

Pay Day Challenge: answers for volunteers

Example payslip

DATE	EMPLOYER		EMPLOYEE	
06/04/2024	A Bank PLC		A. Person	
NI NUMBER	TAX CODE	PAY METHOD	MONTH	
XX333019	1257L	BACs	1	
PAY	DEDUCTIONS		TOTAL PAY TO DATE	
Basic pay	Tax PAYE	£120.15	Total Gross pay	0.00
	NI	£54.91	Taxable pay	0.00
	Pension	£86.75	Tax paid to date	0.00
			Employee NI	0.00
			Employer NI	0.00
			Employer pension	0.00
			Employee pension	0.00
HOURS WORKED	GROSS PAY	TOTAL DEDUCTIONS	NET PAY	
35	£1735.00	£261.81	£1473.19	

£1735 MONTHLY GROSS pay is £20,820 GROSS pay per year.

Many people get paid each month in this way. Others may be paid weekly or every 4 weeks, which means 13 payments per year.

Also, in this 'gig' economy, more and more people are being paid in different ways. A lot of part-time workers are on zero hours contracts.

For all of these reasons, it is important that we budget our money (however it comes to us) in a way that works for us and our lifestyle.

Possible questions that may be asked by students:

Q: What is a pension scheme?

A: In simple terms, it is a type of savings plan to help you save money for later in life.

Q: Does everyone have to join a pension scheme?

A. There are lots of ways to make sure you have income when you retire.

- Your state pension, which you get because you will have paid national insurance.
- An employer pension if you are employed by an organisation.
- A private pension if you are self-employed.

Q: What is National Insurance?

A: It is a tax in earnings/self-employed profits. NI contributions qualify you for certain benefits and the State Pension.

Q: How is National Insurance calculated?

A. It is calculated in a similar way to tax and is based on how much you earn. If you earn less than £12,584 per year, you don't pay NI. If you earn more, you will pay 8% of your earnings.

Q: How much can you earn before you pay any tax?

A. Currently, everyone can earn £12,570 before they have to start paying tax.

NB: National Insurance and tax allowance are correct at time of print (Dec 2024), however these amounts change regularly so it's always worth double checking.

Q: Is there anything else that is deducted from your earnings?

A. Sometimes employers can take out union fees or offer savings opportunities (e.g. through a local credit union).

Q: Why do we have a tax code?

A. We all have a tax code. It tells your employer how much tax you need to pay from your earnings.