



# Resources

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## Disclaimer:

– the information provided does not constitute financial or taxation advice. The views expressed are the opinions of their author based on information and facts applicable at the time of publication. Some views will be expressed in relation to future legislation which may still be subject to parliamentary approval and subject to change.

The values shown within this document are now confirmed and are based on official notification of intention; however, they may be subject to change as a result of future fiscal events such as the 3<sup>rd</sup> March UK Westminster budget. These are marked:





# Contents

- Introduction ..... 4**
- Tax rates; Tax Changes and New Tax Codes ..... 6**
  - Tax Code uplift for all UK tax codes (including Scotland and Wales).....7
  - Using the right tax code for new employees and completing the start declaration on their first FPS .....8
- Student and Postgraduate Loan repayments ..... 12**
- National Insurance Contributions ..... 13**
- Statutory Payments ..... 15**
  - Statutory Parental Payments (SMP, ShPP, SPP, SAP & SPBP – change on 4 April 2021) .....15
  - Statutory Sick Pay (change on 6 April 2021) .....16
- Pensions ..... 16**
  - Pension Auto-Enrolment (from 6th April 2021) .....16
- HMRC Real Time Information (RTI) ..... 16**
  - Employer Payment Summary (EPS) using Basic PAYE Tools .....17
- Voluntary Payrolling of Benefits In Kind (BIK) ..... 17**
  - How to Payroll a Benefit with SD Worx.....17
- Additional resources ..... 19**

# Introduction

The United Kingdom (UK) government and devolved governments of Scotland and Wales are making adjustments to the application of payroll related law that may require employer attention. Sometimes these offer choices which require an employer to indicate configuration settings to be used on SD Worx solutions. Information is provided within this document and by direct communication which has been sent to your organisations registered contact.

These changes relate to:

- **Employment Allowance.** Since 6th April 2020 and annually thereafter, organisations are only entitled to the Employment Allowance where the NIC bill for the prior tax year is under £100,000 for the group employer (across all PAYE schemes).

There is a requirement for organisations to indicate against any PAYE scheme claiming the £4,000 Employment Allowance: an industry type for which they may already be receiving De Minimis State Aid.

This must also be reported on the initial Employer Payment Submission (EPS) submission for each tax year as now, any prior tax year declaration is no longer carried forward.

- **National Minimum Wage.** National Minimum Wage and National Living Wage law is complex, and an increasing number of employers are being judged to be committing NMW underpayment crime. Recent naming and shaming by the UK government BEIS reported 139 'rogue' employers.

Confusion surrounds the complexities with flexible benefit schemes, salary sacrifice, employment costs and deductions for the benefit of the employer etc.

SD Worx pay solution offers added value configurable options to help employers gain better assurance that they are not committing NMW underpayment crime based on payroll data relating to time worked and pay.

Automated minimum payments rates facility are also an option for those who pay at minimum pay levels – however, this does not guarantee compliance as minimum pay is about amounts received for time worked, not the pay rate per hour.

The service even extends to options in relation to the voluntary Living Wage rates (sometimes referred to as the Real Living Wage).

The SD Worx pay solution can undertake a real-time minimum pay compliance check on payroll data processed to enable employers to view potential breaches. Be warned, the penalties and implications of failing to pay minimum payments are significant.



- **Holiday Pay**

Under the Employment Rights Act and the Working Time Directive, all workers and employees are entitled to Holiday Pay and leave. UK Law requires that a minimum entitlement of 5.6 weeks paid leave is provided each holiday year (pro-rated for part years). This generally equates to 28 days.

Holiday pay law changed on 6<sup>th</sup> April 2020 in relation to the minimum amount of holiday pay for a week of leave within Great Britain. In most cases where there is an aspect of variable pay, then the minimum holiday pay entitlement is based on 52 weeks of average pay (any weeks with zero pay are ignored). For Northern Ireland the basis remains on a 12-week average of pay.

An SD Worx resource to the government guidance and legislation as it relates to Holiday Pay Entitlement and pay is available at the following link: <https://www.sdworx.co.uk/-/media/sd-worx-uk/resources/sd-worx---holiday-pay.pdf>

- **Off Payroll Working / Deemed Employment / IR35 (Changes for the private sector)**

The proposals to extend Off-Payroll Working rules for large employers in the private sector are going ahead from 6<sup>th</sup> April 2021. This obligates engagers captured by the relevant regulations of those assessed as being in IR35 individuals to be added to payroll, and for amounts other than expenses and VAT to be subject to Tax and National Insurance and reported on the engagers employer PAYE RTI return. 'Deemed employees' are neither workers not employees for other purposes (such as Student Loan, employment rights, statutory payments and in most costs pension obligations).

A separate SD Worx guide is available to those who are impacted by Off-Payroll Working.

Any off-payroll workers need to be identified against Data Item E350 and an engager may require new configurable pay elements to be requested and added to the relevant payroll. For assistance with your project and the setup please do contact SD Worx.

Please note that these requirements have been applicable in the Public Sector since April 2017.


# Tax rates; Tax Changes and New Tax Codes

The Westminster Budget is planned to be held on 3<sup>rd</sup> March 2021

The details for Tax Changes are yet to be confirmed and are subject to budgets for the United Kingdom (Westminster Parliament), the Scottish Assembly and the Welsh Assembly. The application date of any changes has not yet been confirmed and this may be later than the commencement of the new tax year on 6<sup>th</sup> April 2021. For example, in 2020 the changes for Scotland applied from 11<sup>th</sup> May.

## Scottish Tax Rates and Bands (tax code prefix 'S'):

The Scottish Parliament proposed the following change for the 2021/2022 tax year at their budget held on Thursday 28<sup>th</sup> January 2021. The HMRC have confirmed that the new bands are to be applied from 6<sup>th</sup> April 2021.

	(a)2020/2021			2021/2022
<b>Personal Allowance</b>	£ 12,500			£ 12,570
<b>Starter Rate</b>	19% (10%+9%)	£ 1 - £ 2,085		19% (10%+9%) £ 1 - £ 2,097
<b>Basic Rate</b>	20% (10%+10%)	£ 2,086 - £ 12,658		20% (10%+10%) £ 2,098 - £ 12,726
<b>Intermediate Rate</b>	21% (10%+11%)	£ 12,659 - £ 30,930		21% (10%+11%) £ 12,727 - £ 31,092
<b>Higher Rate</b>	41% (30%+11%)	£ 30,931 - £ 150,000		41% (30%+11%) £ 31,093 - £ 150,000
<b>Additional Rate</b>	46% (35%+11%)	Over £ 150,000		46% (35%+11%) Over £ 150,000

(a)The application date for the 2020/2021 tax year was Monday 11<sup>th</sup> May 2020. Until that point the rates and threshold for 2019/202- tax year continued to be used.


## Welsh Rate of Income Tax (Tax Code prefix 'C'):

The Welsh Assembly December 2020 pre-budget has indicated an intention to not vary the Welsh income tax rates from those of the rest of the UK. The HMRC have confirmed that the new bands are to be applied from 6<sup>th</sup> April 2021.

	2020/2021			2021/2022	
<b>Personal Allowance</b>	£ 12,500			£ 12,570	
<b>Basic Rate</b>	20% (10%+10%)	£ 1 – £37,500		<b>20% (10%+10%)</b>	<b>£ 1 - £ 37,700</b>
<b>Higher Rate</b>	40% (30%+10%)	£ 37,501 - £ 150,000		<b>40% (30%+10%)</b>	<b>£ 37,701 - £ 150,000</b>
<b>Additional Rate</b>	45% (35%+10%)	Over £ 150,000		<b>45% (35%+10%)</b>	<b>Over £ 150,000</b>

## Rest of the UK Tax Rates and Bands - England and Northern Ireland (those with no tax code prefix):

The following value have been confirmed as applying from 6<sup>th</sup> April 2021.

	2020/2021			2021/2022	
<b>Personal Allowance</b>	£ 12,500			£ 12,570	
<b>Basic Rate</b>	20%	£ 1 – £37,500		<b>20%</b>	<b>£ 1 - £ 37,700</b>
<b>Higher Rate</b>	40%	£ 37,501 - £ 150,000		<b>40%</b>	<b>£ 37,701 - £ 150,000</b>
<b>Additional Rate</b>	45%	Over £ 150,000		<b>45%</b>	<b>Over £ 150,000</b>

## Tax Code uplift for all UK tax codes (including Scotland and Wales)

The Westminster government and HMRC have yet to confirm the uplift for tax codes for the 2021/2022 tax year. Current information from the Winder financial statement would indicate the following potentially occurring either from 6<sup>th</sup> April 2021 or a later date yet to be announced.

Tax code uplift occur by authority of the [HMRC P9X](#) or if later than the tax year start the HMRC P7X is currently predicated to be:

- Suffix “L” tax codes will be increased by +7 points (+£0)
- Suffix “M” tax codes will be increased by +8 points (+£0)
- Suffix “N” tax codes will be increased by +6 points (+£0)



All other tax code amendments will be notified by the issue of individual HMRC electronic messages / forms P9 or P6.


## Using the right tax code for new employees and completing the start declaration on their first FPS


For the 2021/2022 tax year, the tax code you need to use depends on when they left their previous employer and their starting date with you.

When you enter a start date for a new employee you (the employer) must also complete a starter statement A, B or C (data item T330) even if presented with a P45.


The following tables (applicable for the 2021/2022 tax year) explain what action you need to take but is based on 6<sup>th</sup> April 2021 and subject to change:

### In date P45 received - Employer must obtain a starter checklist declaration from their employee

Date of leaving on P45 (Data Item E086)	Start date (data item E081)	Tax code on P45 (Data Item T320 & T325)	Starter Declaration declared by employee	Starter Declaration to be reported by the employer (Data Item T330)	 Tax code to use (Data Item T000 & T010)
6 April 2021 to 5 April 2022 (21/22)	On or after 6 April 2021	Code other than BR, OT or D prefix whether a C or S prefix tax regime is present or not	Not needed	B (to be declared by the employer)	Use the tax code on the P45 including any C or S prefix tax regime if present
6 April 2020 to 5 April 2021 (20/21)	6 April 2021 to 24 May 2020	Code other than BR, OT or D prefix whether a C or S prefix tax regime is present or not	Not needed	B (to be declared by the employer)	Use the tax code on the P45 including any C or S prefix tax regime if present and add budget increase +7 to any code ending in L, +8 for M or +7 for N - for example S1257L will remain as S1257L (do not carry forward any week1 / month 1 markings from the P45)

Date of leaving on P45 (Data Item E086)	Start date (data item E081)	Tax code on P45 (Data Item T320 & T325)	Starter Declaration declared by employee	Starter Declaration to be reported by the employer (Data Item T330)	 Tax code to use (Data Item T000 & T010)
6 April 2020 to 5 April 2021 (20/21)	On or after 25 May 2020	Code other than BR, OT or D prefix whether a C or S prefix tax regime is present or not	Not needed	B (to be declared by the employer)	Emergency code 1257L including any C or S prefix tax regime if present on a week 1/month 1 basis
Any of above	Any of above	If tax code on P45 is: <ul style="list-style-type: none"> <li>• BR / CBR / SBR</li> <li>• OT / COT / SOT</li> <li>• D0 / CD0 / SD0</li> <li>• D1 / CD1 / SD1</li> </ul>	Not needed	C (to be declared by the employer)	Use the tax code on the P45 including any C or S prefix tax regime if present

**No P45 received or the P45 has a leave date before 6<sup>th</sup> April 2020 – Employer must obtain a starter checklist declaration from their employee**

Employer reports the starter statement the employee has given					
Employee's date of leaving on P45	Employee's start date with you	Tax code on P45	Starter Declaration declared by employee	Starter Declaration to be applied by the employer (Data Item T330 for FPS reporting)	 Tax code to use (Data Item T000 & T010)
No P45 or P45 dated prior to 6 April 2020	On or after 6 April 2021	Not to be used	A	A	1257L
			B	B	1257L on a week 1/month 1 basis
			C	C	BR
			None provided	C	OT on a week 1/month 1 basis

### **P45 received after first payment**

If the student loan indicator is shown on the P45 start deducting student loan repayments, unless you've been told by HMRC to stop, from when the employee started with you.

**HM Revenue & Customs** **Starter checklist**

**Instructions for employers**  
This Starter Checklist can be used to gather information about your new employee. You can use this information to help fill in your first Full Payment Submission (FPS) for this employee. You need to keep the information recorded on the Starter Checklist record for the current and previous 3 tax years. Do not send this form to HM Revenue and Customs (HMRC).

**Instructions for employees**  
As a new employee your employer needs the information on this form before your first payroll to tell HMRC about you and help them set the correct tax code. Fill in this form then give it to your employer. Do not send this form to HMRC. It's important that you choose the correct statement. If you do not choose the correct statement you may pay too much or too little tax. For help filling in this form watch our short guidance video: go to [www.youtube.com/watch?v=...](https://www.youtube.com/watch?v=...)

**Employee's personal details**

1 Last name  Home address

2 First names  Do not enter initials or shortened names such as Jim for James or Liz for Elizabeth.

3 Are you male or female? Male  Female

4 Date of birth DD MM YYYY

5 National Insurance number of Great Britain

6 Employment start date DD MM YYYY

**Employee statement**

7 Choose the statement that applies to you, either A, B or C, and tick the appropriate box.

Statement A	Statement B	Statement C
<p>Do not choose this statement if you're in receipt of a State Works or Private Pension.</p> <p>Choose this statement if the following applies:</p> <p>This is my first job since 6 April and since the 6 April I've not received payments from any of the following:</p> <ul style="list-style-type: none"> <li>• Jobseeker's Allowance</li> <li>• Employment and Support Allowance</li> <li>• Incapacity Benefit</li> </ul>	<p>Do not choose this statement if you're in receipt of a State Works or Private Pension.</p> <p>Choose this statement if the following applies:</p> <p>Since 6 April I have had another job but I do not have a P45. And/or since the 6 April I have received payments from any of the following:</p> <ul style="list-style-type: none"> <li>• Jobseeker's Allowance</li> <li>• Employment and Support Allowance</li> <li>• Incapacity Benefit</li> </ul>	<p>Choose this statement if:</p> <ul style="list-style-type: none"> <li>• you have another job and/or</li> <li>• you're in receipt of a State Works or Private Pension.</li> </ul>
Statement A applies to me <input type="checkbox"/>	Statement B applies to me <input type="checkbox"/>	Statement C applies to me <input type="checkbox"/>

Starter checklist Page 1 HMRC 03/20

### If you have received a tax code from HMRC for this employee

- Continue to use the tax code, and any previous pay and tax information, supplied by HMRC. Do not use the tax code from the P45.

### If you have not received a tax code from HMRC for this employee

- If the figures on the P45 (if dated after 6 April 2021) are incorrect, you should use the corrected figures
- Decide which tax code to use as detailed above
- Adjust the employee's figures to show the total taxable pay and tax to date

### Starter declaration received after first payment

- Add any personal details and store the information
- Do not apply the declaration as HMRC already have start information
- Apply any Student Loan and Postgraduate Loan information if relevant
- If you have received a tax code from HMRC, continue to use the tax code issued by HMRC only.

## HMRC starter checklist completion

The starter checklist is required for completion by all employees whether they present a P45 or not.

If the P45 indicates a Student Loan and that their course finished before the last 6<sup>th</sup> April, then the employee must complete the Student Loan questions to determine the correct Plan Type 1 (default) or Plan Type 2 and whether there is a postgraduate loan deduction to take place.

Employers are permitted to create or use their own version of the form or incorporate the starter checklist questions into employer created induction/new starter documents.

The example or template starter checklist can be downloaded at: <https://www.gov.uk/government/publications/payee-starter-checklist>

It is possible to print blank copies of the forms or employers may email the form for completion by their employees as necessary.

## New Starter Checklist and Student Loans



The student loan questions can be problematical for employees. For April 2021 the questions have been simplified to be clearer, however, employees that have graduated in the current year may not understand that they did not graduate and leave their course before 6<sup>th</sup> April.

### Question 9

A Student or Postgraduate Loan is only to be applied if the NO box is ticked against question 9.

If YES is ticked then there are no student loan deductions to be deducted even if the employee has marked items against question 10.

### Question 10

Question 10 tick				Apply on payroll	
Plan 1	Plan 2	Plan 4	Postgraduate	Student Loan to apply	Postgraduate Loan
				Plan 1	
✓				Plan 1	
	✓			Plan 2	
		✓		Plan 4	
			✓		Yes
✓	✓			Plan 1	
✓		✓		Plan 1	
✓			✓	Plan 1	Yes
	✓	✓		Plan 4	

## Student loans

9 Tell us if any of the following statements apply to you:

- you've not had any Student or Postgraduate Loans
- you're still studying full-time on a course that you're Student Loan relates to
- you completed or left your full-time course after the start of the current tax year, which started on 6 April
- you're already making regular direct debit repayments from your bank, as agreed with the Student Loans Company

If No, tick this box and go to question 10

If Yes, tick this box and go straight to the Declaration

10 To avoid repaying more than you need to, tick the correct Student Loans that you have - use the guidance on the right to help you.

Please tick all that apply

Plan 1

Plan 2

Plan 4

Postgraduate Loan (England and Wales only)

Question 10 tick				Apply on payroll	
Plan 1	Plan 2	Plan 4	Postgraduate	Student Loan to apply	Postgraduate Loan
	✓		✓	Plan 2	Yes
		✓	✓	Plan 4	Yes
✓	✓	✓		Plan 1	
✓	✓		✓	Plan 1	Yes
✓		✓	✓	Plan 1	Yes
	✓	✓	✓	Plan 4	Yes
✓	✓	✓	✓	Plan 1	Yes

An employee may indicate multiple student loan types that apply to them.

As an employer you must only apply one of the Plan types for 1, 2 or 4.

An employee can also have a Postgraduate loan operating as well.


The table to the left indicates which Plan type is to be applied to payroll depending on the items marked against Question 10.

## Student and Postgraduate Loan repayments

The annual thresholds for student and postgraduate loan borrowers are revised annually on 6th April.


**Please note** – only enter a student loan stop notice if you have been issued with an SL2 notice from HMRC. If you are changing loan plan types from 'L1' to 'L2' or 'L2' to 'L1', only enter a start notice (equivalent to SL1 start notice from HMRC) - HMRC SL2 Stop notice will stop any student loan (both plan 1 and 2). Postgraduate loans are identified by the user of type 'LP'. In April 2021 there are plans for a separate threshold applicable to Scottish Type 1 Loans. These will be identified in a different way to the rest of the UK when introduced.

The thresholds are the annual amounts that can be earned before any student loan or postgraduate loan deduction is applied (on a pro-rata basis for the tax period). It is possible to have both student loan and postgraduate loan to be deducted at the same time.

	2020/2021	 2021/2022
<b>Plan 1 Student Loan Threshold</b>	£ 19,390 per annum	<b>£ 19,895 per annum</b>
<b>Plan 1 Student Loan Rate</b>	9%	9%
<b>Plan 2 Student Loan Threshold</b>	£ 26,575 per annum	<b>£ 27,295</b>
<b>Plan 2 Student Loan Rate</b>	9%	9%
<b>Postgraduate Loan Threshold</b>	£21,000	<b>£21,000 per annum</b>
<b>Postgraduate Loan Rate</b>	6%	6%
<b>Plan 4 Scottish Student Loan Threshold</b>	Not applicable as Plan 1 applied	<b>£ 25,000</b>
<b>Plan 4 Scottish Student Loan Rate</b>	Not applicable as Plan 1 applied	9%


## National Insurance Contributions

The following thresholds and limits apply for payments from 6th April 2021 (with prior year values in brackets if different):

 Threshold/limit	Weekly	2 Weekly	4 Weekly	Monthly	Annual
<b>Lower Earnings Limit (LEL)</b>	<b>£ 120</b>	<b>£ 240</b>	<b>£ 480</b>	<b>£ 520</b>	<b>£ 6,240</b>
<b>Primary Threshold (PT)</b>	<b>£ 184 (183)</b>	<b>£ 368 (366)</b>	<b>£ 736 (731)</b>	<b>£ 797 (792)</b>	<b>£ 9,568 (9,500)</b>
<b>Secondary Threshold (ST)</b>	<b>£ 170 (169)</b>	<b>£ 340 (338)</b>	<b>£ 680 (676)</b>	<b>£ 737 (732)</b>	<b>£ 8,840 (8,788)</b>
<b>Upper Secondary Threshold (UST)</b>	<b>£ 967 (962)</b>	<b>£ 1,934 (1,924)</b>	<b>£ 3,867 (3,847)</b>	<b>£ 4,189 (4,167)</b>	<b>£ 50,270 (50,000)</b>
<b>Apprentice Upper Secondary Threshold (AUST)</b>	<b>£ 967 (962)</b>	<b>£ 1,934 (1,924)</b>	<b>£ 3,867 (3,847)</b>	<b>£ 4,189 (4,167)</b>	<b>£ 50,270 (50,000)</b>
<b>Upper Earnings Limit (UEL)</b>	<b>£ 967 (962)</b>	<b>£ 1,934 (1,924)</b>	<b>£ 3,867 (3,847)</b>	<b>£ 4,189 (4,167)</b>	<b>£ 50,270 (50,000)</b>

Please note that due to different rounding rules in relation to Tax versus NICs law, the PT/ST/AUST/UST/UEL for 2/4 weekly is not necessarily a multiple of the weekly values. However, and for this tax year, the LEL & ST are coincidentally multiples of the weekly values. The PT and ST continue to not be aligned.


The following National Insurance Contribution rates apply for payment due from 6th April 2021:

	Primary Contributions (employee)	Secondary Contributions (Employer)		
		Standard	Under 21	Under 25 Apprentice
Below LEL	Nil	Nil	Nil	Nil
LEL to PT	0%	N/A	N/A	N/A
PT to A-UST/UST/UEL	12%			
LEL to ST	N/A	0%	0%	0%
ST to A-UST/UST/UEL		13.8%		
Above UEL	2%			13.8%

A guide to the operation of National Insurance (including Class 1A applicable to Termination and Sporting Testimonials) on SD Worx payroll solutions is available in the Payroll Resources page found at [www.sdworx.co.uk](http://www.sdworx.co.uk).

## National Minimum Wage and National Living Wage

On the 25<sup>th</sup> November 2020, the UK government approved the Low Pay Commission recommendation for the uplifting of minimum pay rates within the United Kingdom – these **new minimum rates apply for pay periods commencing on or after 1st April 2021**. They also announced the qualifying age for National Living Wage would be reduced to 23 years and over.

	For pay periods starting 1 <sup>st</sup> April 2020	 For pay periods starting 1 <sup>st</sup> April 2021
National Living Wage (ages 25 and over)	£8.72	N/A
National Living Wage (ages 23 and over)	N/A	£8.91 (+2.2%)
21-24 year old rate	£8.20	N/A
21-22 year old rate	N/A	£8.36 (+2.0%)
18-20 year old rate	£6.45	£6.56 (+1.7%)
16-17 year old rate	£4.55	£4.62 (+1.5%)
Apprentice rate (1 <sup>st</sup> year only)	£4.15	£4.30 (+3.6%)
Accommodation Offset	£8.20	£8.36 (+2.0%)

National Minimum pay is not about the employee hourly pay rate, but about the hourly rate received after any relevant reductions, and deductions for the benefit of the employer. Important factors are the accurate recording of working time as defined by NMW law and the treatment of certain working expenses, such as 'uniform'. Timing of work and payment is also critical. Some amounts of pay do not count towards NMW pay such as the premium element of overtime. Absence is not counted as working time. It is possible for employees with hourly pay rates above perceived minimums are actually paid below National Minimum Wage.

SD Worx offers value added services that enable employers to reduce their exposure to minimum pay breaches. Employers can identify the elements of time and pay relevant to NMW calculations to identify and prevent potential breaches.


Two facilities are offered which may assist an employer with their minimum pay obligations:

- Automated Pay Rates – where an employer uses the NMW/NLW rates, then these are automatically checked for age and payment point changes and applied. However, this does not ensure compliance with NMW law, only that the starting rates match the NMW rate applicable to the individual.
- Compliance report – subject to correct configuration of time and pay elements, this verifies within the current period whether there is a potentially minimum pay shortfall. This information is based on pay data processed in the current period.

If either or both facilities are a consideration, please contact SD Worx for further information. National Minimum Pay law is complex and is not purely about payment but about the whole workplace processes and practices.


## Statutory Payments

### Statutory Parental Payments (SMP, ShPP, SPP, SAP & SPBP – change on 4 April 2021)

Rates	2020/2021 (for whole weeks commencing from 5 April 2020)	 2021/2022 (for whole weeks commencing from 4 April 2021)
Earnings threshold	£ 120.00 per week	£ 120.00 per week
Standard rate for SMP, ShPP, SPP, SAP, SPBP	£ 151.20 per week or 90% of average weekly earnings (whichever is the lower)	£ 151.97 per week or 90% of average weekly earnings (whichever is the lower)
Higher rate for SMP/SAP	90% of average weekly earnings	90% of average weekly earnings

The **Small Employers Compensation Rate** remains at 3% (on payments made on or after 6 April 2011). The Small Employers Relief (SER) Threshold is £45,000.

## Statutory Sick Pay (change on 6 April 2021)

Rates	2020/2021		2021/2022
Earnings threshold	£ 120.00 per week		£ 120.00 per week
Standard rate	£ 95.85 per week		£ 96.35 per week


## Pensions

This section details changes to pensions that have been announced.

The gov.uk service offers tools for calculating state pension age: <https://www.gov.uk/calculate-state-pension>

## Pension Auto-Enrolment (from 6th April 2021)

The Pensions Regulator (TPR) has confirmed the levels and triggers in relation to Pay Reference Periods (PRP) which start on or after 6<sup>th</sup> April 2021:

Annual values	PRP starting from 6 <sup>th</sup> April 2020		PRP starting from 6 <sup>th</sup> April 2021
Lower level of qualifying earnings	£ 6,240		£ 6,240
Earnings trigger for automatic enrolment	£ 10,000		£ 10,000
Upper level of qualifying earnings	£ 50,000		£ 50,270

Please note that for payments made in the new tax year where the Pay Reference Period commences prior to 6<sup>th</sup> April 2021 (such as 1<sup>st</sup> April 2021), then the 2020/2021 levels and triggers apply and not the new year values. As an option employer may apply the tax period as the Pay Reference Period (PRP).

## HMRC Real Time Information (RTI)

Information and guides on data and payroll requirements under RTI can be found at

<https://www.sdworx.co.uk/en/resources>

<https://www.gov.uk/browse/employing-people/payroll>

Additional guidance is also available for Company Car reporting for those registered with HMRC to voluntarily payroll benefits in kind that are registered with SD Worx specialist service. These reporting options do not apply to involuntary payrolling of benefits (where the employer has not registered with the HMRC online service) or those not utilising the SD Worx Payrolling services.

## Employer Payment Summary (EPS) using Basic PAYE Tools

The Basic PAYE Tools may be used for the filing of the PAYE scheme Employer Payment Summary (EPS) for the following:

- Indicating that the employer is claiming the Employment Allowance (EA) along with the industry type for Diminimus State Aid considerations

EPS filing is not part of SD Worx Payroll Services but is available as an additional value-added service.

- Reclaim of recoveries and offset values against NIC and Tax
- Reporting Apprenticeship Levy
- Confirming completion of the tax year

## Voluntary Payrolling of Benefits In Kind (BIK)

### How to Payroll a Benefit with SD Worx

SD Worx systems has a long history of offering facilities for the payrolling of benefits in kind. However, involuntary payrolling did not remove the employer obligation for the provision of the P11D form (to either the employee or HM Revenue & Customs) or Class 1A NICs reported on the P11D(b).

For employer considering formally payroll for the first time, then prior to the start of the new 2021/2022 tax year (latest 5<sup>th</sup> April 2021), employers may register those benefits which are to be voluntary payrolled and no longer reported on form P11D either in paper or electronic format for the 2021/2022 tax year. This registration is not retrospective or applicable for the 2021 submission of P11D.

By the use of notional amounts, the periodic benefits values may be presented to SD Worx payroll as: Non-Payable, Taxable, Non-NIable, Non-AEOable, Non-Pensionable and non-QE, Benefit In Kind etc.

Class 1A NICs on BIKs remains reportable through an adjustment on the employers P11D(b) with payment required by the Class 1A payment date in July following the closing of the tax year. The Class 1A real time payment facilities used for Termination and Sporting Testimonial Payments cannot be used to account for benefit Class 1A - HMRC do not permit it to be! However, SD Worx can optionally facilitate the accumulation of notional accounting values which is based on 13.8% of the BIK value subject to Class 1A as an optional non-standard facility.

However, please be warned, prior agreements whereby HMRC accepted lists of benefits payrolled as an alternate to real P11D reporting were rescinded in April 2016.

Where a SD Worx payroll pay element is properly set, all the related impacts on the calculation of Tax, Class 1 NICs and the reporting of BIK items on the Real Time Information (RTI) Full Payment Submission (FPS) will be appropriately fulfilled.

What the employer who wants to payroll benefits needs to consider:

- Contact SD Worx to ascertain what options are available and any potential associated cost implications
- Do the initial registration with HMRC for selection of this as an option
- When able to (and before 6th April of the applicable tax year) - register the individual relevant benefits using the HMRC service
- Notify SD Worx of the relevant new pay elements and their settings (i.e. Non-Payable, Taxable, Non-NIable, BIK, Non-AEO, Non-QE and Pensionable etc.
- Provide the benefits amount required by the payroll

HMRC publish the following information on the calculation of the benefit for payrolling:

## How to payroll benefits and expenses

*You collect the tax due on benefits and expenses by adding a notional value to your payroll, rather than reporting them separately on a P11D.*

*Before making the first main relevant payment to an employee in a tax year you need to calculate the cash equivalent of the benefit. You then need to determine the number of payments to be made to the specified employee in the tax year (weekly, fortnightly, monthly etc.) and divide the cash equivalent by the total number of payments to be made. The resulting amount is the taxable value of benefit which should be added to the payroll each pay cycle as a notional value. Then deduct or repay tax as usual by reference to the employee's code, even if this is the subject of an objection or appeal.*

*Further technical guidance will follow publication of the PAYE regulations.*

**Q** So can you payroll benefits on the SD Worx payroll?

**A** Of course, you can and always have been able to - payrolling is not new and many clients already use it. What is new is the option to no longer report that item on the P11D by registering with HMRC.

**Q** So if we fail to register prior to 6th April 2021 - can we still payroll benefits?

**A** The simple answer is yes, what you must also do though is continue to report that benefit on the P11D as not registering with HMRC means that you are not let off the hook for that legal requirement. This must be in the format of a P11D and not an alternative list as those are now removed.

**PLEASE NOTE THAT THIS RELATES TO THE P11D SUBMISSION FOR 2022 (the 2021/2022 tax year) AND NOT 2021 (for the 2020/2021 tax year). REGISTRATION BY THE EMPLOYER WITH HMRC MUST TAKE PLACE PRIOR TO 6TH APRIL 2021.**

<https://www.sdworx.co.uk/en/solutions/payroll-reward/specialist-payroll>

<https://www.gov.uk/government/publications/payrolling-benefits-in-kind-draft-guidance/payrolling-benefits-in-kind>



Guidance

**Payrolling Benefits in Kind**

# Additional resources

HMRC are encouraging employers to provide links and encourage their use to employees, SD Worx have included several links for employee use both within various self-service / portal solutions and also on the payroll resources page.

These can be also be found at <https://www.sdworx.co.uk/en/resources/tools/payroll-resources>

With the introduction of different Scottish tax bands and tax rates, it is essential that employees who cross borders ensure that HMRC have their latest home address. This can be checked by individuals using the GOV/HMRC provided Personal Tax Account. Equally other government provided resources are available to employees:

- HMRC Personal Tax Account: <https://www.gov.uk/personal-tax-account>
- Notification to HMRC of change in personal circumstances: <https://www.tax.service.gov.uk/shortforms/form/PAYENICoC>
- Self Assessment: <https://www.gov.uk/self-assessment-forms-and-helpsheets>
- Calculate State Pension: <https://www.gov.uk/state-pension-age>
- Calculate statutory redundancy pay: <https://www.gov.uk/calculate-your-redundancy-pay>
- Apply for, renew or update a UK passport online: <https://www.gov.uk/apply-renew-passport>
- Driver Vehicle Licensing Authority: <https://www.gov.uk/government/organisations/driver-and-vehicle-licensing-agency>
- Holiday Entitlement: <https://www.gov.uk/calculate-your-holiday-entitlement>

## Disclaimer:

– the information provided does not constitute financial or taxation advice. The views expressed are the opinions of their author based on information and facts applicable at the time of publication. Some views will be expressed in relation to future legislation which may still be subject to parliamentary approval and subject to change.