

Income Tax, PAYE & National Insurance



Income Tax & Pay As You Earn (PAYE)

Her Majesty's Revenue & Customs (HMRC) publish guidance on their website for all taxation matters.

The tax year in the UK starts on the 6th April each year and ends on the 5th April the following year.

Income tax is collected in different ways, depending on the type of income and whether you're employed or self-employed.

We have a Pay as You Earn (PAYE) system which is how the majority of people in the UK pay their tax. This means you are assessed and given a tax code, and your tax contribution is deducted from your gross salary at the end of the month, week (or whenever you are usually paid), by your employer who is responsible for sending this deduction to the HMRC. Everyone is given a personal tax allowance, for the 6th April 2015 – 5th April 2016 it is £10,600.

You will be allocated a Tax Code at the beginning of your employment. The tax code for a single person for 2015/2016 is 1060L, assuming you only have one job or pension. It will be different if you have additional jobs or pensions.

For further details click here: [Tax codes](#)

You will receive a **P60** at the end of each tax year showing how much tax you have paid.

If your job ends, you will be issued with a **P45** to give to your next employer or Jobcentre. If you do not have a **P45** when you start work or start your first job in the UK, your employer will give you a **P46**.

If you have left or are about to leave the UK you must tell HMRC. If you're not required to fill in a tax return, you'll have to complete form P85 "Leaving the UK – getting your tax right." HMRC will use the information on the form to send you any tax refund you're owed and work out if you'll become non-resident. It's important you enclose parts 2 and 3 of form P45 if you have one, as HMRC will not be able to make any tax refund due without them.

For further details click here: [Income Tax](#)

Self-Employed – Self Assessment

Self-employed people are responsible for paying their own tax direct to HMRC and this is called Self Assessment. In order to do this, you will need to be registered as self-employed with HMRC.

For further details click here: [Self Assessment](#)

Tax Codes & Personal Allowance

The rates of Income Tax you pay depend on how much of your [taxable income](#) is above your Personal Allowance in the tax year. The current tax year is from 6 April 2015 to 5 April 2016.

Personal Allowance

Most people's Personal Allowance is £10,600, unless you were [born before 6 April 1948](#) or your [income's over £100,000](#).

Income tax rates

Tax rate	Taxable income above your personal allowance
Basic rate 20%	£0 to £31,785 Most people start paying basic rate tax on income over £10,600
Higher Rate 40%	£31,786 to £150,000 Most people start paying higher rate tax on income over £41,865
Additional Rate 45%	Over £150,000

For further details click here: [Income Tax Rates & Personal Allowances](#)

Example:

You have £35,000 of taxable income and your Personal Allowance is £10,600. You pay basic rate tax at 20% on £24,400 (£35,000 minus £10,600).

National Insurance

Everyone who works in the UK should apply for a National Insurance number (NI no.). Once you have rung for an appointment, Jobcentre Plus will send you an application form to your UK address. They may also ask you to go to an interview to confirm your identity.

The number to call is: 0345 600 0643 between Monday to Friday 8am – 6pm. Call charges and making a call [Telephone Call Charges](#).

What will I need to take to an interview?

Jobcentre Plus may write to you and ask you to come to an interview where you'll be asked about your circumstances and why you need a National Insurance number.

The letter will also tell you which documents you should bring to prove your identity, for example:

Passport / Identity Card
Residence Permit
Tenancy / Rental Agreement
Birth / Adoption Certificate
Driving Licence
Marriage / Civil Partnership Certificate

For further details click here: [Applying for a National Insurance Number](#)

National Insurance Contributions

You pay National Insurance if you're:

- 16 or over
- an employee earning above £155 a week
- self employed and making a profit over £5,965 a year (unless you get an exception)

The exact amount you pay depends on:

- how much you earn
- whether you're employed or self-employed

For further details click here: [National Insurance](#)

National Insurance Contributions - How Much You Pay

You're employed

You pay Class 1 National Insurance contributions. The rates for most people are:

- 12% on your weekly earnings between £155 and £815
- 2% on any weekly earnings over £815

You pay National Insurance with your Income Tax. Your employer will take it from your wages before you get paid (PAYE). Your pay-slip will show your contributions.

You're self-employed

You're responsible for paying your own Class 2 National Insurance contributions. How much you pay depends on your profits.

For further details click here: [National Insurance](#)