



Employee PAYE

If you are classed as a paid employee and are not [volunteering](#) then you should be paid for the hours you work. Your pay will be agreed before you start work, so make sure you check what this is before you sign your contract. Pay generally does not decrease during employment but it can, most commonly it can increase over time or through promotions. You can ask your line manager or HR what progression with payment is in your role.

Each year, the UK government updates its minimum wage [Link](#). These change each April. The current minimum wage is as follows;

Year	23 +	21 - 22	18 - 20	Under 18	Apprentice
April 2022	£9.50	£9.18	£6.83	£4.81	£4.81

You must check before you start working that your wage is not below the national minimum wage for your age.



Employee PAYE 2

Your payslip

Understanding your payslip is key to knowing if you are being paid correctly, although you can ask for help with this, this information should also give you a headstart, you can also find more information [here](#).

All payslips look different but here is what you can expect to see.

Employee information: this should be all of your information.

Earning: this box shows you how much you have earned over the hours you have worked

Dedications: this is the list of things that will be removed from your total earnings.

Amount paid: this should be your earnings minus your deductions. This will be the amount that comes into your bank account.

There are other parts but the above 4 sections are the most important to learn and monitor.

Your payroll number	123456	Mr John Smith	The tax period	Pay Day 01/01/2016	Deductions - tax and National Insurance	Your tax code
	Company Name Ltd	Tax Week 12		CNPAYROLL		
	Earnings	Units	Rate	Amount	Deductions	Amount
	Basic Pay			2,008.33	Tax (code 4321A)	233.33
					NI (category A)	169.40
					Pension	50.00
					Student Loan Plan X	10.00
	Total		Earnings	2,008.33	Total	Deductions
						442.73
	Running Totals			Amount Paid		
	Tax Year to Date		Accumulations		Earnings	2,500.00
	Gross Pay	25,000.00	Basic Pay	25,000.00	Deductions	452.73
	Taxable Pay	14,000.00	Ers Pension FL	50.00	Net Pay	1,620.60
	Tax	2,799.96			B/Forward	
	This Employment				Amount Paid	1,620.60
	Gross Pay	25,000.00			C/forward	
	Taxable Pay	14,000.00			Payment method	BACS
	Tax	2,799.96				
	Employee's NI	169.40			Employer's Contributions	
	Employer's NI				NI (category A)	100
	Previous Employment					
	Taxable Pay				Annual Salary	25,000.00
	Tax				NI Number	AB 12 34 56 C
					Amount Paid	1,620.60



Employee PAYE 3

Income Tax and National Insurance

Income Tax and National Insurance are deductions that we all have to pay and cannot avoid. Income Tax is an amount of money that is taken from our wages to support the UK government in some of the following things: Welfare, health, state pensions, education, defence, transport etc.

Tax codes and amounts paid can get confusing so always ask for help if you don't understand, you can ask your line manager or HR. In the payslip example you can see a tax code, NI number and deduction amounts. This [website](#) can help further.

National Insurance

National Insurance, also known as NI, is a tax system paid by workers and employers for funding state benefits. National Insurance contributions pay for the NHS, state pension, welfare and disability allowance. Anyone above the age of 16 is mandated to pay National Insurance as long as you earn more than £183 a week. If you're self-employed, you need to pay National Insurance if you make more than £9,516 a year. You will receive a National Insurance Number in the post when you become 16 years old. The National Insurance is deducted from your payslip in the form of tax. Click [here](#) for more information on NI.

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Company		PERFECT PAYROLL LTD		Pay Advice			
Payments				Deductions			
Description	Hours	Rate	Amount	Description	Amount	Description	Amount
Basic Pay			5,000.00	Income Tax	957.80	Earnings for NI	5,000.00
Total Payments			5,000.00	National Insurance	421.66	Gross for Tax	5,000.00
				Pension	100.00	Total Gross Pay	5,000.00
				Total Deductions	1,479.46		
						Year to Date	
						Taxable Gross Pay	15,000.00
						Income Tax	2,873.80
						Employee NIC	1,264.98
						Employer NIC	1,766.94
						NI Number	PX 12 34 56 D (A)
Wk./Mth.	Date	Dept.	P/Method	Tax Code	Employee No.	Employee Name	Net Pay
Mt 3	30-Jun-2020		Monthly	1250L	001	Dwayne Johnson	3,520.54



Employee PAYE 4

Pensions

In a simple way a pension is a savings account like a piggy bank.

Once you are over 21 or earn more than x you will automatically be enrolled to paying into a pension, you will continue to pay into the pot of money until you retire.

Retirement is when you choose to stop working and use your pension pot as your wage.

There is no legal age to retire however there is a legal age where you will receive your state pension. So most people will work until this age, this changes due to your date of birth, you can check this date [here](#).

You can pay into a private pension through your working life to increase the amount you have to live on when you retire. You will however receive a small amount each month from the government that comes from paying into NI.

Who pays into different pension pots?

State



✓ The government

Occupational



✓ Employees
✓ Employers

Private



✓ Any individual
✓ Government tax breaks