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Employer NIC contributions hit decade high of £114bn

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The latest research from The Global Payroll Association (GPA) reveals that UK PAYE employees paid £252bn in income tax in 2024, Meanwhile, businesses paid £114bn in employer National Insurance Contributions, a total which is set to grow significantly in 2025 following changes set out in Labour's Autumn Budget.

GPA's analysis of HMRC receipt data* reveals that HMRC collected a total of £849bn in tax receipts in 2024.

PAYE income tax receipts accounted for 29.7% of this total with employees contributing £252bn to the annual tax pool.

This marks an annual increase of +8.6% in tax paid via PAYE contributions and the fourth year in a row that total PAYE receipts have increased. It also means that PAYE now accounts for 86.6% of all income tax revenue – up from 84.3% in 2021.

On top of income tax, UK employees also paid an additional £51bn in National Insurance Contributions (NICs) last year, although this figure was down -18.8% on the previous year.

However, these employee contributions pale in comparison to the amount paid by businesses, with employer NICs for 2024 totalling £114bn. This marks an annual increase of +6.8%, the ninth consecutive increase since 2015 and the highest total seen in the last decade.

The bad news for UK businesses? This figure is set to climb again in 2025, following changes to the contributions owed, as set out in Labour's Autumn Statement, which will see an increase from 13.8% to

15% as of April this year.

Melanie Pizzey, CEO and Founder of the Global Payroll Association, says: “The government is collecting a huge amount of income tax from PAYE employees, with the totals increasing year on year since at least 2013, bar a small pandemic-induced dip in 2020.

At the same time, the contributions owed by businesses on behalf of their PAYE employees are at their highest in the last decade and this is set to climb even further, due to Labour’s Autumn Budget announcement that employer NIC rates will increase from 13.8% to 15% as of April this year.

The consequences of this increase are going to be profound as businesses see their staffing costs skyrocket. We’re already seeing some of the UK’s biggest businesses, such as Sainsbury’s, roll out huge cutbacks to account for increased staffing costs, but the most damage is likely to be suffered by small and medium sized operations, many of which are expected to buckle under the new financial pressures.

This is going to lead to job cuts, cancelled pay rises, and will probably force many businesses to cease trading altogether.”

Data tables and sources

- **Tax receipt data sourced from HMRC*.
- *Full data tables and sources can be viewed online, here*.