BURGESS
HODGSON

Chartered Accountants

PAYROLL END OF YEAR FACTSHEET

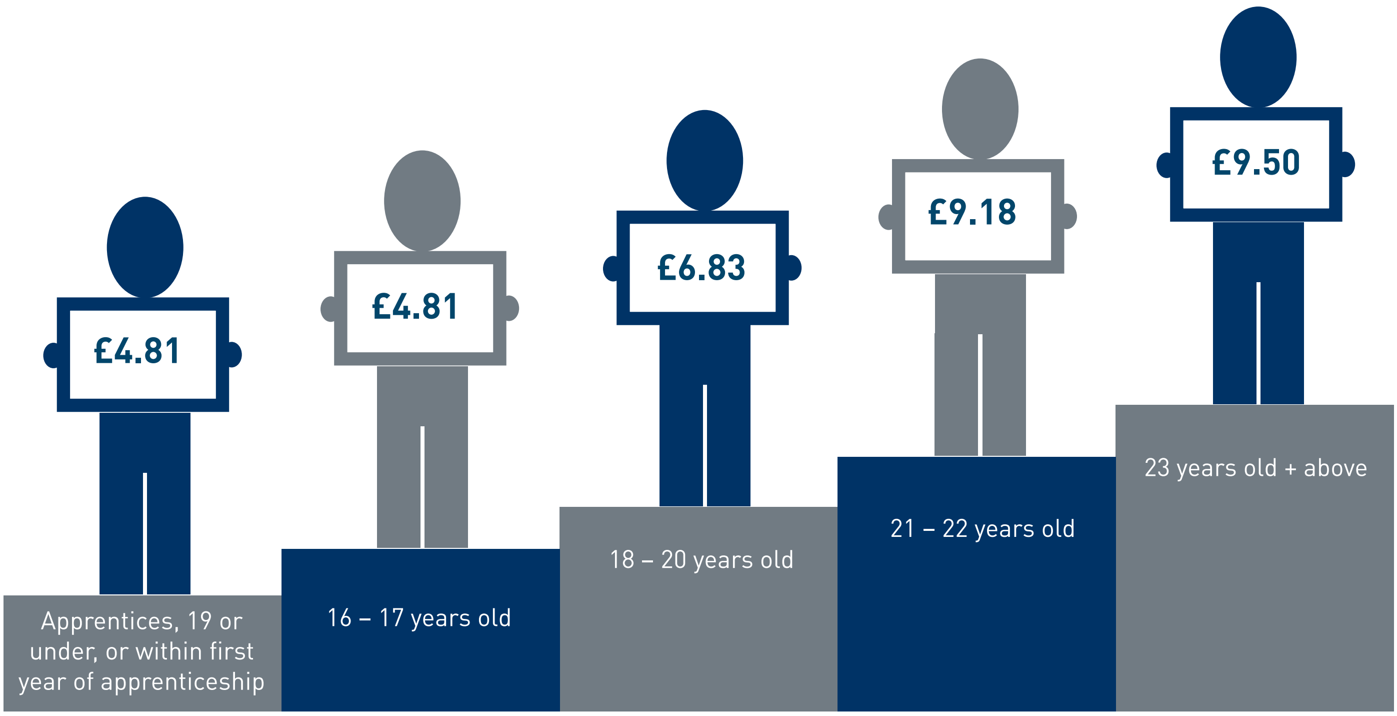
6th April 2021 to 5th April 2022

IMPORTANT DATES FOR CURRENT 2021/22 END OF YEAR PROCESS

5th April 2022	**Final RTI FPS** (Full Payment Submission) Submission deadline to HMRC.
19th April 2022	**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.
5 April 2022	**Gender Pay Gap Reporting - Private and Voluntary Sectors** – Effective 5 April 2021.
31 March 2022	**Gender Pay Gap Reporting - Public Sector** – Effective 31 March 2021.

Forthcoming 2022/23 PAYROLL CHANGES: Effective from April 2022

NATIONAL MINIMUM WAGE AND STATUTORY RATES



<table>
<tr><td>SMP</td><td>90% Average Weekly Earnings for first 6 weeks, increase to £156.66 per week or 90% average weekly earnings, whichever is lower for remaining 33 weeks</td></tr>
<tr><td>SPP</td><td>£156.66 per week or 90% average weekly earnings, whichever is lower</td></tr>
<tr><td>SAP</td><td>90% Average Weekly Earnings for first 6 weeks, £156.66 per week or 90% average weekly earnings, whichever is lower for remaining 33 weeks</td></tr>
<tr><td>SPBP</td><td>£156.66 per week or 90% average weekly earnings, whichever is lower</td></tr>
<tr><td>SSP</td><td>Increase to £99.35 per week</td></tr>
<tr><td>SMP/SPP/SAP Recovery</td><td>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)</td></tr>
<tr><td>Student Loans Thresholds</td><td><table>
<tr><th>Loan Type</th><th>Threshold (yearly)</th></tr>
<tr><td>Plan 1</td><td>£20,195</td></tr>
<tr><td>Plan 2</td><td>£27.295</td></tr>
<tr><td>Postgraduate Loan</td><td>£21,000</td></tr>
<tr><td>Plan 4</td><td>£25,375</td></tr>
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<tr><td>Statutory Redundancy Cap</td><td>Maximum amount of a week's pay for the purpose of calculating a redundancy payment from 6 April 2022 is £571</td></tr>
<tr><td>Auto Enrolment Thresholds</td><td><table>
<tr><td>AE Earnings Trigger</td><td>£10,000</td></tr>
<tr><td>Lower Earnings Limit</td><td>£6,240</td></tr>
<tr><td>Upper Earnings Limit</td><td>£50,270</td></tr>
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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

NATIONAL INSURANCE THRESHOLDS

From 6 April 2022 until 5 July 2022

Class 1 NICs	Weekly	Monthly	Annual
Lower earnings limit (LEL)	£123	£533	£6,396
Primary Threshold	£190	£823	£9,880
Secondary Threshold	£175	£758	£9,100
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

From 6 July 2022 until 5 April 2023

Class 1 NICs	Weekly	Monthly	Annual
Lower earnings limit (LEL)	£123	£533	£6,396
Primary Threshold	£242	£1,048	£12,570
Secondary Threshold	£175	£758	£9,100
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

NEW NATIONAL INSURANCE LETTERS

NI LETTER	USE
V	Veteran – Standard category
F	Freeport- Standard category
I	Freeport - married women and widows entitled to pay reduced NICs
S	Freeport - employees above state pension age
L	Freeport - employees who defer paying 12% NICs, only paying 2% because they are paying it in another job

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 (£1,048.00 pcm)
Emergency Tax Code	S1257L
19%	£1 - £2,162
20%	£2,163 - £13,118
21%	£13,119 - £31,092
41%	£31,093 to £150,000
46%	£150,000 and above

WELSH INCOME TAX THRESHOLDS

PAYE Tax Threshold	£ 12,570.00 per annum (£1,048.00 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 (no change)

IMPORTANT POINTS TO NOTE

Health and Social Care Levy from 6 April 2022

For tax year 6 April 2022 to 5 April 2023; Employer Class 1, employee Class 1, Class 1A, Class 1B and Class 4 National Insurance contributions will increase by 1.25%

From 6 April 2023; The National Insurance contribution rates will go back down to 2021 to 2022 levels, and the levy will become a new separate tax of 1.25%

How the levy will affect you

Between 6 April 2022 and 5 April 2023; If you are an employer, employee or self-employed (and below the State Pension age), you will pay the 1.25% increase in National Insurance contributions.

From 6 April 2023; The separate levy of 1.25% will apply to the same amounts for the following classes of National Insurance contributions:

- Class 1 that are above the primary and secondary thresholds
- Class 1A and Class 1B for employers
- Class 4 for the self-employed

If your business pays Class 1, Class 1A or Class 1B National Insurance contributions, you'll need to start paying the 1.25% increase in contributions from 6 April 2022. You'll then need to pay the separate 1.25% levy from 6 April 2023.

You may also have to pay the separate levy from 6 April 2023 for employees who are over State Pension age.

Those liable to pay National Insurance contributions will also be liable to pay the levy. Existing employer reliefs and allowances that apply to National Insurance contributions will also apply to the levy. Earnings on which National Insurance contributions are calculated will also be used to calculate the separate levy.

Information is not yet available on how to report the levy from April 2023.

When you will not have to pay the extra 1.25%

If your employee falls into one of the following categories and earns less than £50,270 (or £25,000 for Freeport employees) per year, existing reliefs will apply for:

- apprentices under the age of 25
- employees under the age of 21
- armed forces veterans
- employees in Freeports

New information for payslips

HMRC is asking employers, where appropriate, to include the following message on payslips:
'1.25% uplift in NICs, funds NHS, health & social care'.

This message is for the payslips of employees who have to pay the increased contribution between 6 April 2022 and 5 April 2023. This is so that they understand what it's helping to fund.

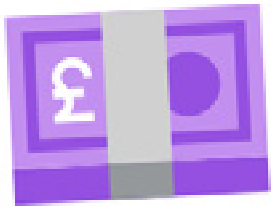
From April 2023, the levy is to be reported as a new item through the payroll and separate on payslips from National Insurance contributions.

Further guidance is available;

Prepare for the Health and Social Care Levy - GOV.UK (www.gov.uk)

National Insurance Category Letter	Earnings at or above lower earnings limit up to and including primary threshold	Earnings above the primary threshold up to and including upper earnings limit	Balance of earnings above upper earnings limit
A	0%	13.25%	3.25%
B	0%	7.1%	3.25%
C	nil	nil	nil
F (Freeport)	0%	13.25%	3.25%
H (Apprentice under 25)	0%	13.25%	3.25%
I (Freeport – married women and widows reduced rate)	0%	7.1%	3.25%
J	0%	3.25%	3.25%
L (Freeport - deferment)	0%	3.25%	3.25%
M (under 21)	0%	13.25%	3.25%
S (Freeport - state pensioner)	nil	nil	nil

Zero rate Employer NIC for veterans:



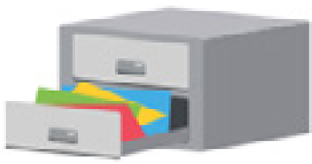
NI holiday for employers of veterans

This relief has been available from 6 April 2021, however, for the first year of the policy's implementation, eligible employers have been required to pay the associated Secondary Class 1 National Insurance Contributions (NICs) as usual and will need to claim it back from April 2022.

From April 2022 onwards, employers will be able to claim the relief through payroll and Real Time Information (RTI). This will be through the introduction of a new veteran specific NIC letter = V. This new category will mirror existing category A. If there are scenarios where the veteran employee would normally sit under another NIC category letter, for which there is no veteran equivalent (B, T, C, W, J, Q) then the existing category should be applied for the tax year. Where the employer is also eligible for veteran relief, they will need to contact HMRC at tax year end to set up a manual process for the relief to be claimed.

A new Veterans Upper Secondary Threshold (VUST) will be created. Where a veterans' earnings are above the VUST, the employer relief can be applied on the element of the earnings below the VUST.

Freeports employer NICs relief



The government intends to create up to 11 Freeports in various locations within the UK. From 6 April 2022, a reduced rate of employer NICs will apply to all Freeport based businesses.

This will mean all employers based within and employing people working within the Freeport geographic area can apply a zero-secondary rate of employer NICs for those employees' earnings above the secondary threshold up to and including a newly established Freeport Upper Secondary Threshold (FUST). Anything above this rate will be charged at 13.8%. It is expected that the FUST for tax year 2022-23 will sit at £25,000.

To be eligible, the employee must be a new hire after April 2022 and must not have worked for that employer (or a business connected to that employer) in the previous 24 months. They must also spend a minimum of 60% of their time working within the Freeport tax site.

Not one, but four, new Freeport NIC category letters are to be introduced:

- F – standard category letter
- I – married women and widows entitled to pay reduced NICs
- S – employees above state pension age
- L - employees who defer paying 12% NICs, only paying 2% because they are paying it in another job

The new category letters reflect existing NIC category letters A, B, C and J.

In the extremely rare circumstance that the employer has an employee for whom they would use a different NIC category letter (the example of Mariners is provided), then they would need to contact HMRC at the end of the tax year to establish a manual process by which to calculate and claim the relief.

Changes to the EPS from April 2022

In April 2022 there will be an addition to the EPS information. CIS above £0.00 will require an associated Corporation Tax (CT) Unique Taxpayer Reference (UTR) to be added to the new data field. There will be a validation attached to this where the EPS can be rejected if the CT UTR is not recognised, or there is no eligibility to make set-off claims under the CIS in that tax year.

HMRC issued this notice to software developers and have adopted this measure as part of the HMRC's strategy to tackle CIS abuse.

Tax Bands and Rates

The basic rate of tax is 20%. In 2022/23 the band of income taxable at this rate is £37,700. So that the threshold at which the 40% band applies have an allowance of £1,000. For Higher rate taxpayer the allowance is £500.00 No allowance is due to additional rate taxpayers.

REMINDERS:

Employment Allowance: Only employers with secondary National Insurance liabilities of under £100,000 in the previous tax year will be eligible to claim the £5,000 Employment Allowance. This has increased from £4,000.00 the prior year.

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 employees 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 2021/22 and expected to be over £3 million in 2022/23 (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).

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 2021, Deadline to report 5 April 2022.
- Public Sector – Effective 31 March 2021, Deadline to report 31 March 2022.

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.

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.