



PAYROLL

Important changes from April 2021 for you and your employees

A number of important payroll changes are coming into force from 1 April 2021, which may affect you and your employees.

Personal Allowance threshold

The Personal Allowance threshold – the amount you can earn before paying income tax, has been increased to £12,570 for the 2021/2022 tax year.

National Insurance (NI) thresholds

For 2021/22 the threshold at which taxpayers start to pay National Insurance Contributions (NICs) will rise to £9,568 per year for both employed (Class 1) and self-employed (Class 4) people, but there is no change to the percentage rates.

	2021/22	2020/21
Primary threshold	£9,568 per year	£9,500 per year
Secondary threshold	£8,840 per year	£8,788 per year

Automatic Enrolment earnings threshold

From 6 April 2021 the upper level of qualifying earnings threshold is expected to increase to £50,270, although this is subject to parliamentary approval.

	Proposed 2021/22 annual threshold	2020/21 annual threshold
Lower level of qualifying earnings	£6,240	£6,136
Earnings trigger for automatic enrolment	£10,000	£10,000
Upper level of qualifying earnings	£50,270	£50,000

National Minimum Wage and National Living Wage rates

From 1 April 2021 the National Living Wage will apply for those aged 23 and over for the first time. The National Living Wage will increase by 2.2 per cent from £8.72 to £8.91. For workers aged under 23, smaller increases have been made in recognition of the risks to youth employment which the current economic situation poses.

	23+	21 to 22	18 to 20	Under 18	Apprentice
2021-22	£8.91	£8.36	£6.56	£4.62	£4.30

	25+	21 to 24	18 to 20	Under 18	Apprentice
2020-21	£8.72	£8.20	£6.45	£4.55	£4.15

Statutory payment rates

To be entitled to these statutory payments, the employee's average earnings must be equal to or more than the lower earnings limit.

	2020/21	2020/21 rate
Statutory Sick Pay (SSP)	£96.35	£95.85

Statutory payment rates (continued)

	2021/22
Statutory Maternity Pay – weekly rate for remaining weeks	£151.97 or 90% of the employee's average weekly earning, whichever is lower
Statutory Paternity Pay (SPP) – weekly rate	£151.97 or 90% of the employee's average weekly earning, whichever is lower
Statutory Shared Parental Pay (ShPP) – weekly rate	£151.97 or 90% of the employee's average weekly earning, whichever is lower

The 2020/21 rate for Statutory Maternity Pay, SPP and ShPP was £151.20 or 90% of the employee's average weekly earnings, whichever was lower.

Employment Allowance

There are no changes to Employment Allowance for the 2021/2022 tax year.

As of 6 April 2020 you will only be able to claim if your employer Class 1 National Insurance bill was below £100,000 in the previous tax year, this also includes employers with connected companies.

You can claim Employment Allowance if:

- You're a business or charity (including community amateur sports clubs) paying employers' Class 1 National Insurance.
- You can also claim if you employ a care or support worker.
- You have more than one employer PAYE reference, you can only claim Employment Allowance against one of them.

IR35 Off Payroll Rules

From 6 April 2021, large and medium size businesses will become responsible for determining the potential 'employment status' of workers who provide their services via intermediaries, i.e. a Personal Service Company (PSC), agency or another intermediary, and whether the IR35 Off Payroll rules apply to those workers.

Affected businesses using workers off payroll (provided by a PSC, agency or another intermediary), will be responsible for determining the 'employment status' of workers, and if they look akin to employees, the new rules will apply. The business paying the worker's PSC will be responsible for deducting PAYE tax and Class 1 NIC, and they will also be liable to pay Employers NIC in respect of those payments.

IR35 Off Payroll Rules (continued)

If the end user making the decision is not the business paying the Off Payroll worker, they are required to provide a Status Determination Statement to the business making the payment to the PSC, advising them of the decision and the action to be taken. Failure to do this will result in any potential underpayments of tax/NIC falling on them.

If the end user is a small business, it will be exempt from operating the new IR35 rules (a business is defined as 'small' if they can meet 2 or more of the following):

- An annual turnover of not more than £10.2 million;
- A balance sheet total of not more than £5.1 million;
- 50 Employees or less;

National Insurance contributions relief for employers who hire veterans

From 6 April 2021, employers who hire veterans will be able to claim a National Insurance holiday for 12 months starting from the first day of the veteran's first civilian employment.

A person qualifies as a veteran if they have served at least one day in the regular armed forces.

The relief is available regardless of when the veteran left the regular armed forces, providing they have not previously been employed in a civilian capacity.

This zero-rate can be applied up to the upper secondary threshold.

This relief is available from April 2021. From April 2021 to March 2022, employers will need to pay the associated secondary Class 1 National Insurance contributions as normal and then claim it back retrospectively from April 2022 onwards.

From April 2022 onwards, employers will be able to apply the relief in real time through PAYE. Further information on how employers will be able to claim it back will be published before April 2022.

Payroll legislation and ever-changing regulations can be difficult to navigate. But this is where our specialist payroll bureau can help – we provide a holistic range of payroll services around your needs, and ensure your employees' salaries are cared for, in house, on time.

If you would like to speak to one of our dedicated experts, please get in touch today.



Get in touch

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