

## Glossary of Terms

### **Class 1 Employees**

Employees earning more than £138 a week will pay National Insurance at 11% on all earnings above this amount up to £823 per week, and 1% on all earnings thereafter. Employed workers do not pay National Insurance after they reach state retirement age.

### **Employers**

Employers have a separate liability for National Insurance Contributions. This is calculated in the same way as employee National Insurance Contributions but is charged at a single rate of 12.8% on all earnings above £138 per week. Unlike employees, employers continue to be liable to pay National Insurance Contributions even when their employees are over the state retirement age.

**Class 2** Self-employed people must pay Class 2 contributions, which are currently £5.40 per week (£280.80 per year). This contribution provides access to certain contributory benefits. If an individual is self-employed throughout an entire tax year, they will need to pay 52 weekly Class 2 contributions to have a "qualifying year".

If your earnings, that is money left after expenses, are less than £7,176, you can apply for a Small Earnings Exception, which means you are no longer liable to pay Class 2 contributions. Not paying Class 2 contributions may affect your entitlement to benefits.

**Class 3** Voluntary contributions - you can pay them to fill or avoid gaps in your National Insurance record. These can only be paid until you reach State Pension Age.

**Class 4** Self-employed people earning profits of £7,176 or more a year.

**Lower earnings limit** The amount of earnings an employed worker must earn in a period, normally a week or month, for that period to count towards a "qualifying year". For the 2022/23 tax year, it is £123 per week.

**Primary threshold** This is the point at which an employed worker starts to pay National Insurance Contributions. During the 2022/23 tax year, this threshold is £138 per week.

**Secondary threshold** This is the point at which an employer starts to pay National Insurance Contributions. During the 2022/23 tax year, this threshold is £138 per week.

**Upper earnings limit** This is the point at which an employed worker stops paying National Insurance at the main rate of 11%. The worker pays National Insurance at 1% on any earnings over this limit. For the 2022/23 tax year, it is £823 per week.