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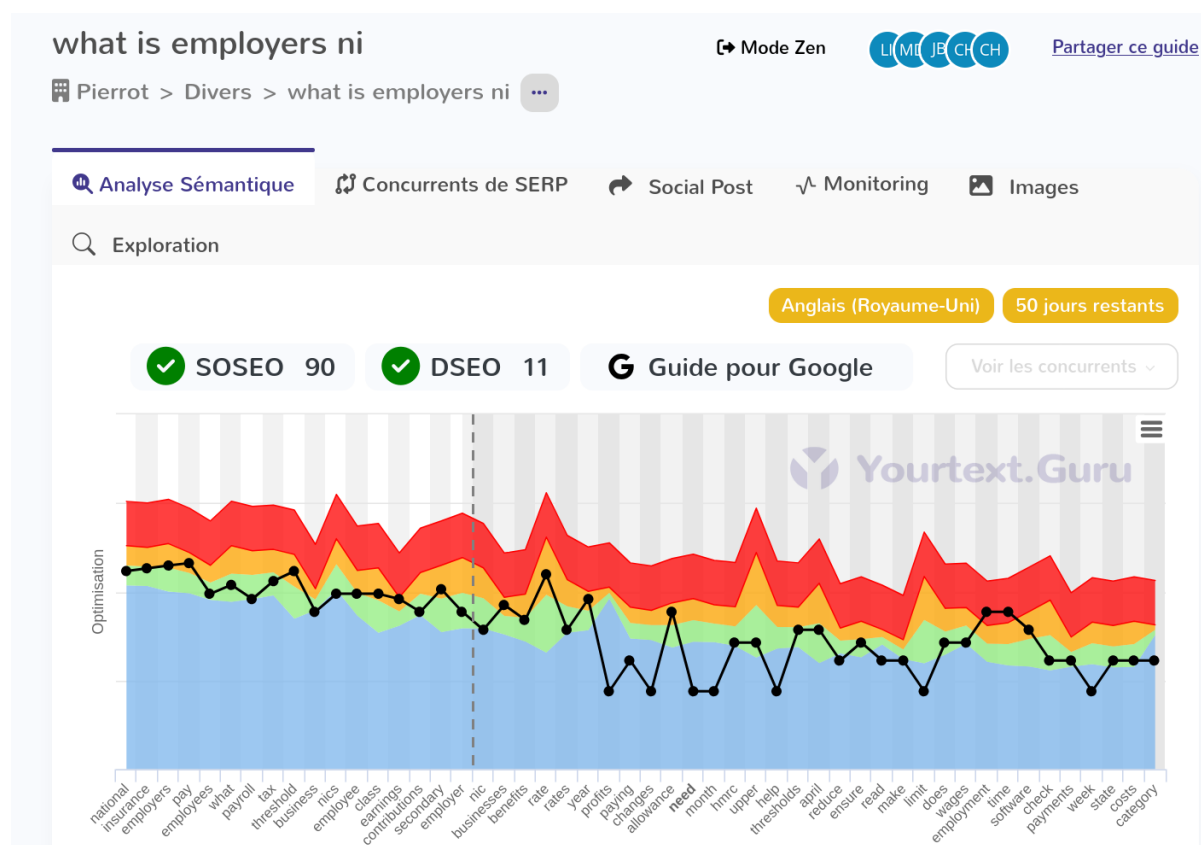
Meta title: What is Employers National Insurance? + 2026 rates & thresholds (63 characters, 528 pixels)

Meta description: UK managers' guide to Employers National Insurance, the 15% rate, £5,000 threshold, Employment Allowance updates and how to stay compliant in 2026. (147 characters, 894 pixels)

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Optimisation:



H1 What is Employers National Insurance?

Employers National Insurance is a tax businesses pay on employee wages above a certain threshold, which is separate from the deductions made from the employee's own salary.

Key takeaways

Employers National Insurance contributions (NICs) are a significant expense for UK businesses, and recent reforms have fundamentally changed how much you need to pay.

- **The standard rate for Employers Class 1 NI is currently 15%** for the **2025/26 tax year**.
- You **begin paying this tax** when an **employee's earnings exceed the Secondary Threshold**, which has been reduced to **£5,000** annually.
- The **Employment Allowance** has increased to **£10,500**, allowing many businesses to offset a portion of their liability.
- The **Employment Allowance eligibility cap** preventing larger companies (with over £100k liability) from claiming **has been removed**.
- **Compliance** relies on accurate **Real Time Information (RTI)** reporting to HMRC every payroll run.

How does Employers National Insurance work?

Employers National Insurance (Secondary Class 1 NICs) is a financial contribution UK employers pay to the tax authority for eligible staff.

Unlike Primary contributions deducted from employees' wages, **this cost is borne entirely by your business**, and will not affect the employee's net pay.

These funds support the UK's state welfare system, including the [State Pension](#), unemployment benefits, and maternity allowance.

For growing companies, an accurate calculation of Employers National Insurance is vital for budgeting and cash flow management. Indeed, failing to calculate this correctly can lead to unexpected expenses and potential penalties from HMRC.

How much is Employers National Insurance?

As an employer, you will generally pay a set percentage **Employers National Insurance rate** on all employee wages falling above a **Secondary Threshold**. The rate and threshold

are either frozen or updated at the beginning of each [new tax year](#) in April. Eligible businesses can reduce their National Insurance liability by claiming the [Employment Allowance](#).

What are the current Employers National Insurance rates for the 2025/26 tax year?

The **main rate for Employers Class 1 National Insurance** has *risen to 15% for the 2025/26 tax year*. This increase from the previous 13.8% rate significantly impacts payroll budgets. The rate applies to all earnings above the **Secondary Threshold** for most standard, or Category A, employees, with other thresholds applying for other categories of workers.

What are the Employers National Insurance thresholds for the 2025/26 tax year?

The **Secondary Threshold is now reduced to £5,000 annually** (approx. £96 per week). This reduction means you start paying National Insurance Contributions (NICs) on a larger portion of earnings. However, the Upper Secondary Threshold for under-21s and other categories of workers remains aligned with the Upper Earnings Limit, to help keep costs contained for these categories.

Summary of rates and thresholds

Category	2024/25 rate / threshold	2025/26 rate / threshold
Employer NI rate	13.8%	15%
Secondary Threshold - annual	£9,100	£5,000
Secondary Threshold - weekly	£175	£96
Upper Secondary Threshold - annual (for under 21s / apprentices / veterans / Freeport & Investment Zone employees)	£50,270	£50,270
Employment Allowance – annual per business	£5,000	£10,500

Practical example: the cost to your business

The table below illustrates the cost impact for a typical employee earning £30,000 per annum.

Calculation step	2024/25 (previous)	2025/26 (current)
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Gross salary	£30,000	£30,000
Threshold	£9,100	£5,000
Liable earnings	£20,900	£25,000
Rate	13.8%	15%
Annual Employer NIC	£2,884	£3,750

In this scenario, the employer pays an additional £866 per annum. This increase represents a direct cost that can affect your gross profits if not managed effectively, highlighting why precise NIC tracking and planning is vital.

Who needs to pay Employers NI?

Most UK employers must pay Class 1 NICs for any employee earning above the Secondary Threshold. This includes full-time and part-time staff on your payroll. Exceptions apply for businesses claiming the Employment Allowance with a total NI liability of less than £10,500, or those employing eligible zero-rate staff with an annual salary up to £50,270.

Do I pay for employees under 21 or apprentices?

You generally pay 0% on earnings up to the Upper Secondary Threshold (£50,270 per year) for *employees under 21, apprentices under 25, veterans in their first year of civil employment, and employees working in Freeports or Investment Zones.*

This relief is designed to encourage youth hiring, help veterans return to civilian work, and incentivise government designated special trade zones. Good [payroll software](#) will apply the correct category letter (M, H, V, etc.) to trigger the claiming of this relief automatically.

How are company directors assessed?

The National Insurance calculation for directors is based on an annual earnings period, rather than a weekly one. NICs are thus calculated on cumulative earnings over the tax year, ensuring accurate contributions regardless of irregular pay patterns or dividends.

How can I reduce my Employers NI liability?

The Employment Allowance allows eligible businesses to significantly reduce their annual National Insurance liability.

What is the Employment Allowance?

This Employment Allowance scheme offers a deduction of up to £10,500 per business per tax year. Crucially, the previous eligibility rule preventing businesses with over £100k liability from claiming has been removed, opening the relief up to more growing businesses.

How do I claim the Employment Allowance?

You can claim this deduction by submitting an [Employer Payment Summary \(EPS\)](#) to HMRC through your payroll software. You can do this before the tax year starts, or at any stage during it. Check your eligibility early to maximise cash flow benefits.

What about expenses and perks?

Employers must also pay National Insurance on [taxable expenses](#) and perks, or [benefits in kind \(BiK\)](#), such as company cars or private medical insurance.

What is Class 1A National Insurance?

Class 1A NICs apply to most taxable benefits in kind at a 15% rate for the 2025/26 tax year. These costs must be factored into your total workforce expenditure.

Unlike monthly Class 1 contributions, these are typically calculated annually and reported via [P11D forms](#).

When will payrolling benefits become mandatory?

The government is phasing out the use of P11D forms, and from **April 2027** all benefits in kind will need to be payrolled monthly, in line with the [Making Tax Digital \(MTD\) programme](#). Modern [software for SMEs](#) will be essential for businesses handling this shift to automated monthly calculations.

How do I calculate and pay Employers NI?

Calculations should be automated through your [HR and payroll process](#) to ensure accuracy against the relevant thresholds.

How does the payment process work?

Whenever you pay employees, you report NICs with a Full Payment Submission (FPS) using the [Real Time Information \(RTI\)](#) system. You then make a monthly payment to the Revenue, covering deducted employee tax and NI, plus your employer contributions.

What happens if I pay late?

Missing the payment deadline, generally the 22nd of the month, or 19th if posting a cheque, will likely ***lead to interest charges and penalties***, and disrupt your compliance record.

Using reliable tools helps [check compliance](#) automatically, ensuring you remit exactly what you owe, promptly.

Frequently asked questions (FAQs) about UK National Insurance

When does the new 15% Employers NI rate start?

The new rate of 15% applies from the start of the 2025/26 tax year, which is 6th April 2025. You should ensure your payroll systems are updated to handle this change before your first April pay run. Modern payroll software will do this automatically. Looking ahead, ***the rate will remain frozen at 15% for the 2026/27 tax year.***

Is the Employment Allowance available to everyone?

Most businesses can claim it, but there are exceptions. You cannot claim if you are a public body, or if your business has only one employee who is also a director earning above the threshold. Additionally, whilst ***domestic staff (like nannies) are usually excluded***, you can claim if they ***provide care or support for you or a family member***. Under off-payroll working rules, service companies are also restricted regarding [IR35 'deemed payments'](#), though they may still claim for other genuinely employed staff.

Do I pay National Insurance on redundancy payments?

You generally do not pay Class 1 NICs on the first £30,000 of redundancy pay. However, standard items like [Payment in Lieu of Notice \(PILON\)](#) and [holiday pay](#) are treated as normal earnings and are fully liable. Any redundancy amount over £30,000 is subject to Employer Class 1A NICs.

What happens if I make a mistake in my calculations?

If you underpay or overpay, you can usually correct this in your next FPS submission. However, persistent errors can trigger HMRC investigations. Using reliable HR and payroll software helps ensure [payroll compliance](#) and [records that are fully tracked and traceable](#).

Will there be further changes in 2026?

While the 15% rate is set for 2025/26, further regulatory updates are expected regarding the [mandating of payrolling benefits](#) in **April 2027**. Keeping an eye on government announcements is essential for long-term planning. Good payroll software will automatically apply updates as they come into effect.