RMS Tax and Financials

THURSDAY TAX INSIGHT

Annual Maximum

Backed by Regulation 100 adjustment under the Social Security (Contributions) Regulations 2001.

PURPOSE

Someone who is both employed and self-employed will usually still have **Class 1** deducted through PAYE on their employment earnings, and will still be liable to **Class 4 NIC** on their self-employment profits.

The relief comes when the Self Assessment return is prepared: in the Class 2 and Class 4 NIC section, **you need to enter the Class 1 NIC already paid as an employee for the year (taken from the P60/payroll records)**.

HOW THE ADJUSTMENT WORKS

The software or HMRC's system then runs the **Reg 100 calculation**, which caps the combined total and reduces the Class 4 charge accordingly — typically by taxing more of the self-employed profit at the reduced **2% additional rate** rather than the **6% main rate**.

Sometimes eliminating the main-rate Class 4 charge on the overlapping band entirely. This happens automatically as part of the SA computation; there's no separate election needed if the return is completed correctly.

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MISSED THE BOAT? STILL TIME TO CLAIM

If the adjustment gets missed (common when a return is prepared without the Class 1 figure being entered, or a prior year is being revisited), the client can claim back the overpaid Class 4 using form **CA5610** (online via HMRC's service, or the postal version), which is now the standard route for correcting this rather than any deferment application.

Except where legislation specifies differently, the general rule is that it must be claimed within **four years** from the end of the tax year to which the claim relates for personal taxes.

While the software does all the calculation, it's worth knowing how the relief is calculated in the back end. Here are all the scenarios for the relief.

Case 1

Employment income £15,000 | Self-employment income £30,000

Description	Amount (£)	Note
Employment income	15,000	
Self employment income	30,000	*Total income 45,000*
Class 1 NIC	194.40	*8% (15,000-12,570)*
Max main rate allowance	2,262	*37,700 * 6%*
Subtract class 1 paid - this is class 4 NIC @6%	2,067.60	*Use of main rate allowance*
Class 4 NIC without adjustment	1,045.80	*6% (30,000-12,570)*
Relief	**No relief**	

Case 2

Employment income £35,000 | Self-employment income £40,000

Description	Amount (£)	Note
Employment income	35,000	
Self employment income	40,000	*Total income 75,000*
Class 1 NIC	1,794.40	*8% (35,000-12,570)*
Max main rate allowance	2,262	*37,700 * 6%*
Subtract class 1 paid - this is class 4 NIC @6%	467.60	*Use of main rate allowance*
Gross up class 4 NIC threshold	7,793.33	*467.60 / 6%*
Remaining profit in the band	29,906.70	*(37,700 - 7,793.30)*
Class 4 NIC @2%	598.13	
Class 4 NIC without adjustment	1,645.80	*6% (40,000-12,570)*
Relief	**580.07**	

Case 3

Employment income £45,000 | Self-employment income £20,000

Description	Amount (£)	Note
Employment income	45,000	
Self employment income	20,000	*Total income 65,000*
Class 1 NIC	2,594.40	*8% (45,000-12,570)*
Max main rate allowance	2,262	*37,700 * 6%*
Remaining main rate allowance after Class 1	Nil	*Class 1 already exceeds allowance by 332.40*
All self employment charged @2%	148.60	*2% (20,000-12,570)*
Total NIC	**2,743**	
Class 4 NIC without adjustment	445.80	*6% (20,000-12,570), on 7,430*
Relief	**297.20**	