

Payroll Facts

PAYE GUIDE FOR EMPLOYERS

2017 / 2018

SOLVING THE PAYROLL PUZZLE



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TAX

Tax Rates	2017/18 Taxable Income	2016/17 Taxable Income
20% basic rate	up to £33,500	up to £32,000
20% basic rate - Scotland	Up to £31,500	up to £32,000
40% higher rate	£33,501 - £150,000	£32,001 - £150,000
40% higher rate – Scotland	£31,501 - £150,000	£32,001 - £150,000
45% additional rate (including Scotland)	over £150,000	over £150,000

Personal allowances	2017/18	2016/17
Personal allowance*	£11,500	£11,000
Blind person's allowance	£2,320	£2,290
Marriage allowance**	£1,150	£1,100
Married couple's allowance for those born before 6 April 1935		
Maximum	£8,445	£8,355
Minimum	£3,260	£3,220

* Personal allowance is restricted by £1 for every £2 of income over £100,000, to a minimum of nil.

** Spouses or civil partners who are both basic rate taxpayers can elect to transfer 10% of their personal allowance between them.

TAX

Pension allowances	2017/18	2016/17
Annual allowance	£40,000	£40,000
Lifetime allowance	£1,000,000	£1,000,000

Student Loan Recovery Threshold

An employee commences repayment of their Student Loan at 9% of their earnings which are subject to National Insurance Contributions (NICs) and exceed:

Plan 1 – Students who took out their loan before 1 September 2012		Plan 2 – Students who took out their loan on or after 1 September 2012	
per annum	£17,775	per annum	£21,000
per month	£1,481.25	per month	£1,750
per week	£341.83	per week	£403.85

Each pay period is treated in isolation; there are no carried forward debits or credits.

NATIONAL INSURANCE

National Insurance Contributions

Class 1 - Employers and Employees	Weekly	Fortnightly	Four weekly	Monthly	Annual
Lower Earnings Limit (LEL)	£113	£226	£452	£490	£5,876
Primary Threshold (PT)	£157	£314	£628	£680	£8,164
Secondary Threshold (ST)	£157	£314	£628	£680	£8164
Apprentice Upper Secondary Threshold (AUST)	£866	£1,732	£3,464	£3,750	£45,000
Upper Secondary Threshold (UST)	£866	£1,732	£3,464	£3,750	£45,000
Upper earnings limit (UEL)	£866	£1,732	£3,464	£3,750	£45,000

Earnings over the LEL qualify an individual for certain state benefits and must be reported under PAYE, but no employer's or employee's NICs are payable until earnings exceed the threshold of £157 per week.

NATIONAL INSURANCE

National Insurance Rates		2017/18	2016/17
Class 1 – Employers*	LEL - ST	0%	0%
	Rate above ST (no upper limit)	13.8%	13.8%
Class 1 – Employees	LEL - PT	0%	0%
	Rate between PT and UEL	12%	12%
	Rate above UEL	2.0%	2.0%
	Married women and widows rate above threshold, below UEL**	5.85%	5.85%
	Deferred rate	2%	2%
Class 1A (Taxable benefits)		13.8%	13.8%
Class 1B (PAYE Settlement Agreement)		13.8%	13.8%
Class 2 (Self-employed)***	Small earnings exception	£6,025	£5,965
	Flat rate per week	£2.85	£2.80
Class 3 (Voluntary)	Flat rate per week	£14.25	£14.10
Class 4 (Self-employed)	Lower limit	£8,164	£8,060
	Upper limit	£45,000	£43,000
	Rate between limits	9%	9%
	Rate above upper limit	2%	2%
Employment allowance		£3,000	£3,000

* For apprentices under 25, the AUST was introduced in 2016/17, aligned with the UEL. The employer does not pay NICs on earnings between the ST and the UEL.

** Only for women opting in before 1977.

*** To be abolished from April 2018.

STATUTORY PAYMENTS

Statutory Payments	2017/18	2016/17
Qualifying Earnings Level	£113	£112
Statutory Sick Pay (SSP)	£89.35	£88.45
Statutory Maternity Pay (SMP)*	£140.98	£139.58
Statutory Paternity Pay (SPP)**	£140.98	£139.58
Statutory Adoption Pay (SAP)*	£140.98	£139.58
Statutory Shared Parental Pay (ShPP)***	£140.98	£139.58

* First six weeks at 90% of Average Weekly Earnings (AWE) then 33 weeks at 90% of AWE or £140.98 whichever is lower.

** One or two weeks at 90% of AWE or £140.98 whichever is lower.

*** Weekly rate at 90% of AWE or £140.98 whichever is lower.

Recoverable amount from HMRC – SMP, SPP, SAP and ShPP

92% if your total Class 1 National Insurance (both employee and employer contributions) is above £45,000 for the previous tax year, or 103% if your total Class 1 National Insurance for the previous tax year is £45,000 or lower.

Statutory Redundancy

The maximum week's pay that an employee can receive under the statutory scheme is £489 (from 6 April 2017).

Ages	Number of weeks' pay
Each complete year of service between 18 and 21	½
Each complete year of service between 22 and 40	1
Each complete year of service over 41	1 ½

Service exceeding 20 years is not counted.

A week's pay is the amount due under the employee's employment contract on the date that the minimum notice of termination of employment was or should have been given.

CAR AND FUEL RATES

Company cars and mileage

The car benefit is calculated by multiplying the list price of the car when new (not the purchase price) by a percentage that is dependent on the level of approved CO₂ emissions of the car.

CO ₂ emissions in g/km	% of car's list price to be taxed 2017/18	% of car's list price to be taxed 2016/17	CO ₂ emissions in g/km	% of car's list price to be taxed 2017/18	% of car's list price to be taxed 2016/17
0-50	9	7	145-149	28	26
51-75	13	11	150-154	29	27
76-94	17	15	155-159	30	28
95-99	18	16	160-164	31	29
100-104	19	17	165-169	32	30
105-109	20	18	170-174	33	31
110-114	21	19	175-179	34	32
115-119	22	20	180-184	35	33
120-124	23	21	185-189	36	34
125-129	24	22	190-194	37	35
130-134	25	23	195-199	37	36
135-139	26	24	200 and above	37	37
140-144	27	25			

Fuel benefit

For 2017/18 the benefit is £22,600 (£22,200 2016/17) multiplied by the relevant percentage as shown above (plus 3% diesel supplement where applicable but capped at 37%).

Company vans and fuel	2017/18	2016/17
Van benefit	£3,230	£3,170
Fuel benefit	£610	£598

HMRC's Advisory Fuel Rates (AFR)

From 1 March 2017	Petrol	LPG	Diesel
1400cc or less	11p	7p	1600cc or less 9p
1401cc to 2000cc	14p	9p	1601cc to 2000cc 11p
Over 2000cc	22p	14p	Over 2000cc 13p

HMRC's approved tax-free business mileage rates for employees using company cars are reviewed quarterly, with any changes taking effect from 1 March, 1 June, 1 September and 1 December. The rates are the maximum amount that can be paid without a charge to tax and NIC for business miles. If an employee receives less than these rates, then they can claim tax relief on the difference.

For further information and current rates employers are advised to check the following website: www.hmrc.gov.uk/cars/advisory_fuel_current.htm

Approved mileage rates – for employees using their own vehicle

First 10,000 miles for tax purposes	45p
Over 10,000 miles for tax purposes	25p
For NIC purposes – regardless of mileage	45p
Bicycle rate – regardless of mileage	20p
Motorcycle rate – regardless of mileage	24p
Passenger rate – regardless of mileage	5p

USEFUL INFORMATION

National Minimum Wage (NMW) and National Living Wage (NLW)

NMW	2017/18	2016/17
Under 18's	£4.05	£4.00
Workers between 18-20	£5.60	£5.55
Workers between 21-24	£7.05	£6.95
Apprentice*	£3.50	£3.40
NLW		
Workers aged 25 and over	£7.50	£7.20

* Apprentices are entitled to apprentice rate if they are aged under 19 or are aged over 19 and in the first year of their apprenticeship.

Tax Codes

Code	What it means
L	You're entitled to the standard tax-free personal allowance.
M	Marriage allowance: you've received a transfer of 10% of your partner's personal allowance.
N	Marriage allowance: you've transferred 10% of your personal allowance to your partner.
OT	Your personal allowance has been used up, or you've started a new job and don't have a form P45, or you didn't give your new employer the details they need to give you a tax code.
S	Your income or pension is taxed at the Scottish rate of Income Tax.
T	If there are items HMRC need to review in your tax code.
K	Your total allowances are less than total 'deductions'.
BR	All your income is taxed at the basic rate – currently 20%.
D0	All income is taxed at the higher rate of tax – currently 40%.
D1	All income is taxed at the highest rate of tax – currently 45%.
NT	When no tax is to be taken from your income or pension.

Childcare Vouchers

Tax Rate	Maximum voucher value per week	Maximum voucher value per month
Basic rate tax payer – 20%	£55	£243
Higher rate tax payer – 40%	£28	£124
Additional rate tax payer – 45%	£25	£110

Due to the government introducing the Tax-Free Childcare Scheme (TFC) during 2017 childcare voucher schemes will be closed to new entrants from April 2018.

Employees who joined a childcare voucher scheme on or before 5 April 2011 can receive vouchers worth up to £55 a week free of tax regardless of their tax rate.

Key Payroll Dates

Annual

6th April: New tax bands are effective

19th April: Year-end processing to be completed

31st May: Issue of P60s to all eligible employees

6th July: Return of forms P9D/P11D/P11D(b) to HM Revenue & Customs

19th July (22nd for electronic payments): Remittance deadline of Class 1A NICs (P11Ds)

19th October (22nd for electronic payments): Remittance deadline of Tax and Class 1B NICs (PSAs)

Monthly

On or before each pay date

Full Payment Summary (FPS) submission due to HMRC

19th of each month (22nd for electronic payments)

Remittance deadline of PAYE, NICs and CIS to HMRC

19th of the following tax month

Employer Payment Summary (EPS) submission due to HMRC to apply a reduction for any statutory payments made or to advise of NIL PAYE liability



For further information please contact:

Cheltenham: 01242 237661

Staverton: 01242 680000

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