

PAYROLL END OF YEAR FACTSHEET

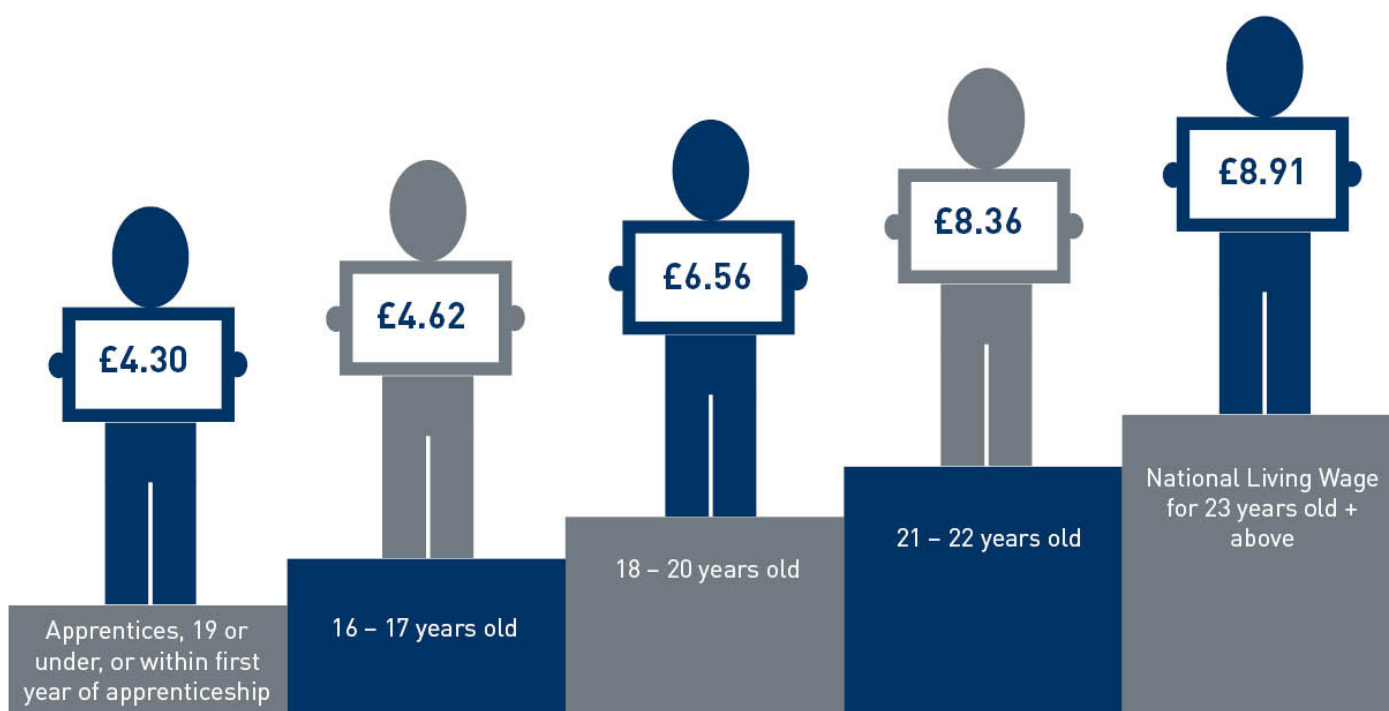
6th April 2020 to 5th April 2021

IMPORTANT DATES FOR 2020/21 END OF YEAR PROCESS

1st April 2021	Final RTI FPS (Full Payment Submission) Submission deadline to HMRC.
19th April 2021	EPS Deadline (Employer Payment Submission for any Statutory Recovery or CIS deductions suffered) and amendments to final submission deadline, note this may incur late filing penalties if changes to employee payments made.
4 April 2021	Gender Pay Gap Reporting - Private and Voluntary Sectors – Effective 5 April 2020.
30 March 2021	Gender Pay Gap Reporting - Public Sector – Effective 31 March 2020.

2021/22 PAYROLL CHANGES: Effective April 2021

NATIONAL MINIMUM WAGE, NATIONAL LIVING WAGE AND STATUTORY RATES



SMP	90% Average Weekly Earnings for first 6 weeks, increase to £151.97 per week or 90% average weekly earnings, whichever is lower for remaining 33 weeks
SPP	£151.97 per week or 90% average weekly earnings, whichever is lower
SAP	90% Average Weekly Earnings for first 6 weeks, £151.97 per week or 90% average weekly earnings, whichever is lower for remaining 33 weeks
SPBP	£151.97 per week or 90% average weekly earnings, whichever is lower
SSP	Increase to £96.35 per week
SMP/SPP/SAP Recovery	92% Large Employers (NIC above £45,000 pa for previous tax year) or 103% Small Employers (NIC below £45,000 pa for previous tax year)
New Postgraduate Loan Plan	Annual threshold introduced at £21,000. Earnings above are calculated at 6%.
Statutory Redundancy Cap	Maximum cap to an amount of a week's pay from 6 April 2021 will be £544
Auto Enrolment Threshold	Calculated on earnings between £6,240 – £50,270

UK INCOME TAX THRESHOLDS



PAYE Tax Threshold	£12,570 per annum (£1048 pcm) (Frozen from 2022 to 2026)
Emergency Tax Code	1257L
20% (basic rate)	£1 to £37,700
40% (higher rate)	£37,701 to £150,000
45% (additional rate)	over £150,000 (<i>no change</i>)

NATIONAL INSURANCE THRESHOLDS

Class 1 NICs	Weekly	Monthly	Annual
Lower earnings limit (LEL)	£120	£520	£6,240
Primary Threshold	£184	£797	£9,568
Secondary Threshold	£170	£737	£8,840
Upper earnings limited (UEL)	£967	£4,189	£50,270
Upper secondary threshold (UST) for under 21s	£967	£4,189	£50,270
Apprentice upper secondary threshold (AUST) for under 25s	£967	£4,189	£50,270

The National Insurance Contributions Upper Earnings Limit and Upper Profits Limit will remain aligned to the higher rate threshold of £50,270 for the next 5 years from 2022 – 2026.

SCOTTISH INCOME TAX THRESHOLDS

PAYE Tax Threshold	£12,570.00 per annum (£1048.00 pcm)
Emergency Tax Code	S1257L
19%	£1 - £2,097
20%	£2,098 - £12,726
21%	£12,727 - £31,092
41%	£31,093 to £150,000
46%	£150,001 and above



WELSH INCOME TAX THRESHOLDS

PAYE Tax Threshold	£12,570.00 per annum (£1048.00 pcm)
Emergency Tax Code	C1257L
20% (basic rate)	£1 to £37,700
40% (higher rate)	£37,701 to £150,000
45% (additional rate)	over £150,000 (<i>no change</i>)

IMPORTANT POINTS TO NOTE



Off-payroll working for intermediaries and contractors (IR35): How the off-payroll working rules are applied will change on 6 April 2021.

Before 6 April 2021, if your worker provides services to a client through you:

- in the public sector, the client must decide your employment status.
- in the private sector, you must decide your worker's status.

From 6 April 2021, all public sector clients and medium or large-sized private sector clients will be responsible for deciding your worker's employment status. This includes some charities and third sector organisations.

If the off payroll working rules apply, your worker's fees will be subject to tax and National Insurance contributions.

The Check Employment Status Tax tool (CEST) is already available for organisations and contractors to consider the appropriate employment status for tax for contracts running beyond 6 April 2021. HMRC will stand by the results given by the CEST tool, provided it is used in accordance with our guidance and the information entered is accurate, and remains accurate. This is regardless of when the tool is used ahead of April 2021. This means you can already use the tool for engagements that start in April 2021 onwards.

Termination Pay- the Post-Employment Notice Pay' (PENP):

From 6 April 2021 the part of a termination payment which is treated as being a payment in respect of the employee's notice period and subject to income tax and employee's and employer's National Insurance contributions is called 'the Post-Employment Notice Pay' (PENP).



Where an employee is paid monthly but their notice period is expressed in days or weeks, the formula prescribing the calculation of Post-Employment Notice Pay (PENP) for termination awards gives differing results depending on when in the year the notice is given.

In these circumstances the following alternative calculation may be used, where:

- the last pay period of the employee relevant to the PENP calculation is a month; and
- the employee's salary is paid by 12 equal monthly instalments, but
- the employee's notice is expressed to be a whole number of days or weeks,

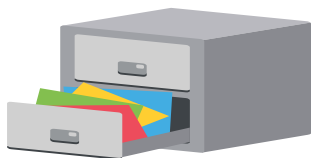
Employers may substitute 30.42 (being 365/12) as the value of P in the PENP calculation where this is to the advantage of the employee.

Looking at the example above: if the last pay period has been February and notice was given in March the PENP calculation would be: Standard basis £4,000 divided by 28 times 164 = £23,428
Alternative basis £4,000 divided by 30.42 times 164 = £21,565 as taxable. In this case using the alternative basis would be advantageous to the employee.

The measure also aligns the tax treatment of PENP for individuals who are non-resident in the year of termination of their UK employment with the treatment for all UK residents. Currently, PENP is not chargeable to UK tax if an employee is non-resident for the tax year in which their employment terminates.

The measure will ensure that non-residents are charged to tax and National Insurance contributions on PENP to the extent that they would have worked in the UK during their notice period. This change only affects individuals who physically performed the duties of their employment in the UK.

Earlier Year Update (EYU): will not be a valid submission to amend any submissions for the 2021/21 tax year. Amendments to the year ended 5 April 2021, and future tax years, will be made by using the FPS.



- Amendments to tax year 2017/18 and earlier – use an EYU.
- Amendments to tax year 2018/19 – post 20 April 2019 – an EYU or FPS will be accepted.
- Amendments to tax year 2019/20 - post 20 April 2020 – an EYU or FPS will be accepted.
- Amendments for 2020/21 and future – will be by submission of an FPS only.

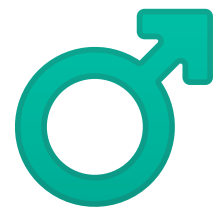
Zero rate Employer NIC for veterans: Employers apply a zero rate of secondary Class 1 employers national insurance contributions on earnings up to the UST on the earnings of veterans during the first year of their civilian life. To qualify the veteran must have completed at least one day of basic training in Her Majesty's regular armed forces. Employers will be able to claim the relief for a period of 12 months starting on the first day of the veteran's civilian employment since leaving the regular armed forces. Subsequent and concurring employers will be able to claim the relief in this period. Further details will be published shortly.



Gender Pay Gap Reporting; Reminder that all employers with over 250 employees are required to register with the governments GPGR service and publish statutory calculations each year showing how large the pay gap is between their male and female employees. There are 2 sets of regulations which carry different reporting deadlines as follows.

- Private and Voluntary Sectors – Effective 5 April 2020, Deadline to report 4 April 2021.
- Public Sector – Effective 31 March 2020, Deadline to report 30 March 2021.

Companies that fail to meet the gender pay gap reporting deadline of 4 April will be given a six-month reprieve before any enforcement action is taken against them (4 October 2021). The Equality and Human Rights Commission (EHRC) said companies should report by the deadline if possible but confirmed it would not begin enforcement proceedings until 4 October.



Furlough Extension: It has been confirmed that employees will continue to receive up to 80% of their pay for hours not worked while the scheme continues to 30 September 2021. The level of employer grant will change in July, and then August and September as follows;

- 1 July 2021: The government will contribute 70% and employers will have to pay 10% for hours not worked, plus the associated employer NIC and pension.
- 1 August – 30 September 2021: The government will pay 60% and employers will have to pay 20% for hours not worked, plus the associated employer NIC and pension.

Employers will continue to be required to pay for Employers NIC and Pension contributions for hours not worked, and wages, NIC and pension for hours worked.



Month	Paid to Employee - Salary for Hours Not Worked	Grant available to Employer - Salary for Hours Not Worked		Employer Pension Contributions	Employer National Insurance Contributions
May 2021	80% up to £2,500 cap	80% up to £2,500 cap		Employer pays	Employer pays
June 2021	80% up to £2,500 cap	80% up to £2,500 cap		Employer pays	Employer pays
July 2021	80% up to £2,500 cap	70% up to £2,187.50 cap	Employer pays 10%	Employer pays	Employer pays
August 2021	80% up to £2,500 cap	60% up to £1,875 cap	Employer pays 20%	Employer pays	Employer pays
September 2021	80% up to £2,500 cap	60% up to £1,875 cap	Employer pays 30%	Employer pays	Employer pays

For periods 1 May 2021 onwards, employers will be able to claim CJRS for employees who were on the employer PAYE payroll from 2 March 2021. This means their earnings must have been included on a Real Time Information (RTI) submission to HMRC between 20 March 2020 and 2 March 2021. Irrespective of whether you have used the CJRS scheme previously.

Student & Postgraduate Loans Thresholds & Rates: The Department for Education has confirmed that from 6 April 2021 the Plan 1 and Plan 2 Student Loans thresholds will increase to:



- £19,895pa for Plan Type 1
- £27,295pa for Plan Type 2
- £25,000pa for Plan Type 4 - effective 6 April 2021 for students who have taken out a loan in Scotland.

Student Loan deductions will continue to be calculated at 9% on earnings above the Plan 1, Plan 2 or Plan 4 threshold.



The Postgraduate Loan threshold will remain at £21,000. Earnings above £21,000 will continue to be calculated at 6%. Employers will be notified of any plan type moves from Plans 1 to 4, using the current SL1/PGL1 notification process, in time for April 2021.

Reminders:



Calculating Holiday Pay: From April 2020, the period for calculating an average week's pay increases to 52 weeks, from 12 weeks.

Changes to Contract of Employment: From 6 April 2020 all employees and workers must be given a written statement of employment on or before "day one", being the start date of employment.



Employment Allowance: Only employers with secondary National Insurance liabilities of under £100,000 in the previous tax year will be eligible to claim the £4,000 Employment Allowance.

Since 6 April 2020 employers must check they remain eligible to claim and to check if de minimis state aid (DSA) rules apply. Where a limited company has only one employee, being the director, even if paid above the ST threshold for NIC (£8,840 p.a. for 2021/22) the company cannot claim the EA. Hence a company with several employees, where the director is the only employee paid above the ST, cannot claim the EA. However, when the company takes on employees and more than one employee or director earns above the ST it becomes eligible for EA claim.

The allowance is not available for:

- Anyone who employs someone as a nanny or for household or domestic duties unless employee is a care and support worker.
- Employers already claiming through a connected business or charity – see below.
- Public authorities which are not charities
- Employers who carry out functions either wholly or mainly of a public nature, unless they have charitable status – NHS bodies, GP surgeries.
- Service companies cannot claim in respect of deemed payments of salary.



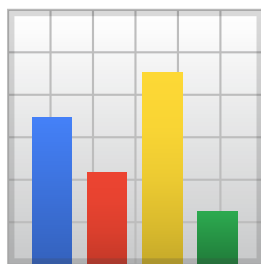
Apprenticeship Levy: As per previous years, all companies with 'Pay Bill' (employee earnings subject to Class 1 NIC) of £3 million and over in 2020/21 and expected to be over £3 million in 2021/22 (total pay bill for all connected companies) must pay a 0.5% Apprenticeship Levy. An annual allowance of £15,000 is available to offset against the levy which is applied cumulatively across the tax year (£1,250 pcm).

RTI Penalties: HMRC has confirmed that, following a review, penalties will continue to be raised on a risked base assessment rather than automatically. The first penalties for 2020/21 were issued in September 2020.

Late payment of PAYE and NIC – Automatic penalties can be charged where employers pay their PAYE and NIC late in year. The penalties will be issued quarterly and will be based on the total amount that is late in the relevant tax month, ignoring the first late payment of the tax year.

The employer may have to pay a penalty of 5% on any amount that is late if they have still not paid after 6 months and a further 5% if still not paid after 12 months. Where payment is made but not for the full sum a shortfall tolerance of £100 is proposed. This will apply to CIS only schemes too.

Number of times late in a tax year	Penalty %	Amount to which penalty % applies
1	No penalty	
1 – 3	1%	Sum paid late in the month ignoring 1st late payment in that tax year
4 – 6	2%	
7 – 9	3%	
10 or more	4%	



In-year interest charges: In-year interest is charged daily at 2.60% from 7 April 2020 (previously 2.75%) on the PAYE/NIC paid late. Underpayments and penalties running from the due date to the actual date of payment. The interest accruing will be shown on the Business Tax Dashboard, but payment of interest will not be required until the debt is agreed between employer and HMRC.

For further advice regarding our payroll services, please contact us:

27 New Dover Road, Canterbury, CT1 3DN

01227 454627

payroll@burgesshodgson.co.uk

www.burgesshodgson.co.uk



For the latest COVID-19 related business updates please visit:

www.burgesshodgson.co.uk/bh-news/