

Don't pay too much national insurance

National insurance borne by a shareholder-director in 2016/17 remains at 25.8%. That is the director as an employee will pay 12% while the company as employer will pay a further 13.8%.

If you have income from more than one job, or if you have self employment income as well as being employed, you should take care to ensure that you do not pay more in national insurance contributions than you need to.

The prescribed annual maximum normal contribution for an individual is 53 weeks at the standard primary (employee) Class 1 contribution rate between the earnings threshold and the upper earnings limit. For 2016/17 this works out to be £4,273.92. There is also an additional 2% payable on earnings in excess of the upper earnings limit.

If you think there is a chance of your exceeding this limit, you can apply for deferment of contributions on the 'surplus' employments and/or self employment. The Contributor Deferment Group recommends that application should be made before the start of the tax year, but will accept applications up to 14 February during the tax year.

Class 1 contributions

The Contributor Deferment Group will tell you for which employments they have allowed deferment of contributions and will send to the relevant employer(s) a certificate telling them not to deduct primary class 1 contributions from you during the tax year and asking them to refund any contributions they may already have deducted from your wages/salary during the year.

Class 2 contributions

If you expect your earnings from self employment to be less than the small earnings exception limit (£5,965 for 2016/17), you may apply for exception from paying class 2 contributions. However you may, if you wish, continue to pay class 2 contributions voluntarily to keep up your entitlement to the benefits they provide (Incapacity Benefit, Retirement Pension, Widow's Benefit and Maternity Allowance).

Class 2 contributions may be deferred if you can show that you are otherwise likely to pay above the annual maximum normal contribution (£4,273.92 as set out above) in class 1 and class 2 contributions.

After the year end

After the end of the tax year, the deferment group will work out your overall contribution position for the year and collect any balance of contributions that may remain payable.

Contribution refunds

If you do not apply for deferment in time, it is still possible to claim a refund of overpaid national insurance contributions. The time limit for claiming is broadly six years after the end of the tax year in which the payment was made.

For further information or advice please phone inBOS on 01543 624 036 or email: accounts@inbos.co.uk.