract a National Insurance charge and, at a rate of 13.25%, this equates to a tax saving of £356 per year.

This will be calculated automatically by the employer's payroll software and therefore, there should be nothing further to do. Employees will notice an immediate benefit.

### Directors

The above change also applies to Directors from 6 July 2022. However, the calculation for National Insurance for directors is a little different to non-Directors as it is calculated annually as opposed to monthly. The annual limit for directors has been set at £11,908. This is equivalent to three months at £9,880 (old primary threshold rate) and nine months at £12,570 (new primary threshold rate).

Where typically a director is paid a low salary and a high dividend, the change introduced by the Chancellor provides **an opportunity** to increase the Director's annual salary with no additional employee's National Insurance charge and, in addition, the company will benefit from a Corporation Tax deduction on the increased salary.

For example, if a director is paid £758 per month, he or she could increase the monthly salary to £1,048 which is an increase of £290 per month. There would be no additional deduction for employee's National Insurance and the company would benefit from a Corporation Tax saving of £55.10 per month on the increased gross salary.

It is not all good news however, as the increased rates introduced by the Chancellor did not extend to cover Employer's National Insurance. As a result, any increased salary would be subject to additional Employer's National Insurance, but you need to bear in mind that many small businesses (those that employ more than one single director) are entitled to the Annual Employment Allowance which is effectively an annual credit offset against the first £5,000 (2022/23) Employer's National Insurance liability.

Using the above example, the table below sets out the cost of a £290 increase in a Director's take home pay under the two scenarios:

	<i>Qualifies for Annual Employment Allowance</i>	
	<b>Yes</b>	<b>No</b>
<b>Monthly increase to Director's Pay</b>	<b>£ 290</b>	<b>£ 290</b>
Extra Ee's NIC charge	£ Nil	£ Nil
Extra Er's NIC charge	£ Nil	£ 43.65
Corporation Tax Saving (@19%)	<b>£ (55.10)</b>	<b>£ (63.39)</b>
<b>Net Cost (per month)</b>	<b>£ 234.90</b>	<b>£ 270.26</b>

## Conclusion

Depending on your precise circumstances, there may be an opportunity for you to extract additional funds from your company, tax and national insurance free. To find out how Moore NW can help, please feel free to call us.

## CONTACT

US

If you have any queries or need any advice, please do not hesitate to contact us on:

### Liverpool

Tel: 0151 703 1080

Email: [mail@moorenw.co.uk](mailto:mail@moorenw.co.uk)

[www.moore.co.uk/liverpool](http://www.moore.co.uk/liverpool)

### Manchester

Tel: 0161 832 4281

Email: [info@moorenw.co.uk](mailto:info@moorenw.co.uk)

[www.moore.co.uk/manchester](http://www.moore.co.uk/manchester)

Moore NW publish articles to assist clients keep up to date with issues that we think will most affect them. Please email us with ideas of any subjects that you would like us to cover.



Moore (NW) LLP is a limited liability partnership registered in England and Wales with registered number OC336114. A list of members' names is available at 110-114 Duke Street, Liverpool L1 5AG, the firm's principal place of business and registered office. Registered to carry on audit work in the UK and regulated for a range of investment business activities by the Institute of Chartered Accountants in England and Wales. An independent member firm of Moore U.K. Limited and Moore Global Network Limited – member firms in principal cities throughout the UK and the world.

Views expressed in this document are those of the contributor. No responsibility for loss occasioned by any person acting or refraining from action as a result of the material in this document can be accepted by Moore (NW) LLP or any of its associated concerns.