

Payroll

The National Insurance Codes

For the vast majority of people in the UK over 16 years of age, they will have a National Insurance code A. This is NOT the last letter of the national insurance number, which is always in the following format

LetterLetter/Number Number/Number Number/Number Number/Letter

TW 56 97 37 B

Please note this is an example only.

The letters are as follows

- **A** Over 16 years of age and under pension age and can have an appropriate pension.
- **B** Married Female, reduced rate, abolished since 1978
- **C** Over state pension age
- **D** Contracted out Salary related
- **E** Contracted out Salary related, married female, reduced rate
- **F** Contracted out Money Purchase
- **G** Contracted out Money Purchase, married female, reduced rate
- **J** Not contracted out with other employment
- **L** Contracted out, salary related with other employment
- **S** Contracted out, money purchase with other employment
- **X** No liability i.e. under 16 years of age, or just paid a pension

More details can be found in the New Employer's packs, and in Booklet E13.

<http://www.hmrc.gov.uk/helpsheets/e13.pdf>

The 2009/10 copy can be found at the above link.

When an employee reaches the state pension age, then the code should be automatically changed to C.

The Married Female Reduced Rate B needs to be verified if given as a code. This option was abolished in 1978, but before then if either the woman was married or a widow, the national insurance Class 1 could be reduced, and if self employed the Class 2 could be avoided. When applied the rate means that the employee is entitled to Statutory Sick Pay based on earnings, and not at a higher statutory rate.

The right to reduced liability can be removed if the employee divorces; or the marriage is annulled; or if the employee has at any point not been paying Class 1 for more than 2 consecutive years. More details are available in the leaflet CA13: National Insurance Contributions for Women with reduced elections.

<http://www.hmrc.gov.uk/individuals/nic-for-women.htm>

When employing someone with a B letter, always check the documentation that should be available to prove the reduced rate can be applied, and make sure that the employee has not subsequently been divorced etc

This is an area that will be checked during a Payroll Inspection, and backup documentation is essential otherwise penalties for applying the incorrect rate of National Insurance Contributions can be applied.