

Payroll Update

DRIVING LIFELONG PROSPERITY

Spring 2017

WHAT'S NEW IN PAYROLL FOR 2017/18

NATIONAL MINIMUM WAGE (NMW) AND NATIONAL LIVING WAGE (NLW)

This year the NMW will increase in April to fall in line with the NLW increase. Previously the NMW had increased in October of each year. The new rates from April 2017 will be:

Category	From April 2017	From October 2016
NLW workers aged 25 and over	£7.50	£7.20
NMW workers aged 21 to 24	£7.05	£6.95
NMW workers aged 18 to 20	£5.60	£5.55
NMW workers aged 16 to 17	£4.05	£4.00
Apprentice*	£3.50	£3.40

*The apprentice rate was introduced on 1 October 2010 and applies to apprentices under 19 and those aged 19 or over and in the first year of apprenticeship.

Employers should carry out checks to ensure these new rates are being met. Hazlewoods will review the rates for all of our payroll clients and make contact where required.

AUTO ENROLMENT AND RE-ENROLMENT

With most companies already having to enrol their eligible workers into a pension scheme, many have now been operating the scheme for three years. It is at this point employers must put certain members of staff back into the pension scheme, even if they previously opted out when they were first automatically enrolled. This is called 're-enrolment'. Employers will also need to complete a re-declaration of compliance to tell The Pensions Regulator (TPR) that they have met their duties.

Re-enrolment and the re-declaration of compliance are legal requirements and employers could be fined if they do not act.

TPR will contact employers with information of their re-enrolment duties and provide online guidance. Contact details must, therefore, be kept up to date.

Many new employers that registered for PAYE from April 2012 will be staging soon.

For more guidance please contact Hazlewoods Financial Planning or our Payroll team on 01242 680000.

APPRENTICESHIP LEVY

As previously reported, the way the government funds apprenticeships in England is changing. From April 2017 we see the introduction of the apprenticeship levy.

Announced in 2015, the levy is designed to fund 3 million places for apprentices by 2020. These places will be paid for by employers in England with a gross annual payroll of more than £3m. It will be charged at a rate of 0.5% of their annual pay bill and each employer will receive an allowance of £15,000 to offset against their levy payment.

For information on when the levy needs to be paid, how to calculate it and report how much you owe, please visit <https://www.gov.uk/guidance/pay-apprenticeship-levy>

SALARY SACRIFICE

A salary sacrifice arrangement is an agreement between an employer and an employee to change the terms of the employment contract to reduce the employee's entitlement to cash pay. This sacrifice of cash entitlement is usually made in return for some form of non-cash benefit.

In the Autumn Statement the Chancellor announced his intention to remove the Tax and employer's Class 1A National Insurance contributions benefit for some salary sacrifice arrangements.

The income tax and Class 1 NICs advantages for salary sacrifice agreements will not be limited for the following:

- Payments by the employer into registered pension schemes and employer-provided pensions advice;
- Childcare vouchers, workplace nurseries and directly contracted employer-provided childcare;

- Bicycles and cyclist safety equipment;
- Ultra Low Emission Vehicles (ULEVs) with emissions of no more than 75g CO₂/km, that are in the scope of the car benefit charge.

Arrangements made before 6 April 2017 will be protected until April 2018, and agreements for cars, school fees and accommodation remain protected until April 2021.

For all Benefits in Kind (BiK) provided through salary sacrifice which fall outside of these areas, the value of the BiK for income tax and Class 1A NICs will be the higher of the current taxable value or the cash foregone.

There is no change to the Class 1 NICs liability.

TAX FREE CHILDCARE SCHEME

As confirmed by the Chancellor, the 'Tax-Free Childcare' Scheme will commence in early 2017. The scheme will be available to around 2 million households to help with the cost of childcare.

Some key notes about the scheme are:

- The scheme will be launched in early 2017 and gradually rolled out to all families, with parents of the youngest children able to apply first;
- For every 80p paid in, the government will top it up with an extra 20p, up to a maximum of £2,000 support per child;
- The scheme will be available for children up to the age of 12, or 17 for children with disabilities;
- To qualify, parents will have to be in work and each earning at least £115 a week, but not more than £100,000 each per year;
- Any eligible working family can use the scheme, it doesn't rely on employers offering it. This means parents who are self-employed can benefit;
- Employer Supported Childcare, such as salary sacrifice, can continue to be used for as long as employers offer the benefit. Such schemes will remain open to new entrants until April 2018;

→ Parents can pay money into their childcare account as and when they choose;

→ Parents can withdraw the money but will lose the corresponding contribution from the government.

Employers are likely to find a reduction in the number of employees opting for the current salary sacrifice arrangement.

HAZLEWOODS PAYROLL CLIENTS

With the recent changes and legislation requirements placed on employers, Hazlewoods Payroll Team has seen some new faces join our team.

To ensure that we continue to provide our clients with the high level of service they expect, we have taken the opportunity to restructure the team and implement some new processes.

Our clients will receive details of the dedicated team responsible for processing their payroll. The only change that clients may experience is a change to their current contact. Should you need any information or advice please do not hesitate to contact us.

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