UK Pay:
Updates from the

- UK
- Scottish &
- Welsh

  Governments

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Welcome

Agenda & Introductions

- Background
- Tax (Rest of UK)
- Devolved Tax (Off Budget)
- National Insurance
- Statutory Payments
- Student Loans
- National Minimum Pay
- Hours on Payslips
- New employment rights

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P Simon Parsons

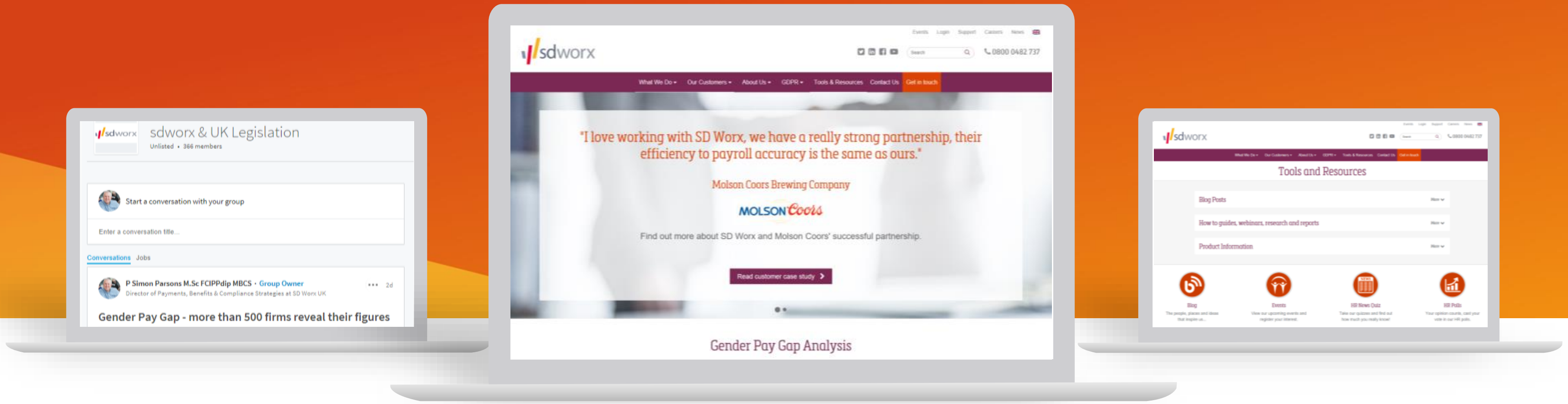
- Honorary Chairman, BCS Payroll Specialist Group (The Chartered Institute for IT)
- Chair, IReeN the electronic exchange with government user network

Sits on:

- HMRC: JISG; EPG, BIB
- HMRC/DWP/BEIS: SPCG
- HMRC/BEIS/SLC: CSL
- Pension PIP and Pension BIB

Online Resources

Available on SDWorx.co.uk



PAYROLL

Full library of payroll and RTI resources online to compliment our Payroll technology

HR

Monthly HR quizzes, blogs and HR polls

TIME

Our time platform manages your rostering & scheduling; boosting productivity, increasing sales and improving customer service

GLOBAL

We fully manage international payrolls & administration; ensuring efficiency, compliance & accuracy across 90+ countries

Integrity | Smart Cooperation | Passion | Innovation | Results Driven

HM Treasury

Autumn
Budget 2018

'A budget that shows the perseverance of the British people finally paying off…'

Background

Tax and Pay

31 Million Fall under PAYE

- 18m Male
- 13m Female

25.6 Million Pay Basic Income Tax at Basic Rate

The Treasury believes a third of people claiming self-employed status as a “personal Service Company” are actually full employees and should pay more tax

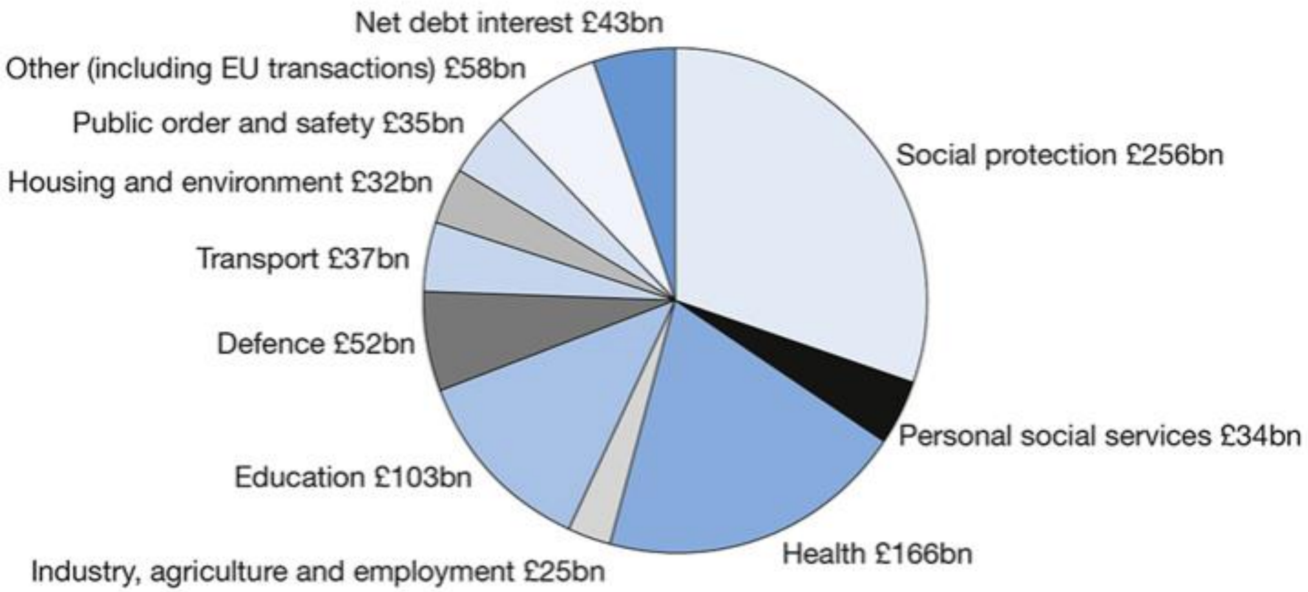
Autumn Budget 2018

Manifesto & Other Pledges

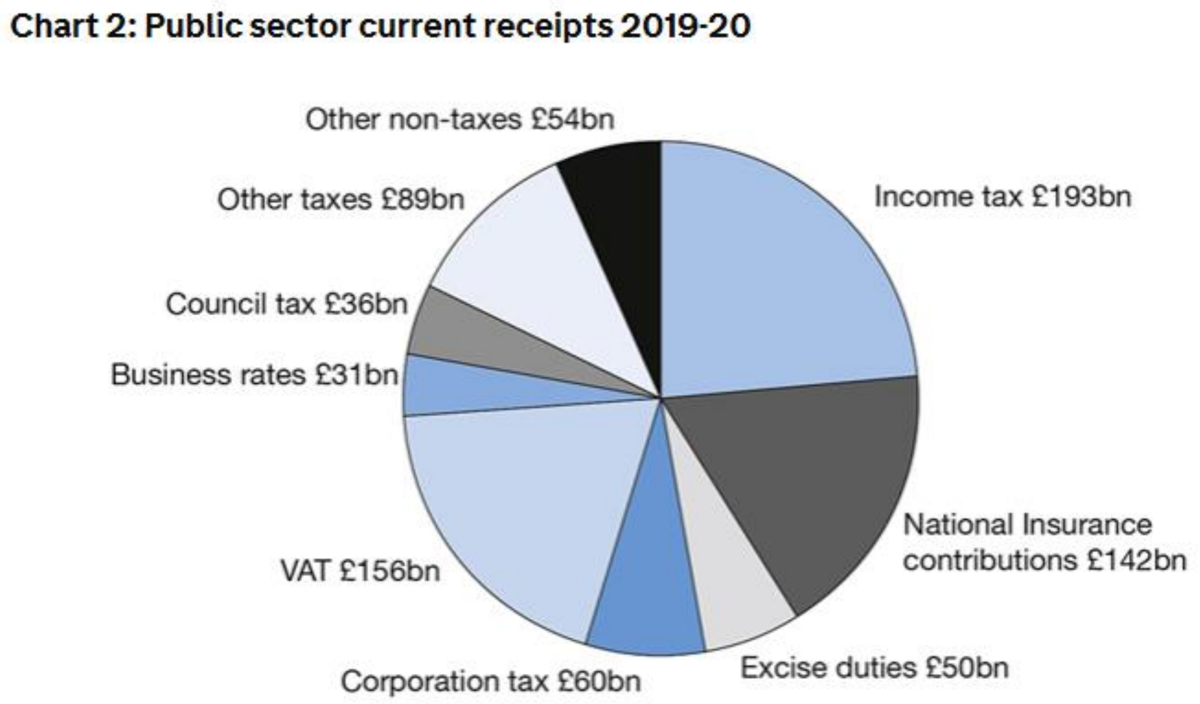
- Personal Allowance - £12,500 by 2020/2021
- Higher rate threshold - £50,000 by 2020/2021
- NHS +£20bn by 2023
- Fuel duty frozen for 9th year

Public Expenditure

Chart 1: Public sector spending 2019-20



Where does the money come from?



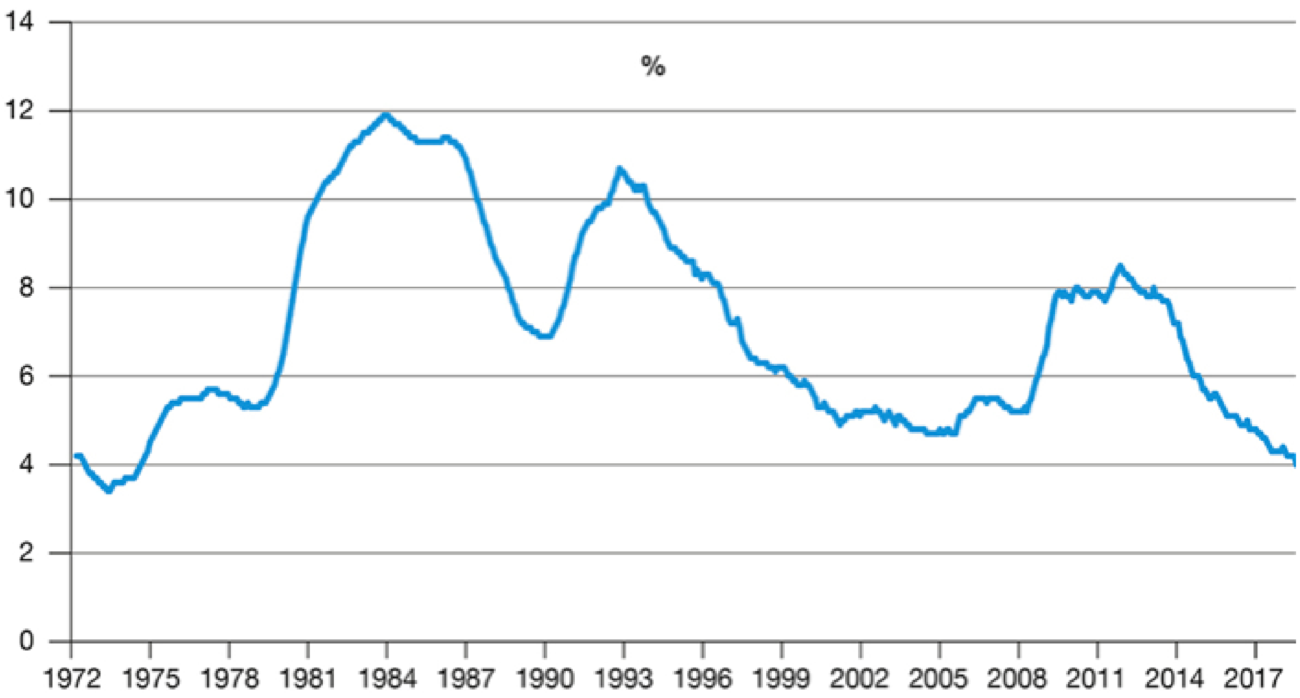
UK Unemployment

Unemployment Rate – Lowest for 40 Years

+3.3 Million Jobs Since 2010

Forecast of further +800,000 by 2020

Chart 1.2 Unemployment rate (16+)



Source: Office for National Statistics.

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Payroll and Benefits

TAX

- – Personal Allowance
- – Tax Code uplift
- – Bands
- – Rates

‘But our careful management of the economy

allows me to go further:

So I will raise both the Personal Allowance and the Higher Rate

Threshold ….from April 2019…

…delivering our manifesto commitments one year early.

A tax cut for 32 million people…’

Phillip Hammond, Chancellor of the Exchequer

Allowances	
Personal Allowance	£12,500
Higher Rate threshold	£50,000
Marriage Allowance (transferable allowance)	£1,250
Married Couple Allowance	£8,915 (min £3,450)
Blind Persons Allowance	£2,450

2019 to 2020 Impacts

‘will take 499,000 individuals out of income tax’

‘will take 479,000 individual out of higher rate’

rUK Tax (England & Northern Ireland)

Tax bandwidths and rates		
Basic rate	20%	£1 – £37,500
Higher rate	40%	£37,501 – £150,000
Additional rate	45%	£150,001 and above

Basic Higher Additional

HMRC Issued P9X

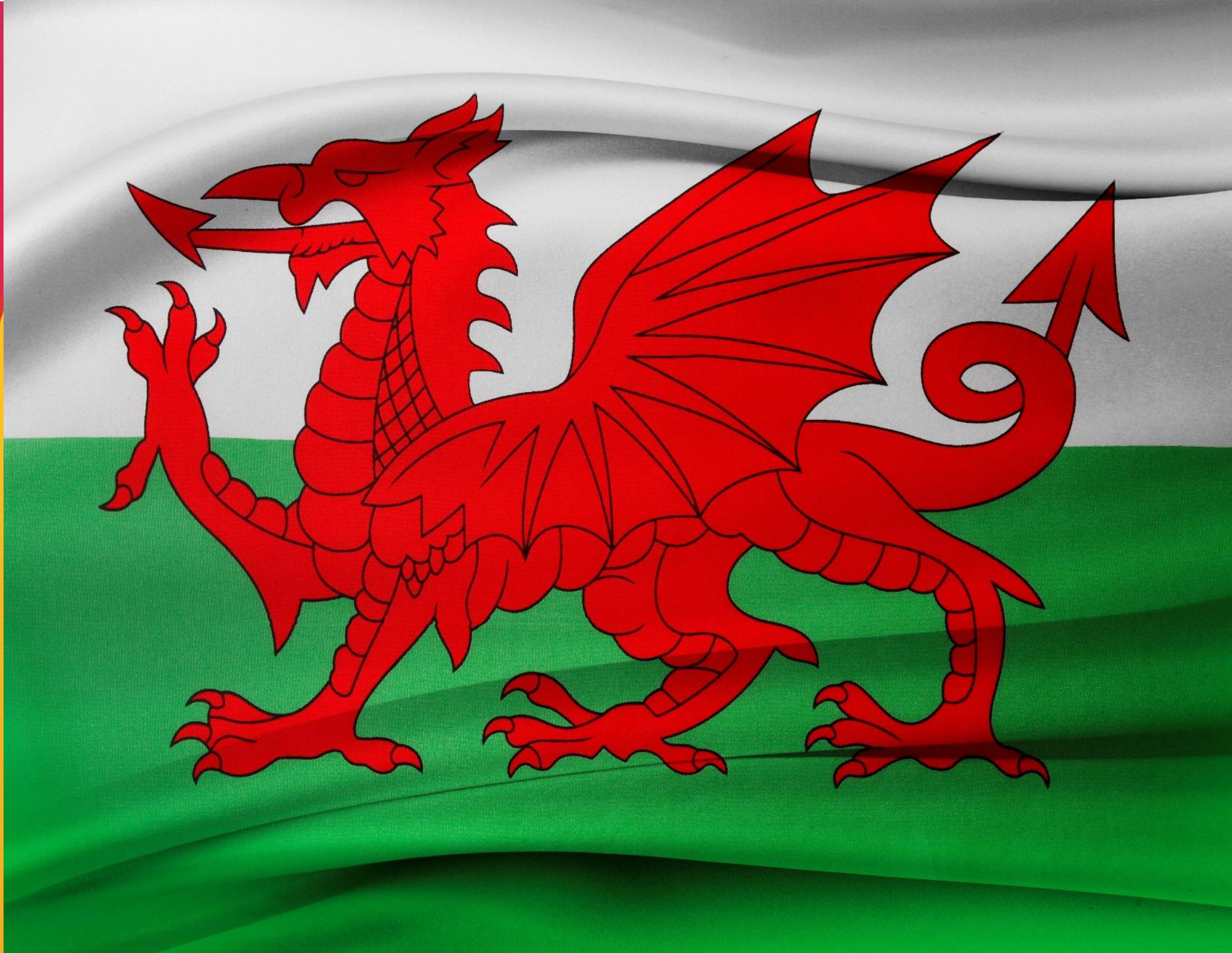
The following values apply from 6th April 2019	
Income Tax Personal allowance	£12,500
Tax Code Uplift suffix code ‘L’	+65
Tax Code Uplift suffix code ‘M’	+71
Tax Code Uplift suffix code ‘N’	+59
Code for emergency use:	1250L
Weekly Lower Earnings Limit	£118

Devolved Tax

Wales & WRIT

Wales opportunity to vary the tax rates of the rUK bands

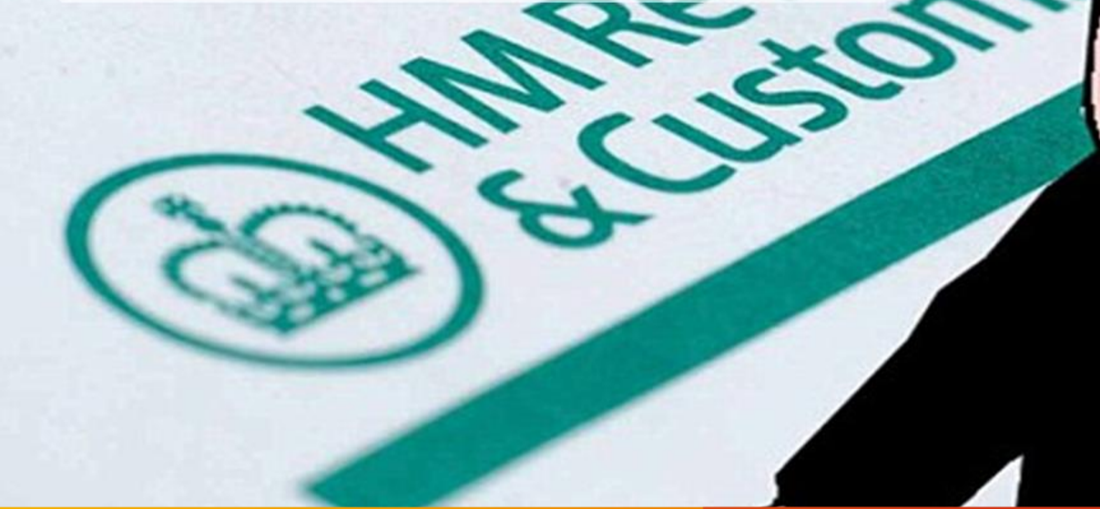
The Welsh Government proposes to set the first Welsh rates of income tax at 10p: this means the rates of income tax paid by Welsh taxpayers will continue to be the same as those paid by English and Northern Irish taxpayers.



WRIT – The Payroll Facts

Welsh Assembly can only set the Tax Rates
Unlike the Scottish, they have no authority to set bands and thresholds (yet!)

Who decides someone is a Welsh Taxpayer?



Welsh Rate of Income Tax (WRIT)

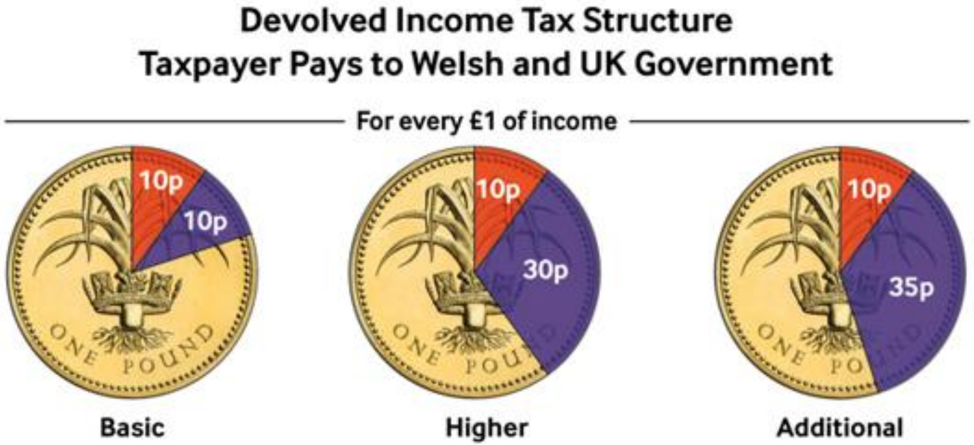
Tax Code prefix = C

Cymru

[ˈkʌmri]

DEFINITION

Welsh name for Wales.



Welsh Tax

Personal Allowance £12,500 | Higher rate threshold £50,000

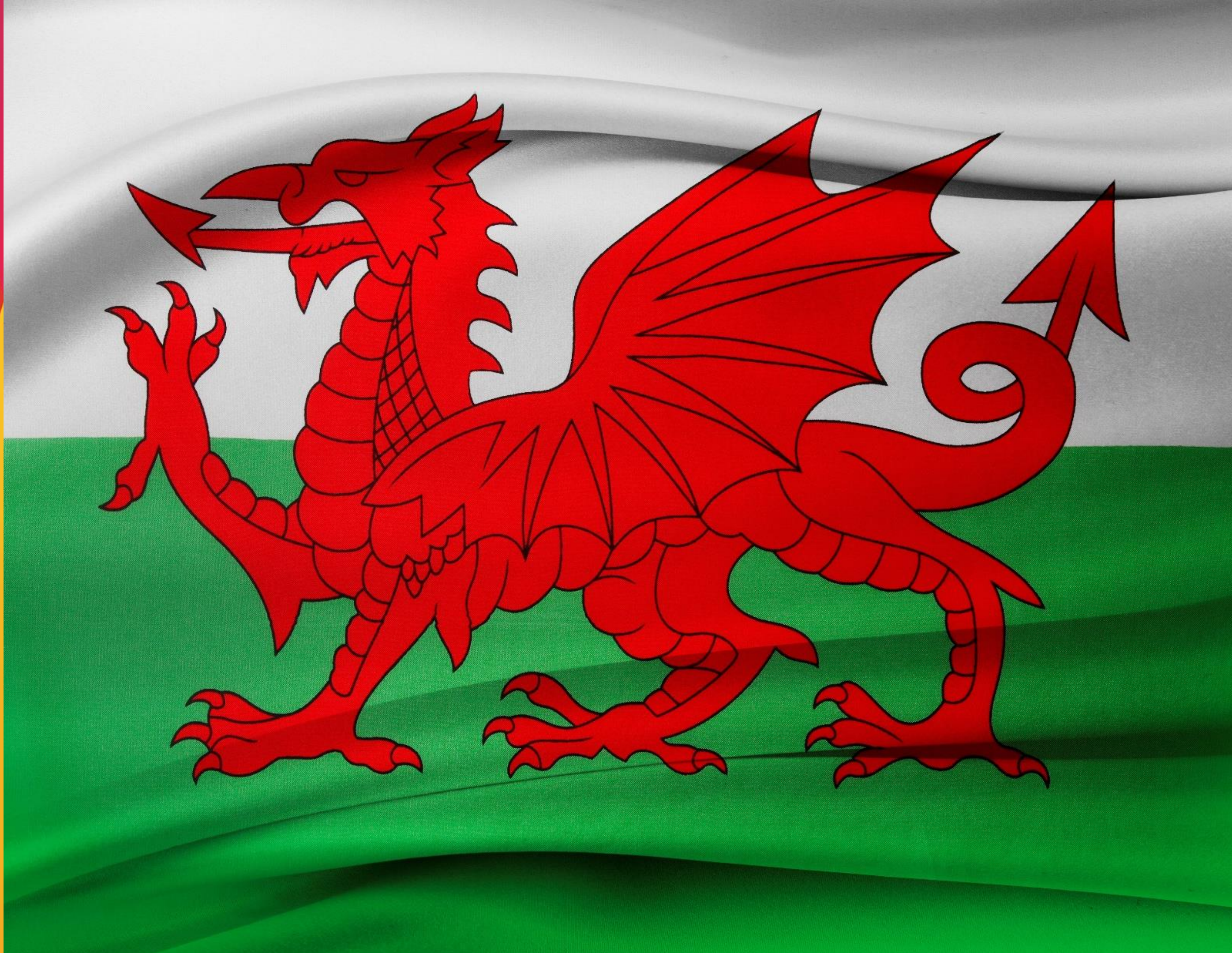
Tax bandwidths and rates		
Basic rate	10%+10%=20%	£1 – £37,500
Higher rate	30%+10%=40%	£37,501 – £150,000
Additional rate	35%+10%=45%	£150,001 and above

WRIT – The Payroll Facts

Welsh tax status will apply to the full tax year.

A welsh school leaver or a new employee without P45 cannot declare themselves to be a Welsh Taxpayer

(Even in they live and work in Wales)



Wales & WRIT/ RTI

FPS submission reports field 55a with value ‘C’ where Welsh Income Tax is being operated.

Payroll Changes For WRIT

Ability to:

- apply the C prefix for tax codes (similar to S for Scotland) – these will be issued in February onwards for 6th April effective date
- calculate WRIT if different to rUK (England & Northern Ireland)
- RTI the C prefix (change to FPS)
- Print / Display:
  - Payslip
  - P45
  - P60

Scotland & SRIT

Scottish government outlined its budget tax proposals on 12th Dec 2018 (maybe this time in won’t change in February this time!)

This is Scotland's opportunity to further:

- Vary the tax bands further
- Vary the tax rates

Scotland & SRIT/ RTI

FPS submission reports field 55a with value ‘S’ where Scottish Income Tax is being operated.

Scottish Tax – proposed bands

(Tax Regime 'S')

Personal Allowance £12,500

Tax bandwidths and rates		
Starter rate	19%	£1 - £2,049
Basic rate	20%	£2,050 – £12,444
Intermediate rate	21%	£12,445 - £30,930
Higher rate	41%	£30,931 – £150,000
Additional rate	46%	£150,001 and above

Scotland & Earnings arrestments

Reminder that Scottish Earnings Arrestments (Diligence) are revised from April 2019

ACCOUNTANT IN BANKRUPTCY
SCOTLAND'S INSOLVENCY SERVICE

Scotland & Earnings arrestments

TABLE A: DEDUCTIONS FROM WEEKLY EARNINGS

Net earnings	*Deduction**
Not exceeding £122.28	Nil
Exceeding £122.28 but not exceeding £442.00	£4.00 or 19% of earnings exceeding £122.28, whichever is the greater
Exceeding £442.00 but not exceeding £664.50	£60.75 plus 23% of earnings exceeding £442.00
Exceeding £664.50	£111.92 plus 50% of earnings exceeding £664.50

Scotland & Earnings arrestments

TABLE B: DEDUCTIONS FROM MONTHLY EARNINGS

Net earnings	*Deduction**
Not exceeding £529.90	Nil
Exceeding £529.90 but not exceeding £1,915.32	£15.00 or 19% of earnings exceeding £529.90, whichever is the greater
Exceeding £1,915.32 but not exceeding £2,879.52	£263.23 plus 23% of earnings exceeding £1,915.32
Exceeding £2,879.52	£485.00 plus 50% of earnings exceeding £2,879.52

Personal Allowance Reduction
High earners (all UK)

£12,500 ‘Personal Allowance is reduced by £1 for every £2 earned over £100,000’.

Please note that this is not allowed as part of the payroll PAYE calculation, but governed by HMRC and the individual

Payroll tax must apply any free pay shown by the tax code.

Pensions & savings

2019/2020 Lifetime allowance for pensions – increase to £1,055,000.

Starting rate for savings - kept at current £5,000 for 2019-20.

Individual Savings Account (ISA) annual subscription limits remain unchanged at £20,000.

Junior ISAs for 2019-20 uprated to £4,368.

National insurance

National Insurance Bands

The following thresholds and limits apply for payments from 6th April 2019

Threshold / limit	Weekly (£)	2 Weekly (£)	4 Weekly (£)	Monthly (£)	Annual (£)
LEL	118	236	472	512	6,136
PT	166	332	664	719	8,632
ST	166	332	664	719	8,632
UEL	962	1,924	3,847	4,167	50,000
UST	962	1,924	3,847	4,167	50,000
AUST	962	1,924	3,847	4,167	50,000

National Insurance Rates –Employee (primary)

There are no changes to the rates that apply to any NI letter contribution.

	A	B	C	H	J	M	Z
LEL – PT	0%	0%	0%	0%	0%	0%	0%
PT - UEL	12%	5.85%	0%	12%	2%	12%	2%
Above UEL	2%	2%	0%	2%	2%	2%	2%

National Insurance Rates –Employer (secondary)

There are no changes to the rates that apply to any NI letter contribution.

	A	B	C	H	J	M	Z
LEL – PT	0%	0%	0%	0%	0%	0%	0%
PT - UEL	12%	5.85%	0%	12%	2%	12%	2%
Above UEL	2%	2%	0%	2%	2%	2%	2%

Employment Allowance Changes for April 2020

Announced that the £3,000 employment allowance will in future be focussed towards smaller businesses.

From April 2020 it will be restricted to employers with an annual NIC bill below £100,000 in the prior tax year.

Government indicate that 99% of micro-businesses and 93% of small businesses will still be eligible for the £3,000 employment allowance.

Statutory Payments

– Statutory Sick Pay (SSP)

– Statutory Maternity Pay (SMP)

– Statutory Adoption Pay (SAP)

– Statutory Paternity Pay (SPP)

– Shared Parental Pay (ShPP)

– Parental bereavement leave and pay (new for Apr 2020)

Earnings Test Threshold & Statutory Sick Pay

Earnings Threshold for all new rates £118.00	
SSP Effective date	6th April 2019
SSP Weekly Rate	£94.25 (£92.05)
Percentage Threshold Scheme	0% (no longer exists)

Statutory Parental Payments (SMP/SAP/SPP/ShPP)

Effective date	Sunday 7th April 2019
SMP/SAP Higher Rate	(6 weeks) 90% of AWE
SMP/SAP Lower Rate	(33 weeks) £146.68 (£145.18) or 90% if less
SPP Rate	(2 weeks) £146.68 (£145.18) or 90% if less
ShPP Rate	(up to 39 weeks) £146.68 (£145.18) or 90% if less

Statutory Parental Payments - Recoveries

No change	
Effective date	6th April 2011
Standard recovery	92%
Class 1 NICs threshold for SER	£45,000
SER recovery	100%
Compensation	3.0%

Pensions & Savings

– Tax Relief

– Minimum Contributions

– Lower Threshold?

– Contribution Threshold?

– Upper Threshold?

Net Pay Arrangement and Relief At Source

Since April 2018 the pension scheme can only reclaim the Relief At Source that relates to the employee tax status in relation to devolved government:

- England, Northern Ireland basic rate 20%
- Scotland fortunately retained basic rate at 20%
- Wales basic rate 20%

Although this may be seen as a Pension Administrator issue, some employers reduce the employee contribution deductions by 20%.

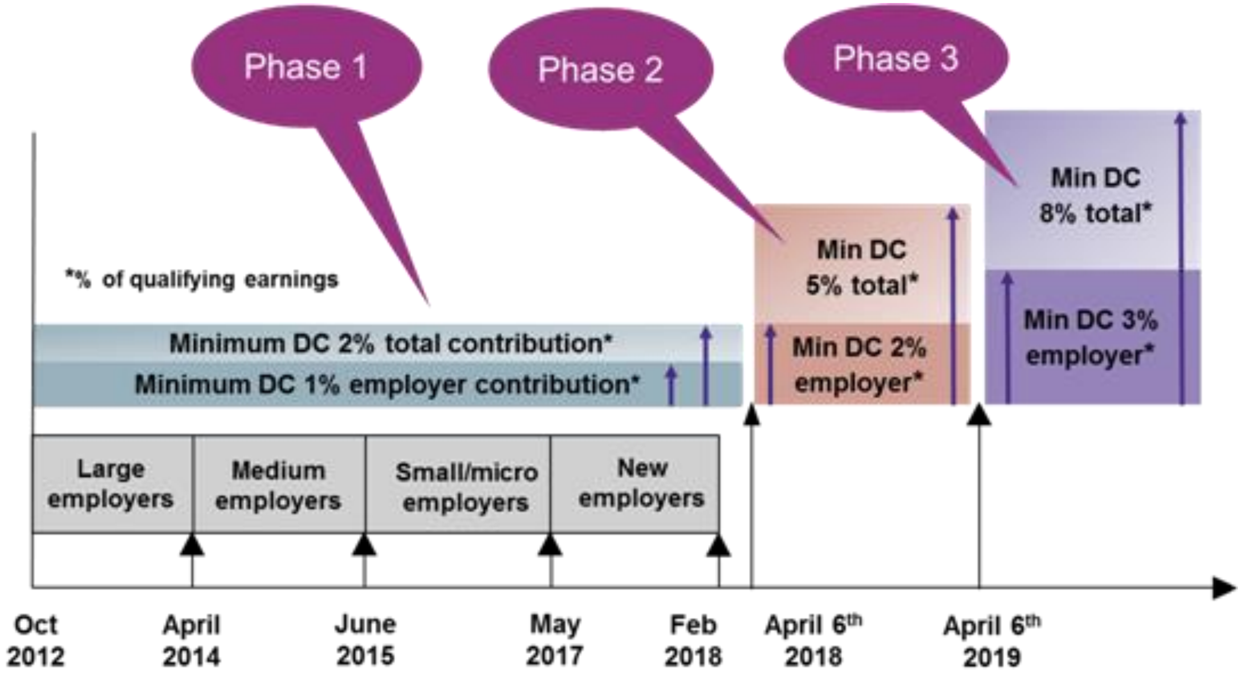
If the rate varies in future? What about legal minimum contributions?

Auto Enrolment Thresholds from 6th April 2019

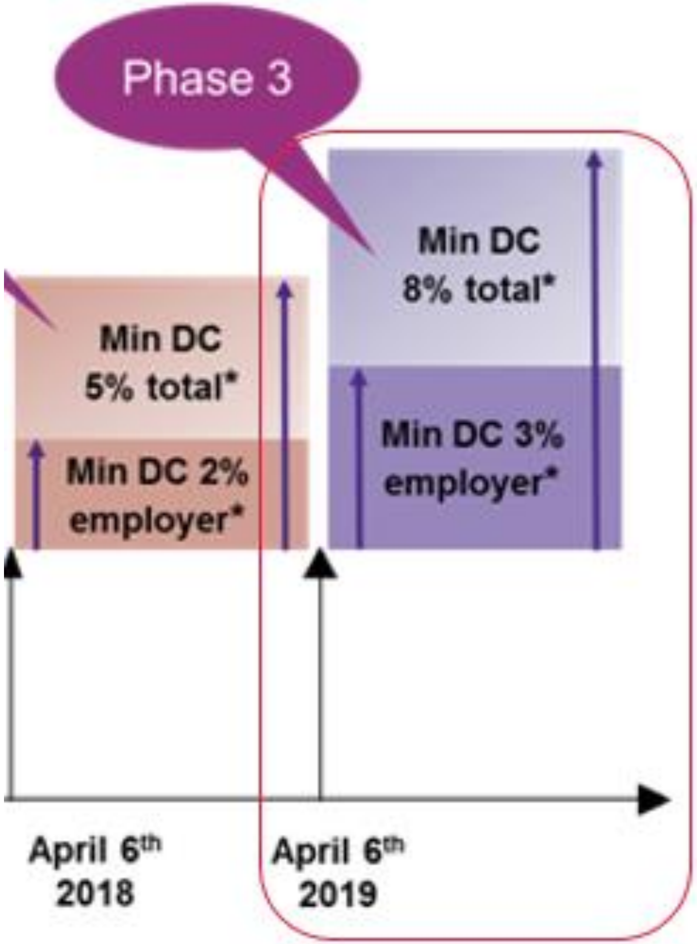
Thresholds for 2019/2020

	Trigger	Lower limit qualifying earnings band:	Upper limit qualifying earnings band
Potential (2019/2020)	£10,000	£6,136	£50,000
Current (2018/2019)	£10,000	£6,032	£46,350

Phasing of minimum Contributions



Phase 3 minimums 6th April 2019



Phasing of minimum Contributions

So you the employer must:

- Review your employer provided pension scheme
- Review your contribution rules
- Inform your payroll provider of any revised contribution rules
- Ensure that the relevant Statutory Minimum is met
- Certify to The Pension Regulator your continued qualifying status

Will you master Post Graduate Student Loans

Deductions commence from 6th April 2019 onwards

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So – Student Loans thresholds and rates

Date	Plan Type 1 Threshold	Plan Type 1 Rate	Plan Type 2 Threshold	Plan Type 2 Rate	Postgraduate Threshold	Postgraduate Rate
6 April 2017	£17,775	9%	£21,000	9%	**£21,000**	0%
6 April 2018	£18,330	9%	£25,000	9%	**£21,000**	0%
6 April 2019	**£18,935**	**9%**	**£25,725**	**9%**	**£21,000**	**6%**

Payroll Impacts of PGL deductions

Employees may have a liability to repay a Student Loan type and Postgraduate Loan concurrently and employers deduct both Postgraduate and Student Loan deductions

HMRC are revising the:

- The New Starter Checklist (including the ExPat Version)
- P60
- Form P45 is under consideration

PGL1 and PGL2 introduced (paper and electronic. Run alongside SL1 and SL2 (Each loan type will be started and stopped in its own right)

Payroll Impacts of PGL deductions

Ability to handle PGL RTI exchanges (start PGL1 and stop PGL2)
Calculation of PGL (alongside any SL, if any)
Appropriate prioritisation with AEOs/EAs

At the end of each tax year your employer confirms with HMRC how much student loan you have repaid that year.

National Minimum Pay
1st April 2019

National Minimum Wage

- Apprentice **£3.90** (£3.70) +5.4%
- 16-17 **£4.35** (£4.20) +3.6%
- 18-20 **£6.15** (£5.90) +4.2%
- 21-24 **£7.70** (£7.38) +4.3%

National Living Wage (age 25 and above)

- **£8.21** (£7.83) +4.9% benefits around 2.4 million worker

Accommodation offset **£7.55** (£7) +7.9%

National Minimum Pay: Misunderstandings

Premiums do not count (Overtime)

The minimum rate may relate to a pay period being paid, not when worked

For the benefit of the Employer deductions reduce earnings

AEO/EA admin fees (£1) reduce earnings

Pay averaging problems – there are more than 52 weeks in a year so week x 52 / 12 may not work   (try week x 52.17 / 12)

National Minimum Pay: Uniform

	Deduction by employer	Payment from worker to employer	Payment from worker to third party
Employer requires uniform	Reduces minimum wage pay	Reduces minimum wage pay	Reduces minimum wage pay
No uniform requirement	Reduces minimum wage pay (unless paid to the third party)	Does not reduce minimum wage pay	Does not reduce minimum wage pay

"It's a criminal offence for employers to not pay someone the National Minimum Wage or National Living Wage, or to fake payments records"

GOV.UK

Penalty

The penalty for non-payment is:

- 200% of the amount owed unless the arrears are paid within 14 days
- Maximum fine for non-payments is £20,000 per worker

Employers who fail to pay will be banned from being a company director for up to 15 years.

So what else is impacting Payroll?

Living Wage Foundation

5th November 2019

Living Wage	£9	(£8.75)
London Living Wage	£10.55	(£10.20)

A Living Wage employer has 6 months to implement from the announcement

Hours on Payslips (April 2019)

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The Employment Rights Act 1996 (Itemised Pay Statement) (Amendment Order 2019)

"where the amount of wages or salary varies by reference to time worked', the total number of hours worked in respect of the variable amount of wages or salary either as –

(i) a single aggregate figure, or
(ii) Separate figures for different types of work or different rates of pay."

Your Payroll & Hours

Hours breakdown – may already be a standard feature:

- Printed payslips
- And available to the user via online payroll documents

Do and do you use these facilities?

The Challenges with Pay Hours?

Hours and overtime premiums – how do you pay them?

- Cash only (where are the hours)
- Hours times a premium rate (no problem)
- Or multiplied hours at standard rates (so the hours are not really hours paid)

And what about hours use with holiday and sickness?
And hours not paid that count?

The Challenges with Pay Hours?

So 10 @ time and a half @£10
How do you process?
1 - 10.00 @ £15.00 = £150.00

2 - 15.00 @ £10.00 = £150.00
Or
3 - £150.00

BEIS consultation

Pay Frequencies for salaried:

- Monthly & Weekly accepted
- What about
  - 2 – Weekly
  - 4 – Weekly
  - Quarterly
  - Etc

Salary Sacrifice!

Department for Business, Energy & Industrial Strategy

NATIONAL MINIMUM WAGE: CONSULTATION ON SALARIED WORKERS AND SALARY SACRIFICE SCHEMES

https://beisgovuk.citizenspace.com/lm/salaried-hours-work-and-salary-sacrifice-schemes/

Good Work Plan

Progression of the Taylor Report proposals

Integrity | Smart Cooperation | Passion | Innovation | Results Driven

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Terms and conditions of employment

The Employment Rights (Employment Particulars and Paid Annual Leave) (Amendment) Regulation 2018

Laid before parliament 17th December 2018

Coming into force 6th April 2020

1. Day 1 right to written particulars of employment (previously 2 month right)
2. Working Time Regulations 1998 entitled worker to paid annual leave: Where a worker has been employed .. For at least 52 weeks, the reference period is increased from 12 to 52 weeks. For zero weeks then the weeks taken into account can extend by up to 104 weeks before the beginning of the leave.

Holiday Pay
April 2020
52 week average

General Data Protection: Lawful Basis

The following is a list of a few of the 'lawful basis' examples within the UK:

- Wages / salary record (also overtime, bonuses and expenses): 6 years: Taxes Management Act 1970
- Income tax and NI records: Not less than 3 years after the end of the financial year: The Income Tax (Employments) Regulations 1993 (SI 1993/744) as amended.
- National Minimum/Living Wage: 3 years after the end of the pay reference period: National Minimum Wage Act 1998
- Working time record: 2 years: The Working Time Regulations 1998 (SI 1998/1833)

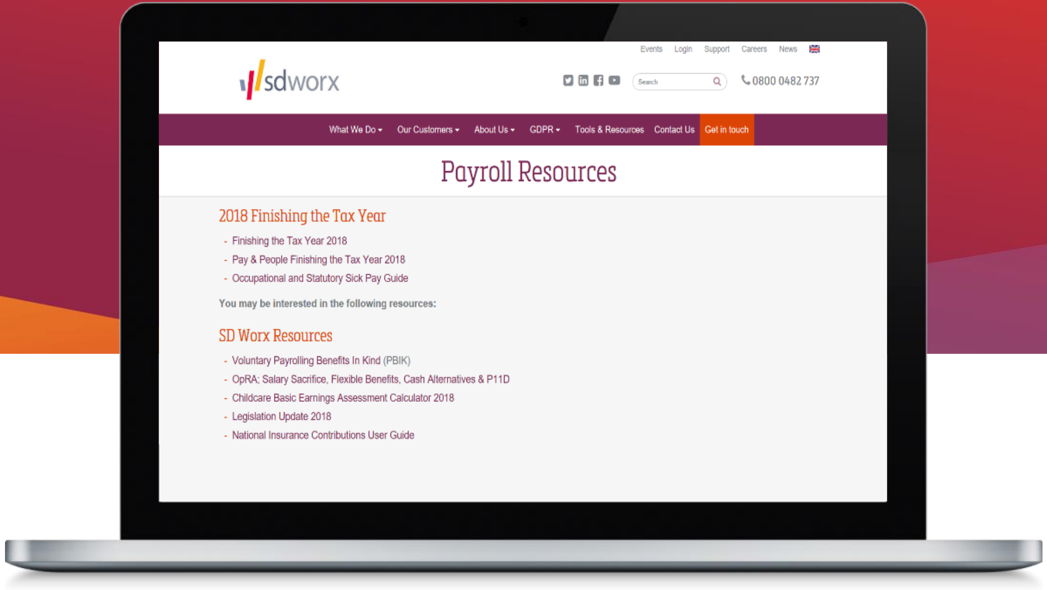
Right to be forgotten / Data deletion!

Don't implement data deletion or change policies as a result of new GDPR processes which would breach the 'lawful basis' requirements.

You could find yourselves in trouble with national tax collectors and immigration departments if you don't retain records required by law.

Payroll Resources

Sdworx.co.uk/tax-year-end



Questions?

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