# CALCULATING ACTUAL / TRUE EMPLOYER'S NI

Employer's National Insurance is now paid on the first £144 per week (sometimes referred to as the threshold or the deminimus earnings level).

This means that when you are calculating Employer's NI at the rate of 13.8% of the whole pay rate, you are effectively hiding margin in your NI calculations.

Many clients are becoming wise to this, and expect you to demonstrate that you are using "actual NI" in your calculations.

In order to calculate "actual NI" accurately, you need to know the following:

- The hourly pay rate
- Holiday pay or WTR (for the worked example below, this is calculated at 12.07% which is equivalent to 28 days)
- The number of hours worked in a standard week for the particular client (e.g. 35, 37.5, 40 or 41.5)
- The threshold for NI calculations which can change (currently set at £144 per week).
- The rate of NI which can also be subject to change (currently set at 13.8%).

Click HERE to check the current rates for the threshold and NI.  Rates shown are correct as at April 2013 but are due to change in April 2014.

**Worked Example**

| | |
|---|---|
| Example Pay Rate | £7.50 |
| Plus WTR @ 12.07% | £8.41 |
| Multiplied by number of hours worked per week (e.g. 37.5 hours) | £315.38 |
| Minus the weekly threshold of £149.00 | £166.38 |
| Multiplied by 13.8% (the NI to be applied) | £22.96 |
| Divided by the number of hours worked per week (in this case 37.5) = **Hourly NI Charge** | £0.61 |

**Please Note**
You need to apply NI to both the hourly pay rate AND holiday pay (or WTR).  Please check out our Calculating WTR document which can be found free at www.bruntonbidwriting.co.uk if you need further help with this.

**Invoicing Based on Actual NI**

Some Clients with high volume temporary requirements will ask suppliers to agree to charge NI based upon the actual hours worked.  This is financially beneficial for the Client as they only pay the NI cost that is actually incurred by the agency (e.g. if a part timer earns less than the threshold earnings in a given week, no NI will apply).  In such cases the invoice amount will change depending on the number of hours worked.  Administration of this can be complex, so before agreeing to work in this way, you should check that your system is able to handle this – otherwise invoicing will become a manual nightmare!

# Disclaimer

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