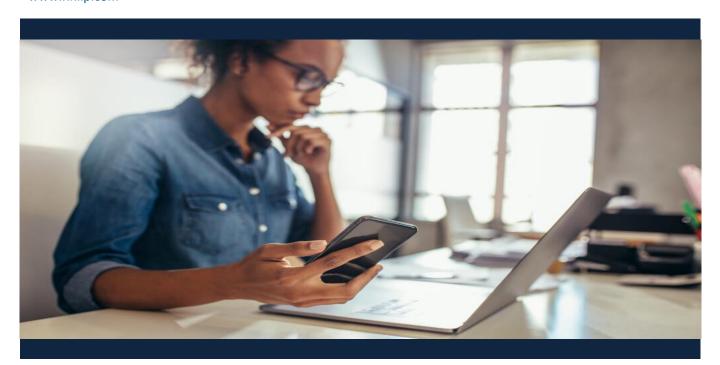
Broadcast



FACTSHEET: CLASS 4 NIC REDUCTIONS

SPECIAL ISSUE

01753 888211 www.nhllp.com



Self-employed workers will see a substantial reduction in their Class 4 national insurance contributions (NICs) for the current tax year after two percentage cuts were announced in the 2023 Autumn Statement and 2024 March Budget.

Maximum saving

Class 4 NICs are earnings-related with the main rate paid on profits between £12,570 and £50,270. For 2023/24, the main rate was 9%, but for 2024/25, it is reduced to 6% – representing a maximum saving of £1,131. Add to that:

- Self-employed people with profits of £6,725 or more no longer pay £179 of Class 2 NICs with potential savings of £1,310 compared to last year.
- A husband-and-wife partnership could benefit to the tune of £2,620.

The additional rate of Class 4 NICs on profits in excess of £50,270 is 2% and this rate is unchanged from 2023/24.

However, there can be less tax saving for business investment for 2024/25. Buying a new laptop for £1,500, for example, would have saved a basic rate taxpayer £435 last year, but the tax saving is now £390.

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Lower profits

Those who are self-employed with profits of less than £50,270 will see the following reductions to their total NIC liability:

Profit £15,000	2024/25 NICs £146	Reductions £232
£25,000	£746	£552
£35,000	£1,346	£852
£45,000	£1,946	£1,152

Tax thresholds

NICs cannot, of course, be considered in isolation. The personal allowance and basic rate income tax thresholds remain frozen at 2021 levels with the NIC reductions insufficient to offset fiscal drag.

However, for Class 4 NIC purposes, it has been beneficial to have the main rate threshold frozen at £50,270. If it had been increased to, for example, £60,000, the self-employed would be paying 6% rather than the 2% additional rate – on a further £9,730 of profits.

A House of Commons explainer on fiscal drag gives a summary of the points here.

The 2024 Budget factsheet explaining the changes can be found <u>here</u>.

We can help

Please call us on **01753 888 211** or email **info@nhllp.com** if you need guidance with any of the issues raised in this Broadcast. We would be happy to help.