Payroll Update

DRIVING YOU TO LIFELONG PROSPERITY

Spring 2016

WHAT'S NEW IN PAYROLL FOR 2016-17

PERSONAL ALLOWANCE INCREASE

From 6 April 2016 the personal allowance is changing to £11,000 per annum. The new emergency tax code for 2016-17 will be 1100L. In the first pay run of the tax year all standard codes will have been uplifted automatically unless individual notifications have been received from HM Revenue and Customs.

NATIONAL LIVING WAGE APPLIES FROM APRIL 2016

From this April all workers aged 25 and over must receive the minimum of the National Living Wage of £7.20 per hour.

Employers should carry out checks to ensure this new rate is being met. Hazlewoods will review the rates for all payroll clients and make contact where required.

50% REGULATORY LIMIT

The regulatory limit means that the PAYE tax deduction must not exceed 50% of an individual's pre tax pay or pension. Before April 2016, the 50% regulatory limit only applied where the taxpayer had a prefix 'K' code. From April 2016 the limit applies to all PAYE tax codes.

SCOTTISH RATE OF INCOME TAX – LIVE IN SCOTLAND? PAY SCOTTISH RATES.

The Scotland Act 2012 introduced the Scottish rate of income tax (SRIT) giving Scottish Parliament the power to set an annual rate of income tax for "Scottish taxpayers" that is different to the rest of the UK (rUK).

The definition of a "Scottish taxpayer" is focused on where an individual lives, resides, or with which country they have the closest connection, in the course of a tax year. "Scottish taxpayer" status applies for a whole year; it is not possible to change status for part of a tax year.

Whether or not an individual is a "Scottish taxpayer" will not be simple in all cases. For example an individual may have two homes. It will be up to the individual to agree with HM Revenue and Customs whether they are a "Scottish taxpayer". The employer will not have to make any assessments on taxpayer status. "Scottish taxpayers" will be given a PAYE tax code with the prefix "S" by HMRC.

In situations where a tax code is unknown, such as a new starter without a P45, employers must use the rUK tax code and rates until advised otherwise. There will be no Scottish emergency tax code.

There will not be any change to the way the employer reports or makes payment for income tax.

NATIONAL INSURANCE – END OF CONTRACTING OUT

Contracting out of the Additional State Pension through a registered Contracted-out salary related (COSR) occupational pension scheme will end on 5 April 2016.

This will mean the following changes to payroll records from 6 April 2016:

- Employers will not be able to use a COSR occupational pension scheme to contract employees out of the new single-tier State Pension Scheme.
- Both employees and employers will no longer be eligible for the contracted out NIC rebate.
- Employers will no longer be required to provide Employers Contracting Out Number (ECON) and SCON detailed on Full Payment Submissions for the tax years commencing 6 April 2016.
- Employers will no longer be required to report NI Earnings between the Primary Threshold (PT) and the Upper Accrual Point (UAP) and Upper Earnings Limit (UEL).
- Employers will still need to report NI earnings between PT to UEL as they did prior to 2009.
- There will be one less column to complete on the P11's and P60's.

It is advisable that employers notify their employees of the change to their National Insurance contributions levels.

EMPLOYMENT ALLOWANCE

From 2016/17 the Employment Allowance (the amount of an employer's secondary Class 1 NICs they can recover) is set to increase by £1,000 to £3,000 per annum.

Additionally, to ensure that the Employment Allowance is focused on businesses and charities that support employment, from April 2016 companies where the director is the sole employee will no longer be able to claim.

STUDENT LOAN REPAYMENTS

From April 2016 employers will have two types of Student Loan deductions to operate.

Plan type 1 – will be the deduction used for a student repaying a loan under the current scheme, i.e for English and Welsh students who started their higher education pre the 2012 academic year.

Plan type 2 – will be the deduction applicable to borrowers in England or Wales who began the first year of their higher education course on or after 1 September 2012.

All Scottish and Northern Irish students will fall under type 1 regardless of when they started higher education.

The fundamental difference between the two plan types is in the earnings threshold over which a student deduction is required.

Plan type 1 will be repayable at 9% of the employee's annual remuneration for Class 1 NIC purposes that exceeds £17,495 (from April 2016).

Plan type 2 will be repayable at 9% of the employee's annual remuneration for Class 1 NIC purposes that exceeds £21,000.

Employers will be issued with a Start Notice SL1 indicating which Plan Type to use. In cases of new starters, if the employee does not know which plan type they are to repay under, they should contact the Student Loans Company.

VOLUNTARY PAYROLLING OF BENEFITS

Under the current Benefits In Kind regulations, employers report any benefits provided to employees on a P11D after the tax year end. HM Revenue and Customs can use the information to adjust the employees' tax code and recoup any tax due on the benefit.

From April 2016 employers will have the option of payrolling certain benefits to collect the tax due in the current year. Employers that opt to payroll Benefits In Kind on a voluntary basis do not have to make annual returns for each employee to whom a benefit is provided.

Employers must apply online to HMRC before they can start payrolling Benefits In Kind. Applications must be made before the start of the tax year and can be done by logging onto Government Gateway. Employers can move all employees onto payrolling or they can exclude some individuals if they wish to continue to submit forms P11D.

For further information please contact our Payroll Team on 01242 680000 or payroll@hazlewoods.co.uk.

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