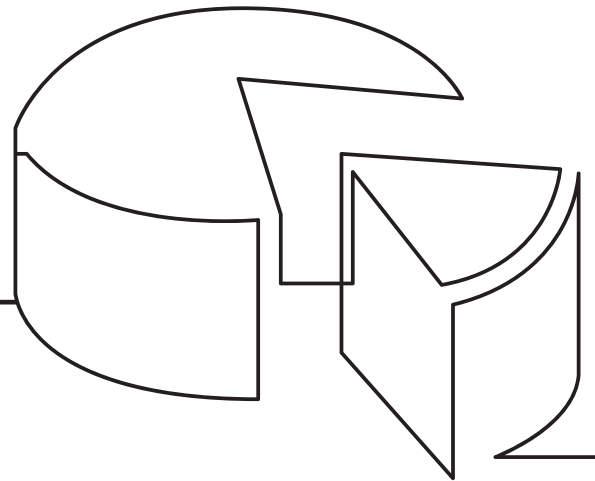


Employment Taxes



When you hire an employee in the UK, you must register and operate a payroll scheme.



This payroll scheme will be a PAYE (Pay As You Earn) scheme and must be registered with HMRC (the UK tax authorities). For further information regarding the set-up and operation of a PAYE scheme, please see our Quick Guide “Payroll and Employment”.

There are three taxes associated with a UK payroll scheme, two that affect the employee and one that affects the employer. These taxes are listed below with their corresponding rates.

Employee taxes:	20%-45%
PAYE (Income tax)	(depending on earnings)
National Insurance (social security)	2-12%
Employer taxes:	13.8%
National Insurance	

As you can see above, both the employee and the employer contribute to social security in the UK.

Gross salary	£30,000.00
Less: personal allowance*	-£12,579.00
Taxable salary	£17,421.00
PAYE @ 20%	£3,484.20
National Insurance @ 12%**	£2,451.84
Employee pension (net pension on Qualifying Earnings)	£950.40
Employee net wage	£23,113.56
Employers National Insurance @ 13.8%**	£2,920.08
Employers pension contribution	£712.80
	£3,632.88
Total Cost to Company	£33,632.88
Gross salary	£130,000.00
Less: personal allowance*	-
Taxable salary	£130,000.00
PAYE @ 20%	£7,540.00
PAYE @ 40%	£36,920.00
National Insurance @ 12%**	£4,884.24

National Insurance @ 2%**	£1,594.60
Employee pension (incl tax relief of £437.60)	£1,761.20
Employee net wage	£77,299.96
Employers National Insurance @ 13.8%**	£16,720.08
Employers pension contribution	£1,320.90
	£18,040.98
Total Cost to Company	£148,040.06
Gross salary	£65,000.00
Less: personal allowance***	£12,579.00
Taxable salary	£52,421.00
PAYE @ 20%	£7,540.00
PAYE @ 40%	£5,888.40
National Insurance @ 12%**	£4,884.24
National Insurance @ 2%**	£294.60
Employee pension (net pension on Qualifying Earnings)****	£1,761.20
Employee net wage	£44,631.56
Employers National Insurance @ 13.8%**	£7,750.08
Employers pension contribution	£1,320.90
	£9,070.98
Total Cost to Company	£74,070.98
Gross salary	£65,000.00
Less: personal allowance***	£12,579.00
Taxable salary	£50,219.50
PAYE @ 20%	£7,540.00
PAYE @ 40%	£5,007.80
National Insurance @ 12%**	£4,884.24
National Insurance @ 2%**	£250.57

Employee pension (salary sacrifice on Qualifying Earnings)*****	£2,201.50
Employee net wage	£45,115.89
Employers National Insurance @ 13.8%**	£7,446.27
Employers pension contribution	£1,320.60
	£8,766.87
Total Cost to Company	£73,766.87

* The personal allowance is an annual allowance that is given to UK employees and is dependent upon benefits received, the tax year that it falls in etc. The default personal allowance for the tax year 2021/22 is £12,579 giving the standard tax code of 1257L.

** Earnings up to £9,568 are charged at 0% NI for employees and £8,840 for employers.

*** The personal allowance starts to decrease after £100,000 and by £125,000 is nil.

**** Qualifying Earnings are n'able earnings between the Upper and Lower Earnings Limits for National Insurance purposes. For the 2021/22 tax years, this is earnings between £6,240 and £50,270 – this means pension contributions for schemes using Qualifying Earnings are capped at the upper limit.

***** Salary sacrifice contributions are deducted before Tax and National Insurance so they further reduce the taxable pay after the personal allowance is taken into account. There is also an employee and employer NI saving

The PAYE, Employees National Insurance and Employers National Insurance payments need to be made to HMRC by the 22nd of the month following the month in which they were earned if paying online.

If an employee is seconded to the UK on a work assignment, there could be NI exemptions depending on their home country.

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