



Calculating salaries, payslips, student loans and pensions

Age range: 14-16



Where does money come from?

| Source of money | Question | Answer |
|-----------------|----------|---------|
| Work | | £6.40 |
| State benefits | | £169.50 |
| Borrowing | | 18 |

Where does money come from?

| Source of money | Question | Answer |
|-----------------|---|---------|
| Work | What is the minimum amount per hour that people under the 18 years of age are legally entitled to earn during the 2024/25 tax year? | £6.40 |
| State benefits | How much is the full basic weekly state pension for the 2024/25 tax year? | £221.20 |
| Borrowing | How old do you have to be to apply for a credit card? | 18 |

Jacob and Sonya

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Jacob is 15 years old, Sonya is 21, and both are applying for jobs.

Jacob wants to apply for...



Sales assistant

A part-time sales assistant is required for our flagship store which sells mobile phones, smart technology and gaming devices. Previous experience preferred but not essential. £6.40 per hour, up to a maximum of 6 hours per week. Flexible overtime is paid at £7 per hour and is often available, but not guaranteed.

Sonya wants to apply for...



Trainee engineering manager

A full-time trainee engineering manager is required to assist with the building of a new sports stadium. Relevant degree (or equivalent qualification) required.

The starting salary is £20,400.

Reading a payslip

Here are some terms that you will find on a payslip. The following slide provides definitions.

| Employee No | Employee | | Pay Date | Tax Code | National Insurance Number | |
|--|------------------------|------|------------|--------------------------|---------------------------|--|
| 01236 | A.N. Other | | 30/06/2021 | NT | JC 76** **C | |
| Payments | Units | Rate | Amount | Deductions | Amount | |
| Basic Gross Pay | 1 | 1 | £100.00 | PAYE | £100.00 | |
| Overtime | 2 | 2 | £200.00 | NIC | £200.00 | |
| Shift Allowance | 3 | 3 | £300.00 | Pension | £300.00 | |
| | 4 | 4 | £400.00 | Student Loan | £400.00 | |
| A.N. Other 1 My Road My Street My Town MT1 1AA | Totals for this period | | | Totals Year to Date (TD) | | |
| | Total gross pay | | £100.00 | PAYE | £100.00 | |
| | | | £200.00 | NIC | £200.00 | |
| | | | £300.00 | Pension | £300.00 | |
| | | | £400.00 | Student Loan | £400.00 | |
| | ABC Company | | | Total Net Pay | £1234.56 | |

Reading a payslip: definitions

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Basic

This is your pay when you work your normal agreed hours.

Date

This is the last day of the period for which you're being paid, usually a week or month.

Deductions

Amounts that are taken from the gross pay, such as income tax, National Insurance contributions, pension, student loan repayments.

Employee number

Unique reference number at your place of work, in case employees have similar names.

Gross pay

Your total pay before tax and other deductions.

NIC

National Insurance contributions are paid by everyone over 16 earning over a certain amount. This is used to fund the state pension and benefits.

NT

'No tax': appears when no tax is being deducted.

National Insurance (NI) number

Unique reference for paying NI or for receiving benefits or the state pension. It is important to keep a note of your NI number somewhere safe as each new employer you work for will need it.

Net pay

The amount of pay you take home after deductions.

Overtime

Extra hours you work and are paid for above your normal working hours.

PAYE

'Pay As You Earn': spreads your tax payments across each week or month rather than paying it in one lump sum, and is based on an estimate of your yearly salary.

Pension

A long-term savings plan specifically to provide financial support in retirement. Both you and your employer may contribute to a pension fund throughout your working life.

Rate

Either your hourly or monthly salary, depending on whether you are paid hourly or on an annual salary.

Student loan

A borrowed amount of money to cover university tuition fees whilst studying. The loan doesn't need to be paid back until after the course has finished, and only when you are earning above a certain income.

Tax code

This tells your employer how much tax to deduct from you. If you multiply the number in your tax code by ten, you will get the total amount of income you can earn in a year before paying tax.

TD

'To date': shows a running total of payments from previous payslips within the current financial year, which starts on 6 April in the UK.

Jacob

Jacob is 15 and works part-time in a shop – 6 hours a week plus 2 hours' overtime. He's paid weekly and earns an hourly rate of £6.40. When he works overtime, this increases to £7.

Because Jacob is under 16 he doesn't have a National Insurance number and doesn't pay any tax (PAYE) or National Insurance contributions.

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Jacob's payslip: student sheet

| Employee No | Employee | | Pay Date | Tax Code | National Insurance Number | |
|--|------------------------|----------------------|------------------------|--------------------------|---------------------------|--|
| 01236 | J Smith | | 30/06/2024 | NT | - | |
| Payments | Units | Rate | Amount | Deductions | Amount | |
| Basic | <input type="text"/> | £6.40 | £ <input type="text"/> | PAYE | £ <input type="text"/> | |
| Overtime | 2 | <input type="text"/> | £14.00 | NIC | £ <input type="text"/> | |
| | | | | Pension | £0.00 | |
| | | | | Student Loan | £0.00 | |
| Mr J Smith 1 My Road My Street My Town MT1 1AA | Totals for this period | | | Totals Year to Date (TD) | | |
| | Total gross pay | | £ <input type="text"/> | Total gross pay TD | £157.20 | |
| | | | | Tax paid TD | £0.00 | |
| | | | | NIC TD | £0.00 | |
| | | | | Pension TD | £0.00 | |
| | ABC Company Name | | | Total Net Pay | £ <input type="text"/> | |

Jacob's payslip: answers

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| Employee No | Employee | | Pay Date | Tax Code | National Insurance Number | |
|--|------------------------|-------|------------|--------------------------|---------------------------|---------|
| 01236 | J Smith | | 30/06/2024 | NT | - | |
| Payments | Units | Rate | Amount | Deductions | Amount | |
| Basic | 6 | £6.40 | £38.50 | PAYE | £0.00 | |
| Overtime | 2 | £7.00 | £14.00 | NIC | £0.00 | |
| | | | | Pension | £0.00 | |
| | | | | Student Loan | £0.00 | |
| Mr J Smith 1 My Road My Street My Town MT1 1AA | Totals for this period | | | Totals Year to Date (TD) | | |
| | Total gross pay | | £52.40 | Total gross pay TD | | £157.20 |
| | | | | Tax paid TD | | £0.00 |
| | | | | NIC TD | | £0.00 |
| | | | | Pension TD | | £0.00 |
| | ABC Company Name | | | Total Net Pay | | |
| | | | £52.40 | | | |

Sonya



Sonya is 21 and is a trainee engineering manager at a construction company. She is paid monthly and earns £20,400 per year. Because Sonya is over 16 she pays tax (PAYE) and National Insurance Contributions. She has a student loan but doesn't earn enough yet to make repayments.

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Calculate Sonya's PAYE:

- An annual personal tax allowance is 10x the number given in the tax code. What is Sonya's annual personal tax allowance?
- Work out Sonya's taxable pay – the amount of her salary that Sonya will have to pay tax on.
- Calculate how much tax Sonya will pay over the year (the tax rate is 20% of taxable pay).
- Work out how much tax Sonya will pay each month.

Calculate Sonya's NICs:

- National Insurance Contributions (NICs) are paid on annual earnings over £12,576. Work out how much of her annual salary Sonya will pay NICs on.
- Calculate the NICs Sonya needs to pay on this amount. NICs currently paid at 8% (on annual earnings over £12,576).
- Work out Sonya's monthly NICs.

Sonya's payslip: student sheet

| Employee No | Employee | | Pay Date | Tax Code | National Insurance Number | |
|---|------------------------|---------|------------|--------------------------|---------------------------|--|
| 0567 | S Fletcher | | 30/06/2024 | 1257L | AB 123456 C | |
| Payments | Units | Rate | Amount | Deductions | Amount | |
| Basic | 1 | £ _____ | £ _____ | PAYE | £ _____ | |
| | | | | NIC | £ _____ | |
| | | | | Pension | £0.00 | |
| | | | | Student Loan | £0.00 | |
| Ms S Fletcher 4 My Road My Street My Town MT1 1BD | Totals for this period | | | Totals Year to Date (TD) | | |
| | Total gross pay | | £ _____ | Total gross pay TD | £5100.00 | |
| | | | | Tax paid TD | £391.50 | |
| | | | | NIC TD | £195.60 | |
| | | | | Pension TD | £0.00 | |
| | ABC Company Name | | | Total Net Pay £ _____ | | |

Sonya's payslip: answers

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| Employee No | Employee | | Pay Date | Tax Code | National Insurance Number | |
|---|------------------------|----------|------------|--------------------------|---------------------------|----------|
| 0567 | S Fletcher | | 30/06/2024 | 1257L | AB 123456 C | |
| Payments | Units | Rate | Amount | Deductions | Amount | |
| Basic | 1 | £1700.00 | £1700.00 | PAYE | £130.50 | |
| | | | | NIC | £52.16 | |
| | | | | Pension | £0.00 | |
| | | | | Student Loan | £0.00 | |
| Ms S Fletcher 4 My Road My Street My Town MT1 1BD | Totals for this period | | | Totals Year to Date (TD) | | |
| | Total gross pay | | £1700.00 | Total gross pay TD | | £5100.00 |
| | | | | Tax paid TD | | £391.50 |
| | | | | NIC TD | | £156.48 |
| | | | | Pension TD | | £0.00 |
| | ABC Company Name | | | Total Net Pay £1,517.34 | | |

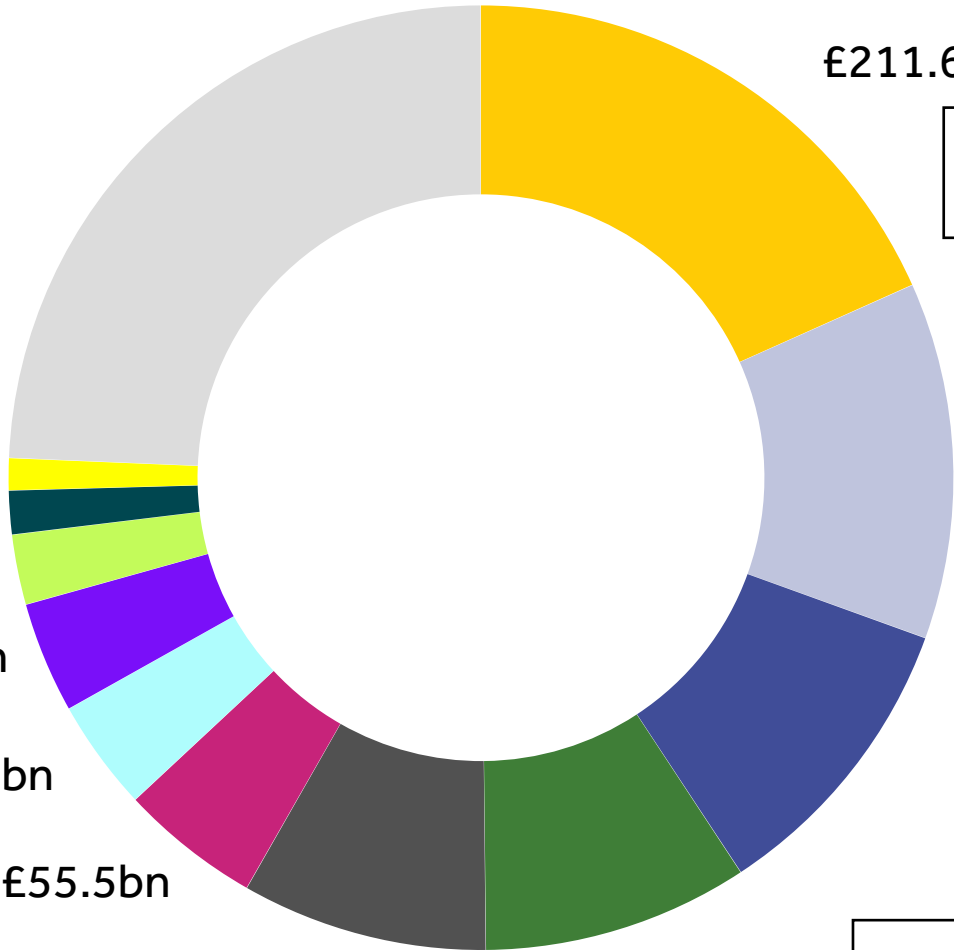
Government spending

- Health.
- Transport.
- Education.
- Defence.
- Public Order and Safety.

£43.9bn

£43.6bn

£55.5bn



£211.6bn

£105.5bn

About HMRC

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To watch HMRC's short animations about tax, type 'Tax facts about HMRC' into your internet browser.

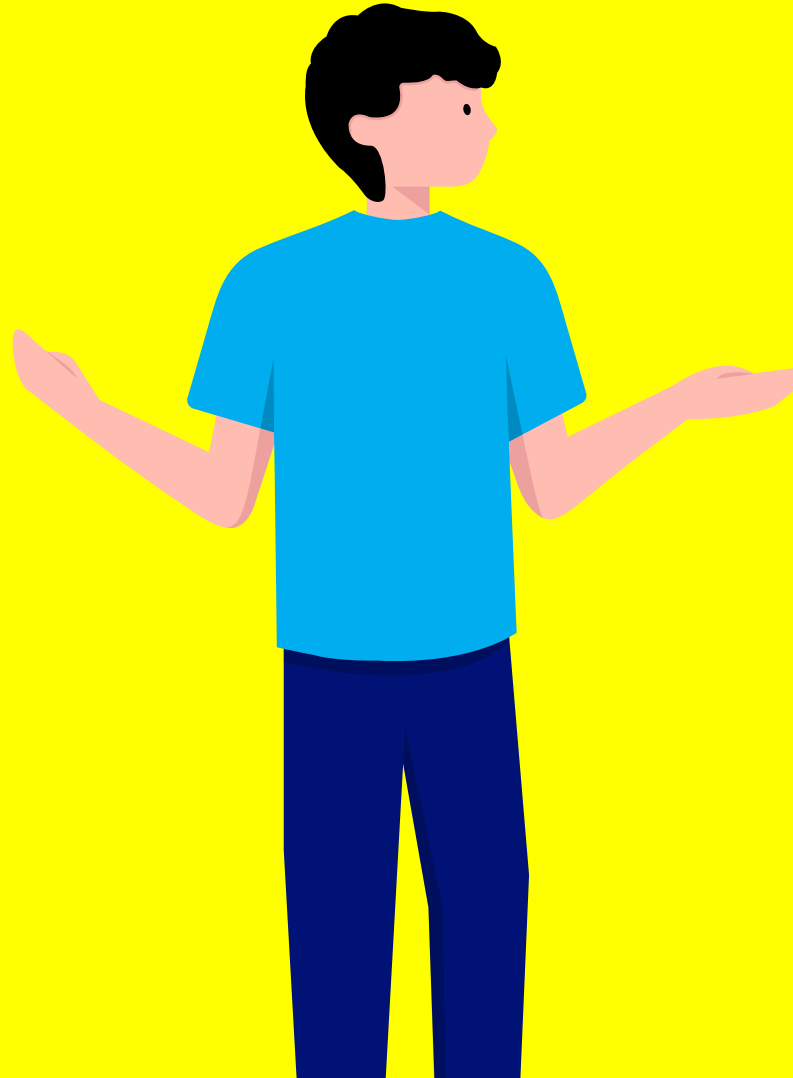
Student loans and pensions

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Student loans

- The maximum that a university can charge is £9,250 per year (for students from the UK, studying an undergraduate course in England that starts in the 2023-24 academic year).
- Students can get a tuition fee loan to cover these costs. This isn't paid back until after the course has finished, and only when you are earning above a certain income. As of April 2023, this is at a rate of 9% on any income over £27,295.
- Students can also take out a maintenance loan to help with their living costs.

Source: [gov.uk/repaying-your-student-loan/overview](https://www.gov.uk/repaying-your-student-loan/overview)



Pensions

- People over 22 years of age in employment, earning over £192 per week or £833 a month, will be auto enrolled in a pension scheme by their employer.
- In most automatic enrolment schemes, you'll make contributions based on your total earnings between £6,240 and £50,270 a year before tax.
- The minimum contribution is 8% of your pre-tax salary. This is made up of a minimum 3% employer contribution and 5% employee contribution.
- It is possible to opt-out of the pension scheme.

Source: [gov.uk/workplace-pensions](https://www.gov.uk/workplace-pensions)

Sonya has been promoted

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Sonya is now 23 and earns £28,000 per year. This means she will have to start paying back her student loan of £42,000 at a rate of 9% of her earnings over £27,295. She has been enrolled in her workplace pension scheme, contributing 5% of her salary each year, on top of the 3% that her employer will pay in.

Calculate the student loan and pension deductions, and monthly net pay on Sonya's updated payslip.

| Employee No | Employee | | Pay Date | Tax Code | National Insurance Number | |
|---|------------------------|----------|-----------|--------------------------|---------------------------|-----------|
| 0567 | S Fletcher | | 30/9/2024 | 1257L | AB 123456 C | |
| Payments | Units | Rate | Amount | Deductions | Amount | |
| Basic | 1 | £2333.33 | £2333.33 | PAYE | £257.17 | |
| | | | | NIC | £168.13 | |
| | | | | Pension | £_____ | |
| | | | | Student Loan | £_____ | |
| Ms S Fletcher 4 My Road My Street My Town MT1 1BD | Totals for this period | | | Totals Year to Date (TD) | | |
| | Total gross pay | | £2333.33 | Total gross pay TD | | £14000.00 |
| | | | | Tax paid TD | | £1,543.02 |
| | | | | NIC TD | | £1,008.80 |
| | | | | Pension TD | | £700.02 |
| | ABC Company Name | | | Total Net Pay | | £_____ |

Why salary isn't everything

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True or false?

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**You need your
National Insurance
number when you start
a new job.**

**You pay income
tax on every penny
you earn.**

**You can never
query your tax code
with HMRC.**

**You start paying
back your university
student loan as soon
as you get a job.**

**You must pay into
a pension scheme as
soon as you turn 18.**

**There's no need to
check your payslip.**

**Job satisfaction
is more important
than salary.**

Summary: student sheet

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| Term | Description |
|---------------------------------------|--|
| Basic | This is your pay when you work your normal agreed hours. |
| Date | This is the last day of the period for which you're being paid, usually a week or month. |
| Deductions | Amounts that are taken from the gross pay, such as income tax, National Insurance contributions, pension, student loan repayments. |
| Employee number | Unique reference number at your place of work, in case employees have similar names. |
| Gross pay | Your total pay before tax and other deductions. |
| National Insurance (NI) number | Unique reference for paying NI or for receiving benefits or the state pension. It is important to keep a note of your NI number somewhere safe as each new employer you work for will need it. |
| Net pay | The amount of pay you take home after deductions. |
| NIC | National Insurance contributions are paid by everyone over 16 earning over a certain amount. This is used to fund the state pension and benefits. |
| NT | 'No tax': appears when no tax is being deducted. |
| Overtime | Extra hours you work and are paid for above your normal working hours. |

Summary (cont'd): student sheet

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| Term | Description |
|----------------------|---|
| PAYE | 'Pay As You Earn': spreads your tax payments across each week or month rather than paying it in one lump sum, and is based on an estimate of your yearly salary. |
| Rate | Either your hourly or monthly salary, depending on whether you are paid hourly or on an annual salary. |
| Tax code | This tells your employer how much tax to deduct from you. If you multiply the number in your tax code by ten, you will get the total amount of income you can earn in a year before paying tax. |
| TD | 'To date': shows a running total of payments from previous payslips within the current financial year, which starts on 6 April in the UK. |
| State pension | The basic state pension is a regular payment from the government. To get it you must have paid or been credited with National Insurance contributions. |
| Student loan | A borrowed amount of money to cover university tuition fees whilst studying. The loan doesn't need to be paid back until after the course has finished, and only when you are earning above a certain income. |
| Pension | A long-term savings plan specifically to provide financial support in retirement. You, your employer and the government may contribute to a pension fund throughout your working life. |