Directors’ National Insurance

How National Insurance works when a director is paid through payroll.

At a glance

- Legislation requires Directors to be flagged as such if their pay is processed through the payroll to be compliant.
- Directors’ National Insurance is normally calculated across the whole tax year.
- Payroll must show the director calculation method so the correct amount is reported to HMRC

Why directors are different

- Directors may not be paid the same amount each month.
- They may receive bonuses or irregular payments.
- Using annual earnings helps make sure the correct National Insurance is paid by the end of the tax year.

Calulation methods

Method	How it works	Best suited to
Standard annual method	National Insurance is based in total earnings from the start of the tax year, less any National Insurance already paid.	Directors with irregular pay or bonuses
Alternative method	National Insurance is calculated each pay period, then checked again at the end of the tax year.	Directors paid regularly at a consistent amount

If a director starts or leaves

- Tell us when someone becomes a director or stops being a director.
- If a director starts part-way through the tax year, the calculation is adjusted to reflect their appointment date.
- If a director leaves, a final National Insurance check may be needed before the last payment is processed.

What we need from you

- Confirm when a director starts or leaves the payroll.
- Confirm if the director will be paid regularly or irregularly.
- Tell us about any bonus or one-off payment before the pay run is finalised.

Useful links

- National Insurance for company directors