
What is the Alternative Method For Calculating Directors' NICs?

Paying Yourself

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If you're a company director in the UK, National Insurance Contributions (NICs) can be calculated in two ways: the **standard method** or the **alternative method**. Both of these are accommodated in Mighty, so here's what you need to know.

What's the standard method?

As a company director, by default, the standard method of calculating your NIC is based on *annual* thresholds. This means that you won't start paying NIC until you breach the annual thresholds, which can often mean later in the year.

What's the alternative method?

The alternative method is in line with how NIC is calculated for regular employees, which is based on each pay slip and the NIC for that threshold. For example, if you are paid monthly, then the monthly NIC threshold will be applied. This effectively spreads your NIC deductions more evenly throughout the year, so it can be useful if your pay will fluctuate.

Hopefully this makes sense, but feel free to reach out to support@mightyaccounting.com if you have any questions.

Read this guide online (always the latest version): <https://app.mightyaccounting.com/Knowledge/article/directors-nics-alternative-method>