

Working out net pay

Unfortunately, I do not take home my **gross pay**. This is because each week I have to pay **income tax**, **national insurance contributions** and a contribution to a **pension fund**. These are called **deductions**. The amount of money I actually take home each week is my **net pay**.

Remember

Deductions – amount of money taken from **gross pay**.

Net pay – amount of pay left after deductions (sometimes called ‘take-home pay’).



Activity 4

	Amount in £
GROSS PAY	218.50
DEDUCTIONS	49.95
NET PAY	

Remember

When we use a calculator to subtract two amounts we key in the larger number first.

To calculate my **net pay** I have to subtract (-) the **deductions** from my **gross pay**.

Net pay = gross pay – deductions

Net pay = £218.50 – £49.95

Net pay =



Activity 5



Calculate the **net pay** for Ali, Geeta, John and Winston. Use a calculator to check your answers.

Name	Amount in £
Ali Green	
GROSS PAY	189.00
DEDUCTIONS	42.26
NET PAY	

Name	Amount in £
Geeta Singh	
GROSS PAY	148.75
DEDUCTIONS	34.44
NET PAY	

Name	Amount in £
John Gates	
GROSS PAY	126.00
DEDUCTIONS	25.42
NET PAY	

Name	Amount in £
Winston Ramsey	
GROSS PAY	198.00
DEDUCTIONS	38.20
NET PAY	

Activity 6

If I look closely at my payslip, I can find out what the deductions are for, and how much each deduction is.

Remember

Deductions are the amounts of money taken from **gross pay** for:

- **income tax** – this is for the government
- **national insurance contributions** – this is for the Department of Health and Social Security
- **pension** – this goes towards a pension fund

Employee name Howard Jones		Week 10	
Description	Amount (£)	Description	Amount (£)
Basic pay	218.50	Income tax	30.59
		National insurance	13.11
		Pension	6.25
		Total deductions	
Gross pay	218.50	Net pay	

Add up the **deductions**, then work out the **net pay** to complete the payslip.



Use a calculator.



Review

Do you need more practice in working out net pay?

Yes

No

For more work on this go to H2 (page 13) or E2 (page 15).