

Financial services products and solutions

LP2 2023–24 edition

Web update 2: 16 January 2024

Please note the following update (amendments in **bold**) to your copy of the LP2 study text:

Chapter 1, section C2A, page 1/16

The text below the sub-heading and Example 1.2 should now read:

Calculating National Insurance Contribution Payments

The calculation of National Insurance is similar in format to the income tax calculation, as different rates apply to different bands of earnings:

- Earnings between £242 per week and £967 per week are subject to an NIC rate of **10% (12% from 6 April 2023 to 5 January 2024)**.
- Earnings in excess of £967 per week are subject to an NIC rate of 2%.



Example 1.2

Susan, aged 45, is employed and earns £1,000 per week in September 2023.

Susan pays no NICs on the first £242 of her weekly earnings. She pays **10%** on earnings between £242 and £967 per week:

$$(\mathbf{£967 - £242}) = \mathbf{£725} \times \mathbf{10\%} = \mathbf{£72.50} \text{ per week}$$

Susan pays 2% on earnings in excess of £967 per week:

$$(\mathbf{£1,000 - £967}) \times 2\% = \mathbf{£33} \times 2\% = \mathbf{£0.66} \text{ per week}$$

Susan's weekly Class 1 National Insurance liability is the sum of the two calculations:

$$\mathbf{£87} + \mathbf{£0.66} = \mathbf{£87.66} \text{ per week}$$

These payments will ensure Susan remains entitled to State benefits, both during her working life and in retirement.

Chapter 1, question answer 1.2, page 1/24

Answer 1.2 should now read:

- 1.2 The first £242 per week of Gavin's earnings is not liable to NICs.
His weekly earnings between £242 per week and £750 per week are subject to Class 1 NICs at a rate of **10%**: $(\mathbf{£750 - £242}) = \mathbf{£508} \times \mathbf{10\%} = \mathbf{£50.80}$ per week.

Notes

- This change will be examined from 22 February 2024.
- This update has been incorporated into the digital copies (printable PDF and ebook) of the study text, available on RevisionMate.