

Apprentices under the age of 25

From 6 April 2016, if you employ apprentices under the age of 25 you may no longer need to pay employer Class 1 secondary National Insurance contributions (NICs) for them.

The rate of Class 1 secondary NICs for certain apprentices under age 25 will be zero up to the new 'Apprentice Upper Secondary Threshold' (AUST) which, for the tax year starting 6 April 2016, will be the same as the Upper Earnings Limit (UEL). Class 1 secondary NICs will however continue to be payable on all earnings above this threshold. The basic rules and calculations of National Insurance including how Class 1 NICs are assessed will not be changed.

The Apprentice Upper Secondary Threshold (AUST) is different to the Upper Secondary Threshold (UST) which applies to employees under age 21; although it is set at the same amount for tax year starting 6 April 2016.

Class 1A and Class 1B NICs are not affected by this change and should be collected and reported as normal.

From 6 April 2016 two new category letters will be introduced to use when assessing Class 1 NICs for qualifying apprentices who are under the age of 25. The definition of a qualifying apprentice for this purpose will be available later in the year.

The new category letters will be:

- H – Standard rate contributions for Apprentices under age 25.
- G – Standard rate contributions for Apprentice Mariners under age 25.

Please note you will also need to use the above new category letters from April 2016 for any qualifying apprentices you employ who also currently qualify for the secondary Class 1 National Insurance exemption because they are under the age of 21.

As with all other NICs calculations, it will be the responsibility of the employer to ensure the correct category letter is used. To do this, you will need to make sure you hold the correct date of birth for your employees.

The Employment Allowance will not be impacted by the introduction of this change. The £2,000 allowance will continue to be deducted from any secondary NICs the employer is due to pay, as it is now.