

Gross to Net Calculations

What are Gross to Net Calculations?

- Gross pay is your salary prior to Statutory and Voluntary deductions.
- Net pay is the amount of salary actually received after deductions are made.

Factors to Consider:

- Tax
- National Insurance Category
- Pension Scheme
- Salary Sacrifice
- Voluntary Deductions

Tax:

- Tax is calculated as Pay As You Earn (PAYE).
- Tax code should almost always start with an 'S', this identifies you as a Scottish tax rate payer, so the payroll system knows what tax rates to apply. Currently, Scottish tax rates are 19%, 20%, 21%, 41% and 46%.
- The following digits in your tax code represent the amount of 'free pay' you are allowed to earn before paying tax e.g. S1250L, will allow you £12500 per annum free pay (this is pro-rata per your pay frequency i.e. fortnightly (divide by 26), four weekly (divide by 13) and monthly (divide by 12)).

National Insurance Category (NI):

- NI has a unique identifier in the format of 2 alpha characters, 6 digits and 1 alpha character i.e. AA123456A. This is often referred to as your National Insurance Number (NINO) and is used by employers, Her Majesty's Revenue & Customs (HMRC) & Department of Work and Pensions (DWP).
- NI is calculated if your earnings are above a certain threshold, currently £166 per week and the percentage is 12% on earnings above this level. If you are over state pension age, and still working, you will not pay NI but your employer will still pay their contribution for you.

Pension Scheme:

From 1st October 2013 the government introduced guidelines to employers to assess their workforce to see if employees are eligible to enter the work based pension scheme (this process is called Auto Enrolment (AE)). AE is assessed on a pay by pay basis although guidelines also advise employers to reassess the whole workforce every 3 years (please see the link to The Pension Regulator (TPS) at the end of this document).

Non-teaching staff:

- Pension is calculated as a percentage of your gross salary. The percentage is determined by your annual salary as at the 1st April.

- Pension bandings are issued by the Pension provider (Strathclyde Pension Fund Office (SPFO)) prior to the 1st April, which currently determines your pension rate for the rest of the year.
- Pension is calculated first, as the pension contributions are non-taxable.
- You can opt in to the pension scheme at any time, to do this you can contact the ESC People Helpdesk by calling 01698 403151 or email ESChelpdeskteam@northlan.gov.uk
- If you wish to Opt Out of the pension scheme, you can download the form from the SPFO website and post it to: ESC Payroll & Pension Team, PO Box 8923, Motherwell, ML1 1PA or email it to the ESC People Helpdesk on the email address above.
- If you are leaving employment and moving to a new job out with Local Government, then your pension information will be passed to the SPFO by the Payroll & Pension Team. These contributions will remain as a deferred benefit until you are eligible to claim them. If you have paid into the SPFO for less than 2 years then you can claim a refund of your contributions from the SPFO.

Teaching Staff:

- Pension is calculated as a percentage of your monthly salary.
- Pension bandings are issued by the Pension provider, Teaching Staff are administered by the Scottish Public Pension Agency (SPPA).
- Pension is calculated first, as the pension contributions are non-taxable.
- There is a factsheets available for information on joining the SPPA pension scheme. To access this information go to: <http://www.sppa.gov.uk/Documents/STSS/STSS%20Useful%20Resources/Factsheets/Teachers%20new%20starter%20factsheet%20-%20nov.pdf>
- There are also other helpful factsheets available from the SPPA website. These can be accessed from http://www.sppa.gov.uk/index.php?option=com_weblinks&view=category&id=332&Itemid=586

Salary Sacrifice:

- Salary Sacrifice is when an employee voluntarily sacrifices part of their salary for a tax free benefit. This can take the form of vouchers for services or goods. Examples are as follows:
 - o Bought Leave
 - o Cycle to work
 - o Childcare Vouchers
 - o Additional Voluntary Contributions (AVC)

- Salary Sacrifice deductions are deducted from Gross pay before tax is calculated.
- After Salary Sacrifice is deducted, you must still be able to achieve the current National Minimum Wage (NMW).

Voluntary Deductions:

- Voluntary Deduction are deductions from your pay, examples of voluntary deductions are as follows:
 - Union deductions
 - Savings: Municipal Bank or Scotwest Credit Union
 - Health Care Schemes
 - Council Tax
 - Rent
 - Charites
- Voluntary deductions are the last items to be calculated from pay.

Example of Gross to Net Calculation (Four Weekly):

Basic Salary	1616.15
Bought Leave	-34.45
Gross Salary	1581.70
Less:	
Pension (5.5%)	88.89
Tax (S1250L)	104.42
NI – A	110.12
Council Tax	96.27
Unison	10.60
Scotwest Credit Union	30.00
Net Pay Due:	1141.40

Example of Gross to Net Calculation (Fortnightly):

Basic Salary	1082.19
Bought Leave	-21.26
Childcare Vouchers	-110.00
Gross Salary	950.93
Less:	
Pension (6.0%)	64.93
Tax (S1185L)	85.21
NI – A	74.27
Scotwest Credit Union	290.00
Unison	6.46
Net Pay Due:	430.06

Useful Links:

HMRC Tax Calculator: <http://payecalculator.hmrc.gov.uk/PAYE0.aspx>

HMRC NI Calculator: <http://nicecalculator.hmrc.gov.uk/Class1NICs1.aspx>

State Pension Age Checker: <https://www.gov.uk/state-pension-age>

Statutory Sick Pay: <https://www.gov.uk/statutory-sick-pay>

Maternity Pay & Leave: <https://www.gov.uk/maternity-pay-leave>

Shared Parental Leave: <https://www.gov.uk/shared-parental-leave-and-pay>

Strathclyde Pension Fund Office (SPFO): <https://www.spfo.org.uk/>

Scottish Public Pension Agency (SPPA): <http://www.sppa.gov.uk/>

Prudential: Additional Voluntary Contributions (AVC):
<https://www.pru.co.uk/pensions-retirement/>

Edenred (childcare voucher provider):
<https://www.mychildcarevouchers.co.uk/DSV/Login.aspx?ReturnUrl=%2fDSV%2fdefault.aspx>

The Pension Regulator (TPR): <https://www.thepensionsregulator.gov.uk/>