

2026 Payroll Workout

Part 1 – The Headlines



Welcome

UK Budget 2025

Headlines

Income Tax

Scotland

Student Loans headlines (book part 5)

Minimum Wage headlines (book part 3)

Statutory Payments (book part 4)

Employment Rights Bill headlines (book part 2)



P Simon Parsons MSc FCIPPdip MBCS – SD Worx Director of UK compliance Strategies

 simon.parsons@sdworx.com

 [@PSimonParsons](https://twitter.com/PSimonParsons)

 [P Simon Parsons](https://www.linkedin.com/in/simonparsons)

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

- HMRC: RBSG; EPG, BIB
- HMRC/BEIS/SLC: CSL
- Pension PIP and Pension BIB

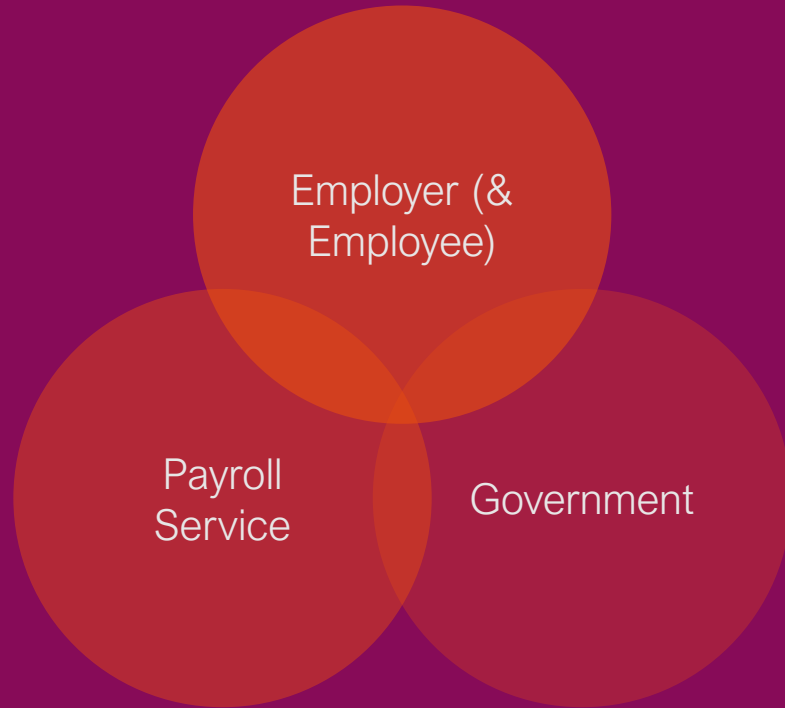


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pals@sdworx.com

Thinking & acting outside in. Agility. Connecting.



Customers



Educate



Risk



Compliance



Prioritise



Opportunity

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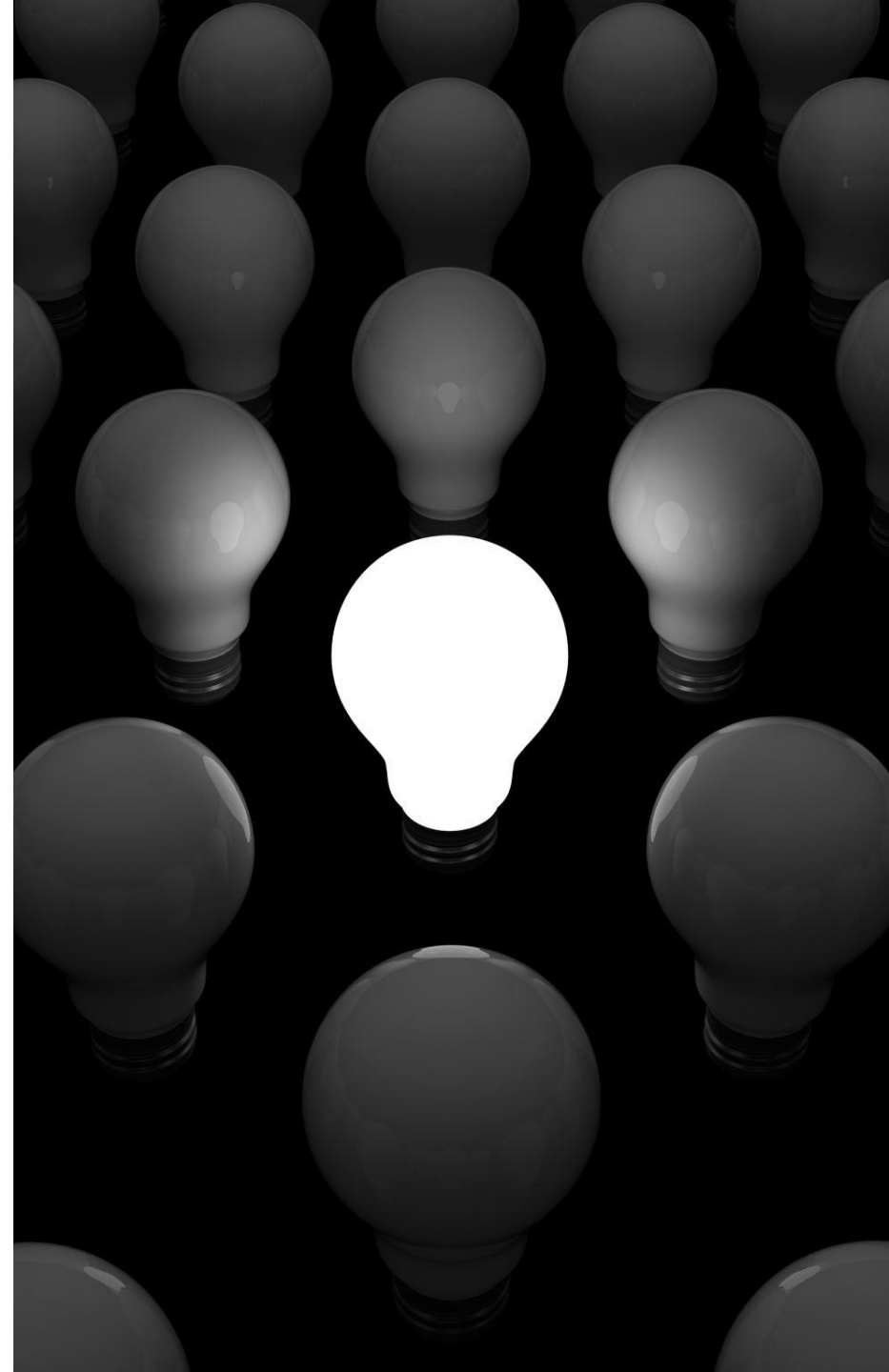
Part 6 - Reaching the final - ready for April 2026



Secure your place at:
<https://www.sdworx.co.uk/en-gb/academy/2026-payroll-workout-getting-ready-new-tax-year-and-beyond>

Change is happening

- Budget and New Tax Year changes
- Changes to Statutory Sick Pay 2026
- Mandating of Payrolling 2027 – go early-2026
- Extension of Employment Rights
- Formation of the Fair Work Agency
- Common breach areas:
 - National Minimum Wage
 - Holiday Pay
 - Sickness



Product Controlled

Controlled centrally

- Income Tax (England and Northern Ireland; Scotland; Wales)
- National Insurance
- Student and Postgraduate Loans
- Statutory Sick Pay (SSP)
- Statutory Parental Payments (SMP, SAP, SPP, ShPP, SPBP, SNCP, SPBPNI)
- Attachment of Earnings Orders / Earnings Arrestments
- RTI Full Payment Submission (FPS)

Employer Choice

Controlled by employer choice:

- Employment Allowance)
- Apprenticeship Levy Offset
- RTI Employer Payment Summary (EPS)
- Pensions Schemes

Employer Defined

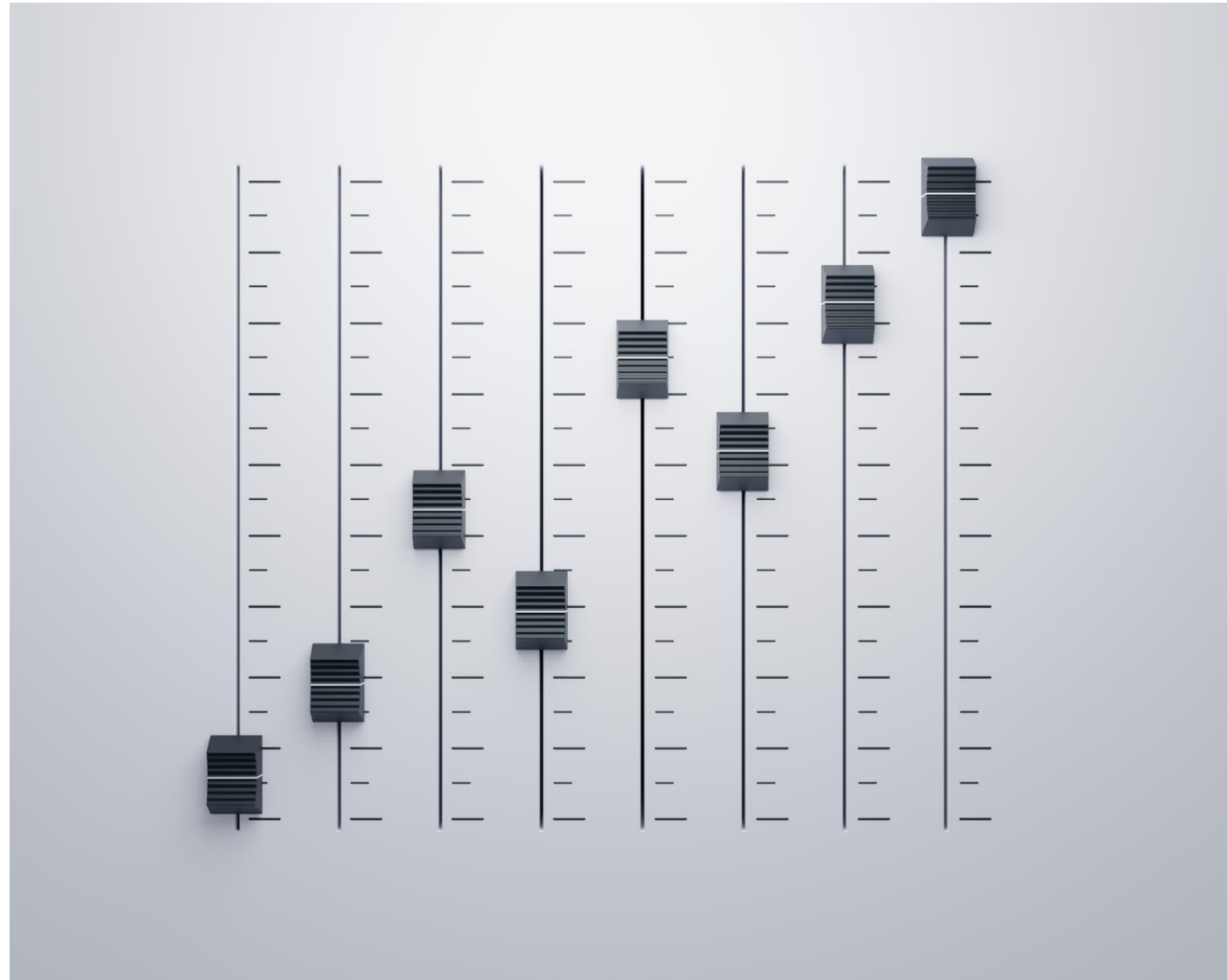
The compliance aspect may involve minimums only.

Requires configuration to fit with employer circumstance:

- Payrolling Benefits In Kind (PBIK)
- Holiday Pay
- Salary Sacrifice
- ONS Statistical Data
- Gender Pay Gap Essential Data

Requires:

- Advisory assistance (PALS)
- Tailored configuration (Implementation)
- Process instruction



2025 BUDGET

26 NOVEMBER





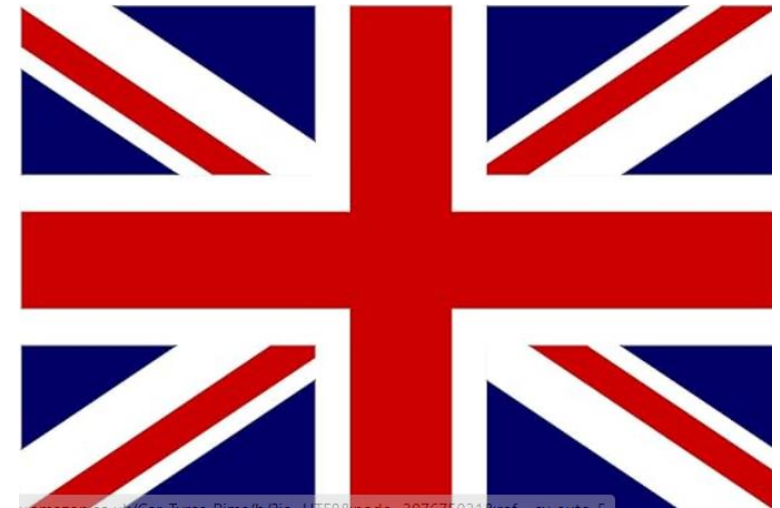
Income Tax





Income Tax: United Kingdom (England, Northern Ireland, Scotland and Wales)

	2025/2026	2026/2027
Personal Allowance	£ 12,570	£ 12,570
Standard emergency tax code (declaration A)	1257L	1257L
Declaration B signed	1257L W1/M1	1257L W1/M1
Declaration C signed	BR	BR
Declaration C unsigned	OT W1/M1	OT W1/M1



Reminders – New Starters

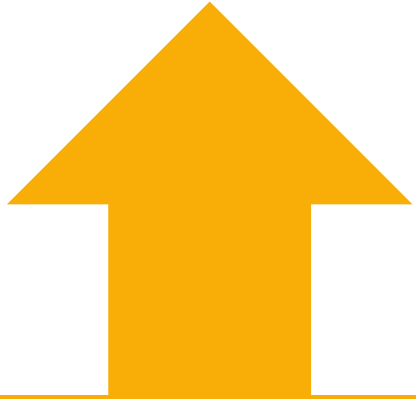
Declaration C tax code 0T/1

- Treated by HMRC as employer error
- Don't wait for the P45
- Obtain a signed new starter declaration
- Get the student loan declaration correct

Don't make up NINOs



£ 2



£ 100,000



-£ 1



Income Tax: England and Northern Ireland (rUK)

rUK Tax bandwidths and rates – effective date 6th April 2026

Basic Rate	20%	£ 1 – £ 37,700
Higher Rate	40%	£ 37,701 – £ 125,140
Additional Rate	45%	£ 125,141 and above





Income Tax: Wales

C

Welsh Tax bandwidths and rates – effective date 6th April 2026

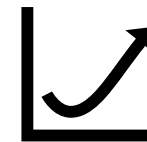
Basic Rate	$10\% + 10\% = 20\%$	£1 – £37,700
Higher Rate	$10\% + 30\% = 40\%$	£37,701 – £125,140
Additional Rate	$10\% + 35\% = 45\%$	£125,141 and above



Income Tax: Scotland

Scottish Budget 2026 13th January 2026

S



Scottish Tax bandwidths and rates – effective date 6th April 2026

Starter	19%	£ 1 – £ 3,967 (£ 2,827)
Basic	20%	£ 3,968 – £ 16,956 (£ 14,921)
Intermediate	21%	£ 16,957 – £31,092
Higher	42%	£31,093 – £62,430
Advanced	45%	£62,431 – £125,140
Top	48%	Above £125,140



Company Car Tax

Some are +1%

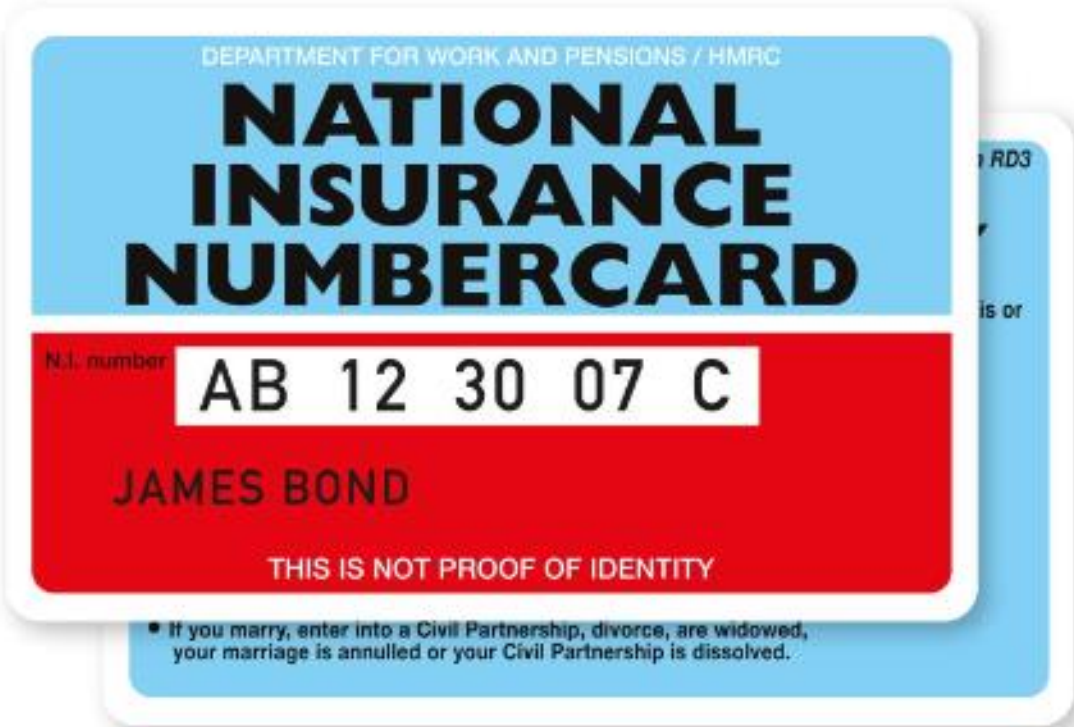


CO2 emissions, g/km	Electric range (miles)	Appropriate percentage (%) for 2025 to 2026	Appropriate percentage (%) for 2026 to 2027	Appropriate percentage (%) for 2027 to 2028	Appropriate percentage (%) for 2028 to 2029
0	Not applicable	3	4	5	7
1 to 50	More than 130	3	4	5	18
1 to 50	70 to 129	6	7	8	18
1 to 50	40 to 69	9	10	11	18
1 to 50	30 to 39	13	14	15	18
1 to 50	Less than 30	15	16	17	18
51 to 54	—	16	17	18	19
55 to 59	—	17	18	19	20
60 to 64	—	18	19	20	21
65 to 69	—	19	20	21	22
70 to 74	—	20	21	21	22
75 to 79	—	21	21	21	22
80 to 84	—	22	22	22	23

85 to 89	—	23	23	23	24
90 to 94	—	24	24	24	25
95 to 99	—	25	25	25	26
100 to 104	—	26	26	26	27
105 to 109	—	27	27	27	28
110 to 114	—	28	28	28	29
115 to 119	—	29	29	29	30
120 to 124	—	30	30	30	31
125 to 129	—	31	31	31	32
130 to 134	—	32	32	32	33
135 to 139	—	33	33	33	34
140 to 144	—	34	34	34	35
145 to 149	—	35	35	35	36
150 to 154	—	36	36	36	37
155 to 159	—	37	37	37	38
160 and over	—	37	37	37	38

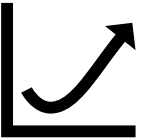
Add +4% for diesel (max 37%)

National Insurance



National Insurance – Thresholds

Threshold/limit	Weekly	2 Weekly	4 Weekly	Monthly	Annual
Lower Earnings Limit (LEL)	£ 129 (£ 125)	£ 258 (£ 250)	£ 516 (£ 500)	£ 599 (£ 542)	£ 6,708 (£ 6,500)
Primary Threshold (PT) – directors	£ 242	£ 484	*£ 967	£ 1,048	£ 12,570
Primary Threshold (PT) – non-directors					
Secondary Threshold (ST)	£ 96	*£ 193	*£ 385	£ 417	£ 5,000
Freeports Upper Secondary Threshold (FUST)	£ 481	£ 962	£ 1,924	£ 2,083	£ 25,000
Upper Secondary Threshold (UST)					
Apprentice Upper Secondary Threshold (AUST)	£ 967	£ 1,934	*£ 3,867	£ 4,189	£ 50,270
Veterans Upper Secondary Threshold (VUST)					
Upper Earnings Limit (UEL)					





National Insurance – Rates

	Primary Contributions (employee)					Secondary Contributions (Employer)			
	A/F/H/M/N/V	B/E/I	C/K/S	D/J/L/Z	X	A/B/C/J	H/M/V/Z	D/E/F/I/K/L/N/S	X
Below LEL	Nil					N/A			
LEL to PT	0%		Nil	0%	Nil				
PT to UEL / UST / AUST	8%	1.85%		2%					
Below ST	N/A					0%	0%	0%	Nil
ST to FUST						15.0%		15.0%	
FUST to UEL / UST / AUST / VUST									
Above UEL / UST / AUST / VUST	2%	Nil	2%	Nil	15.0%	15.0%	15.0%	Nil	



National Insurance – Mariners

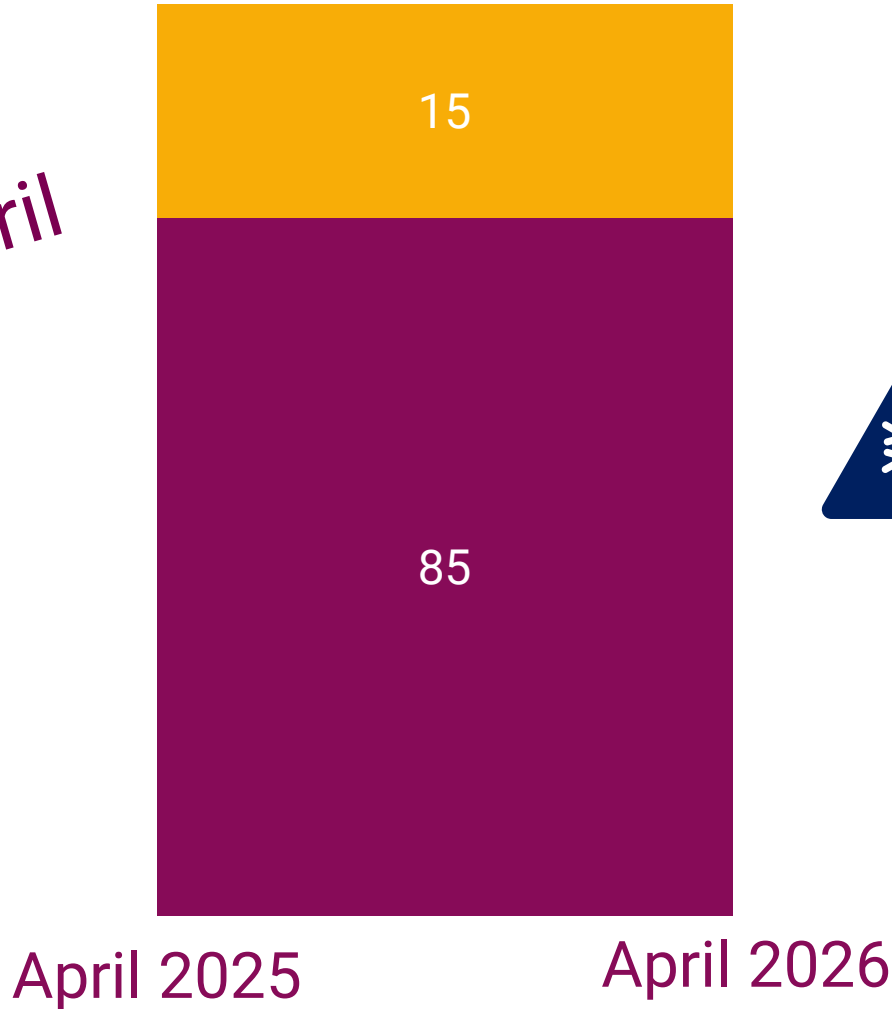
	Primary Contributions (employee)				Secondary Contributions (Employer)		
	R/G/Y	T	W	Q/P	R/T/W/Q	G/Y/P	
Below LEL	Nil				N/A		
LEL to PT	0%		Nil	0%			
PT to UEL / UST / AUST	8%	1.85%		2%			
Below ST	N/A				0%	0%	
ST to FUST					14.5%		
FUST to UEL / UST / AUST / VUST					14.5%		
Above UEL / UST / AUST / VUST	2%		Nil	2%		14.5%	

Salary Sacrifice Employers NI

April 2026

Pension Sacrifice
£ 2,000 limit
proposed for 6th April
2029

NICs then apply
along with standard
tax reliefs!
NPA v RAS!



HMRC Bulletin warns: (July 2024 and December 2025).

Some actively promoted salary sacrifice schemes that claim HMRC compliance do not work:

- Workplace nurseries that are not
- Grocery schemes

Both are likely to be subject to Clas 1 NICs

Employment Allowance



Effective date	Employment Allowance
6th April 2025	£ 10,500
6 th April 2022	£ 5,000
6 th April 2020	£ 4,000
6 th April 2018	£ 3,000
6 th April 2014	£ 2,000

Student and Postgraduate Loans



Student and Postgraduate Loan repayments



Date	Plan Type 1 Threshold	Plan Type 2 Threshold	Plan Type 4 Threshold	Plan Type 5 Threshold	SL Rate	Post-grad Threshold	Post-grad Rate
6th April 2024	£ 24,990	£ 27,295	£ 31,395	N/A	9%	£ 21,000	6%
6th April 2025	£ 26,065	£ 28,470	£ 32,745	N/A	9%	£ 21,000	6%
6th April 2026	£ 26,900	£ 29,385	£ 33,795	£ 25,000	9%	£ 21,000	6%

April 2026



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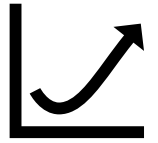
National Minimum Wage

Join - Part 3 - Minimum Pay April 2026 - Keep it legal



National Minimum Wage 1 April 2026

April
2026



	NMW Rate	Increase (£)	Percentage increase
National Living Wage (21 and over)	£ 12.71	£ 0.50	4.1%
18-20 Year Old Rate	£ 10.85	£ 0.85	8.5%
16-17 Year Old Rate	£ 8.00	£ 0.45	6%
Apprentice Rate	£ 8.00	£ 0.45	6%
Accommodation Offset	£ 11.10	£ 0.44	4.1%

National Minimum Wage - the implications

Increasing risk of NMW breach - Salary Sacrifice schemes

- Bikes
- Childcare
- Pension
- Other

Consider recalculation of SMP



National Minimum Wage - the implications

Impact of the change to National Minimum Wage on Statutory Maternity Pay

Statutory Maternity Pay

Since 6 April 2005 it has been necessary for employers to re-calculate a woman's entitlement to Statutory Maternity Pay (SMP) if a woman is awarded a pay rise (or would have been awarded a pay rise had she not been on maternity leave) which takes effect at any time between the start of the period used to calculate her SMP and the end of her maternity leave. The earnings-related part (which is 6 weeks for most women but for some will be 26 weeks) must go up to take account of that pay rise.

SMP must also be re-calculated to reflect pay rises taking effect before the start of the relevant period but where the earnings used in the calculation had not at the time of the calculation been adjusted to reflect that pay rise.

If such a recalculation results in SMP entitlement for the first time, then the employer will only be liable to pay SMP to the extent that any sum exceeds Maternity Allowance paid by the Department for Work and Pensions.



Applying SMP Alabaster

So how is an alabaster rise applied?

The pay engine needs to be told about the rise. This can be expressed as a percentage or cash increase or a new rate to reflect the rise. The automated SMP calculation then takes care of the SMP back-payment and any future payments due.

There are 3 options to apply a relevant rise for automated adjustment:

Engine code	Description
M741	Increase by a cash amount the Average Earnings used for SMP
M743	Increase by a percentage the Average Earnings used for SMP
M745	Update the Average Earnings used for SMP

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Real Living Wage

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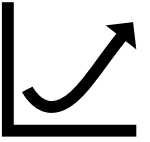
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course

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Real Living Wage



Real Living Wage



	22nd October 2024 (6 months to apply)	22nd October 2025 (6 months to apply)
Living Wage	£ 12.60	£ 13.45
London Living Wage	£ 13.85	£ 14.80

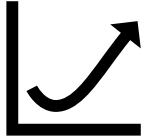
Statutory Rates

UK Payroll

 sdworx.academy

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course

Statutory Parental Leave: SMP, SAP, SPP, ShPP, SPBP, SNCP, new SBPBNI



Effective Date	Weekly Earnings Threshold	SMP/SAP Higher Rate (6 weeks)	SMP/SAP Lower Rate (33 weeks)	SPP Rate (1 or 2 weeks)	ShPP Rate (up to 39 weeks)	SPBP (up to 2 weeks)
Sunday 5th April 2026	£129 (Weekly LEL)	90% of Average Weekly Earnings	£194.32 or 90% of AWE if less	£194.32 or 90% of AWE if less	£194.32 or 90% of AWE if less	£194.32 or 90% of AWE if less

Recovery

Effective Date	Standard Recovery	Class 1 NICs threshold for SER	SER recovery	Compensation
6 th April 2026	92%	£45,000	100%	9.0%



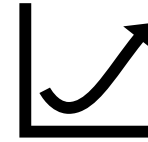
Statutory Parental Bereavement Pay Northern Ireland (SPBPNI)



- Applies from 6th April 2026
- Day 1 right
- Miscarriage
- NI Postcode
- FPS Separate values
- P60 Combined values



Statutory Sick Pay (SSP) – All change



Effective Date	Weekly Earnings Threshold	SSP Weekly Rate	Percentage Threshold Scheme
Monday 6 th April 2026	£0.01 (Weekly LEL)	£123.25 or 80% of AWE if lower (transition protect)	0%

Part of the Employment Rights Act changes



Waiting days removed
PIW now 1 day
Former under LEL exclusion ended

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A photograph of three women sitting at a table, smiling and engaged in a meeting. The image is overlaid with a semi-transparent purple filter. Three thick red diagonal lines are drawn across the image, and a yellow horizontal line is positioned below the text.

**Statutory Parental Leave: SMP, SAP, SPP, ShPP,
SPBP, SPBPNI**

LET THE SOLUTION DO THE WORK

IT'S NOT WRONG AND AUTOMATIC



Pension AE Thresholds – Frozen



	Trigger	Lower limit qualifying earnings band	Upper limit qualifying earnings band
Current (2025/2026)	£10,000	£6,240	£50,270
Proposed (2026/2027)	£10,000	£6,240	£50,270

“Into the unknown -
Arghhharghhaaaa

Pension AE duties – the employer is responsible



Re-enrolment and re-declaration

Every three years you must put certain staff who have left your pension scheme back into it. This is called re-enrolment.

Whether you have staff to put back into your scheme or not, you must complete a re-declaration of compliance to tell us how you have met your duties. Remember, re-enrolment and re-declaration are your legal duties and if you don't act [you could be fined](#).

Make sure you inform SD Worx of your next triennial re-enrolment date.

SD Worx cannot assume this for you as it is an employer duty!

Top tips

This is your responsibility as an employer – don't assume an agent, third party or your pension scheme will do it for you (TPR)

Pension AE duties – the employer is responsible



Find out your dates for re-enrolment

Use this tool to find your key dates for re-enrolment

These dates will help you choose your re-enrolment date and plan your re-enrolment duties.

To use the tool you'll need your letter code and PAYE reference.

PAYE reference

Your PAYE reference can be found on the letter you received from us about automatic enrolment. You can also find it on your letter from HMRC when you first registered as an employer, or from your payroll software.

Letter code

Your letter code is the 10 digit code on the letter you received from us about automatic enrolment.

If you don't know your letter code you can [find your letter code](#) here.



choose
any date
that falls
within a
six-month
timeframe

The image features a close-up of a human eye with a futuristic, digital aesthetic. The eye is surrounded by white, glowing circular and linear overlays, resembling a heads-up display or a scanning interface. The background is a dark, semi-transparent image of a computer monitor displaying various data charts, graphs, and technical specifications. The overall theme is technology and the future.

And into the future?

Employment Rights Act

Union Rights

Industrial Action changes

Fair Work Agency launched

Parental rights extended

**Zero Hours worker
protections**

Unfair dismissal

Harrasment protection

Equality

Etc.

**What is happening and
when?**

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Formal Payrolling Benefits
April 2027€ mandation!

On your marks; get set; **GO**:

- What benefits do you have?
- What partners/suppliers are used?
- Who has the data?
- Any Salary Sacrifice and OpRA?
- Who will calculate the benefit?
- Consider the scenarios
- **Budget for the change**
- Employee communication
- Prepare for questions and exceptions

Time for questions...

Is there anything you'd like to ask?



Thank you for learning with us!

We'd love to hear your thoughts.

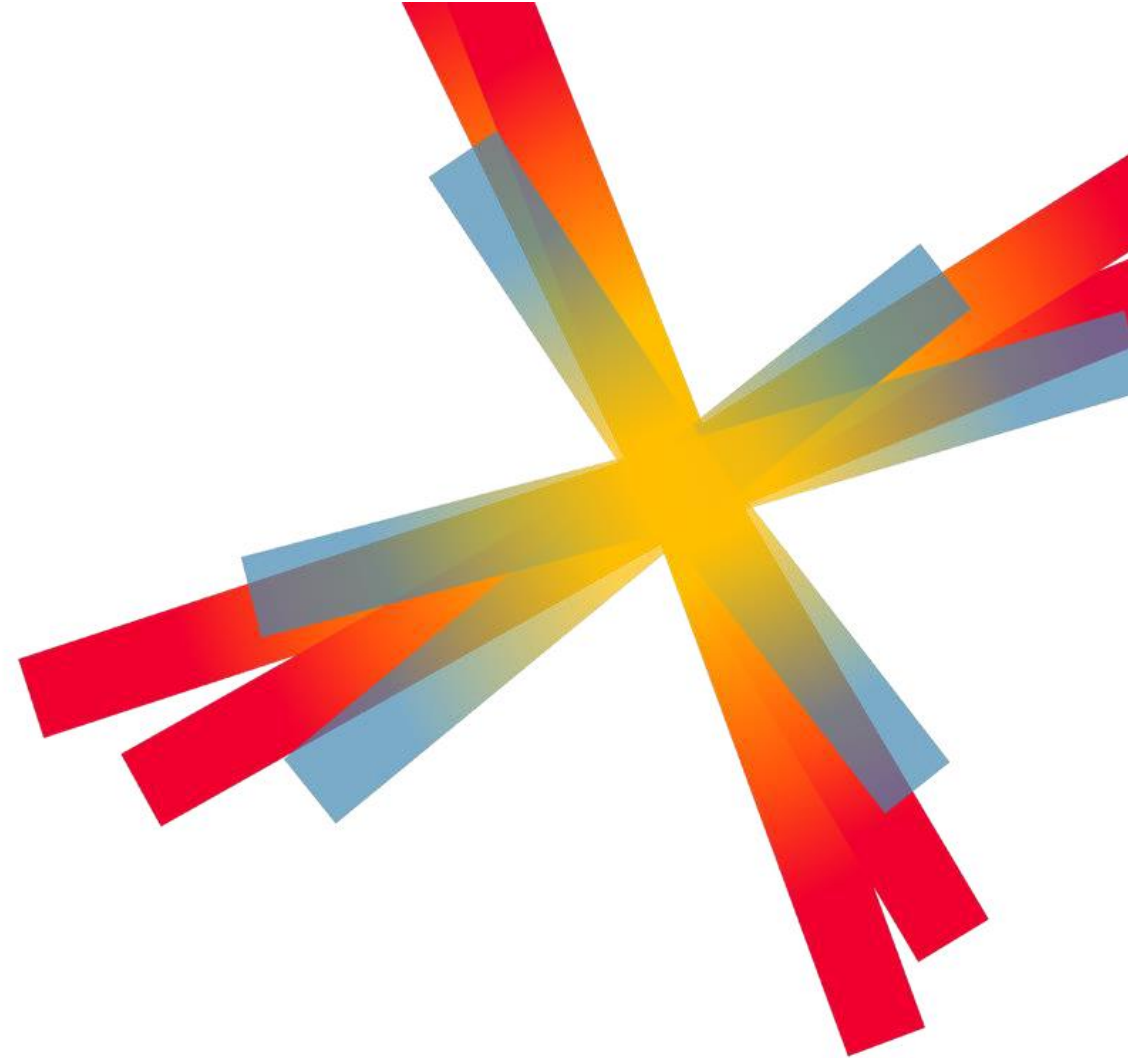
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pals@sdworx.com

Contact

NAME P Simon Parsons MSc FCIPPdip MBCS

TELEPHONE +44 7828 280680

EMAIL pals@sdworx.com

WEBSITE



Thank you!

P Simon Parsons MSc FCIPPdip MBCS

