

EXAMPLES OF EMPLOYER & EMPLOYEE COSTS

EMPLOYER COST - Examples

Oct 2012 – Oct 2016	1% x £500,000 = £5000
Oct 2016-Oct 2017	2% x £500,000 = £10,000
Oct 2017 onwards	3% x £500,000 = £15,000

Contributions are a tax deductible business expense and can be treated as such for accounting purposes, thus reducing the overall cost to the firm. The firm will pay contributions gross and are therefore awarded corporation tax relief.

EMPLOYEE COSTS - Examples

Oct 2012 – Oct 2016	1%	Jake has a salary of £25,000. During this phase his contributions will be £20.80 per month gross. This will equate to Jake making a NET payment of £16.64 per month.
Oct 2016-Oct 2017	3%	Jake has a salary of £25,000. During this phase his contributions will be £62.50 per month gross. This will equate to Jake making a NET payment of £50 per month.
Oct 2017 onwards	5%	Jake has a salary of £25,000. During this phase his contributions will be £104 per month gross. This will equate to Jake making a NET payment of £83.33 per month.