



Income Tax and National Insurance



From the age of 16 years, until you reach state retirement age, you have to pay tax to the Government when you work. You have to pay Income Tax and National Insurance contributions.

These payments are used to fund the National Health Service, State Pension Scheme and state benefits paid to people who are unemployed or unable to work due to ill health, people with disabilities and parents raising young children.

You will need a National Insurance (NI) Number to get a job and to claim benefits if you are not working. If you do not have one, call the Helpline on 0300 200 3500. Your NI Number is unique to you.

When you work for a company, Income Tax and NI payments are taken by your employer from your wages before you get paid. If you are self-employed then you will have to complete a tax self-assessment and pay at the end of the financial year (April). Not all of your income is taxed – you get a personal allowance which is the amount you can earn and not pay tax on. When you earn more than this, you start paying tax on the extra income. Tax is a percentage of what you earn – so people who earn more will pay more.

Examples

Annual income	What you earn each month	What you take home each month	The amount of tax/NI you pay each month
£10,000	£833	£818	£16
£15,000	£1250	£1132	£118
£20,000	£1667	£1415	£252
£25,000	£2083	£1698	£385

<https://www.moneysavingexpert.com/tax-calculator/>