

[View this email in your browser](#)



Welcome to November's PayrockPayroll update. Coming up in this month's edition.

- Where are we now?
- [National Living Wage Increases](#)
- [Advisory Fuel Rates from 1 December 2022](#)
- PayrockPayroll update



## Hi

Well! What a few weeks it has been since the last PayrockPayroll update, but I think the music has finally stopped, and things are going to stand still long enough for me to set out where we are now. With yet another new Prime Minister and Chancellor most, though not all, of the announcements former Chancellor Kwasi Kwarteng made in his fiscal statement back in September have been overturned. With policy statement following policy statement, the final announcements were made in last week's Autumn Statement, which was accompanied by economic forecasts supplied by the Office for Budget Responsibility.

One of the principles adopted by the new Chancellor, Jeremy Hunt, is the freezing of existing rates and thresholds, which is likely to make all of us financially worse off for some time to come, but, looking on the bright side, it should at least give payroll teams more certainty over the next six years.

### Where are we now?

Jeremy Hunt did not wait until the Autumn Statement to announce many of his policy changes, so rather than give you an Autumn Statement update, as I would do normally, I will instead address each topic in turn and explain the current position, regardless of when and how we arrived there.

#### Income tax PAYE

- The income tax personal allowance will remain frozen at £12,570 until April 2028
- The rates at which income tax is paid in England, Wales and Northern Ireland will remain as follows until April 2028 (Scotland sets its own rates and thresholds)
  - 20% basic rate
  - 40% higher rate
  - 45% additional rate
- The threshold at which the additional rate (ART) becomes payable will be lowered from £150,000 to £125,140 from 6 April 2023. The ART for non-savings and non-dividend income will apply to taxpayers in England, Wales, and Northern Ireland. The ART for savings and dividend income will apply UK-wide.
- The married couples' and blind person's allowances will increase by 10.1% in line with inflation. The married couples' allowance will be between £4,010 and £10,375 in 2023-24 and the blind person's allowance will rise to £2,870.

#### National Insurance contributions

Jeremy Hunt did not overturn Kwasi Kwarteng's reduction to Class 1 NIC rates which came into effect on 6 November, nor did he overturn Mr Kwarteng's decision to abandon plans for the Health and Social Care Levy. He did, however, freeze the thresholds at which NIC is paid until 2028. The Class 1 NIC rates for 2022-23 are now as follows:

Rates	2022-23	2022-23
	6 Apr-5 Nov	6 Nov - 5 Apr
	%	%
<b>Employee</b>		
On earnings up to PT	0	0
On earnings between PT and UEL	13.25	12.0
On earnings above UEL	3.25	2.0
Married women's reduced rate	7.10	5.85
Deferred rate	3.25	2.0
<b>Employer</b>		
On earnings up to ST	0	0
On earnings above ST	15.05	13.8
On U21 earnings between ST and UST	0	0
On apprentice earnings between ST and AUST	0	0
On earnings between ST and FUST / VUST	0	0
On earnings above UEL / UST / AUST / FUST / VUST	15.05	13.8

The Primary Threshold is the amount at which employees begin to pay NIC, and unusually this was amended part way through this current tax year, in July. The thresholds will be frozen at their current levels until April 2028 and are as follows:

Class 1 NICs	Weekly	Monthly	Annual
Lower Earnings Limit	£123	£533	£6,396
Primary Threshold	£242	£1,048	£12,570
Secondary Threshold	£175	£758	£9,100
Upper Earnings Limit	£967	£4,189	£50,270
Upper Secondary Threshold	£967	£4,189	£50,270
Apprentice Upper Secondary Threshold	£967	£4,189	£50,270
Veteran's Upper Secondary Threshold	£967	£4,189	£50,270
Freeport Upper Secondary Threshold	£481	£2,083	£25,000

#### Class 1A and Class 1B NICs

Although Class 1 NIC is generally calculated and collected on a pay period basis for both employees and employers, other types of NICs are calculated on an annual basis. Directors' NICs may be calculated on an annual basis, along with Class 1A NIC on benefits in kind and Class 1B on PAYE settlement agreements (PSAs). Following the rate change in November, and to ensure parity with those who pay NICs each pay period, HMRC announced an average or "blended" rate which should be applied to annual payments.

Class 1A and 1B NIC is payable by employers and this rate has now changed, though the rate payable will depend on the reason it is paid and when.

Employees in receipt of a termination or sporting testimonial payment do not pay Class 1 NIC, instead their employer pays Class 1A NIC in real time at the point payment is made. In these instances the rate payable will be the rate in force at the time. In simple terms if the payment was made to the employee before 6 November the Class 1A rate will be 15.05% and 13.8% if payment is made to the employee on or after 6 November.

However, Class 1A NICs paid by employers in July 2023 in respect of expenses and benefits provided to employees during 2022-23 will use the blended rate of 14.53%. The same blended rate will also apply to Class 1B NICs.

#### Directors' NIC

There are two ways of calculating Directors' NIC. Those who use the **annual** method of calculation will use the blended rate of 14.53% for employers and 12.73% for the directors themselves (for directors on NI category A). Those who use the **alternative** method where directors' NICs are worked out like an employee's each time they are paid should use the rates in force at the time per the table above.

To reflect the change in threshold from 6 July, the annual threshold for directors is now £11,908 which is equivalent to 13 weeks of the threshold at £9,880 and 39 weeks at £12,570, mirroring the position for employees.

#### Company cars

- The government is setting the rates for Company Car Tax (CCT) until April 2028
- Currently the CCT for a fully electric vehicle is 2% (2022-23) and remains at that rate until April 2025. But the Chancellor has announced that he intends to increase company car tax for electric vehicles by 1% year-on-year for three years from 2025. This means that it will increase to 3% in 2025-26, to 4% in 2026-27, and 5% in 2027-28.
- This will set the maximum appropriate rate at 5% for electric cars and 21% for ultra-low emissions cars.
- Electric cars will no longer be exempt from vehicle excise duty (VED) from April 2025. At the moment electric vehicles are exempt from paying VED, but from 2025 the annual VED charge for cars will be £10 in the first year, then £165 from the second year of registration onwards. The cost for electric vans will be £290.
- Rates for all other vehicle bands will increase by 1% in 2025-26 up to a maximum of 37% and will then be fixed in 2026-27 and 2027-28.
- From 6 April 2023, the car and van fuel benefit charges and van benefit charges will be increased in line with inflation. Legislation to regulate this is expected to be delivered in December 2022.

#### Changes affecting business

- The Employment Allowance will remain fixed at £5,000.
- Kwasi Kwarteng's plans to reverse the off-payroll working rules, have themselves been reversed. This means that medium and large-sized organisations in the private and voluntary sectors remain responsible for determining the employment status, and paying the correct amount of income tax and National Insurance contributions, of any workers providing their services via an intermediary.
- In his September Fiscal Statement, Kwasi Kwarteng announced plans for Investment Zones which had been designed to speed up economic growth through streamlined planning rules and tax breaks, largely by promoting development. Although not scrapping these plans altogether, Jeremy Hunt has now said that all existing Investment Zone proposals will be dropped and the policy will be 'refocused' to benefit research 'clusters' whatever that means!

#### November's Payroll Update webinar

Find out more about all these changes in this month's free Payroll Update webinar being held on Friday 25 November at 10.00. Register your place [here](#)

### National Living Wage increase

In his Autumn statement last week, the Chancellor announced the largest ever increase to the National Living Wage (NLW). Currently £9.50 per hour, the NLW is set to rise to £10.42 per hour in April 2023, an increase of 9.7%. However, the NLW only applies to workers aged 23 and over; the remaining National Minimum Wage rates are still to be announced.

### Advisory Fuel Rates from 1 December 2022

HMRC has announced the latest Advisory Fuel Rates to be used from 1 December 2022. Although the rates for petrol, diesel and LPG cars haven't changed this quarter, there is an increase for fully electric cars from 5 pence to 8 pence per mile. In line with advisory fuel rates, this electric rate will also be reviewed quarterly from 1 December 2022.

Hybrid cars are treated as either petrol or diesel cars for advisory fuel rates.

You can use the previous rates for up to 1 month from the date any new rates apply.

The Advisory Fuel Rates for petrol, LPG, diesel and electric cars are shown in the tables below. Previous rates are in brackets:

Engine size	Petrol	LPG
1400cc or less	15p (15p)	9p (9p)
1401cc to 2000cc	18p (18p)	11p (11p)
Over 2000cc	27p (27p)	17p (17p)
Engine size	Diesel	
1600cc or less	14p (14p)	
1601cc to 2000cc	17p (17p)	
Over 2000cc	22p (22p)	
Fully electric vehicles	8p (5p)	

#### PayrockPayroll Update

##### November's Payroll Update webinar

Just a reminder that you can catch up with all the latest changes in this month's payroll update webinar taking place at 10.00 on 25 November. You can register your place [here](#).

##### MBKB 2022-23 payroll factcard available from the MBKB website

We have collated all the payroll facts and figures that you will need for the tax year into one factcard which is free to download from the [MBKB website](#)

##### Payroll support helpdesk available to PayrockPayroll members

As payroll processing gets ever more complicated, we know that, as much as we would like to, none of us can know everything, and here at PayrockPayroll we want to help. As a PayrockPayroll member you have access to our payroll support helpline. Several of you have already used this service, all you need do is email your query to [payrollsupport@mbkbgrou.com](mailto:payrollsupport@mbkbgrou.com) but please remember to write your membership number in the subject line, it was included in your membership pack email.

As a reminder, your Tier 2 PayrockPayroll membership includes:

- Payroll Update sessions – Online monthly
- PayrockPayroll e-newsletter – Monthly
- Payroll helpdesk / support - 10 queries
- 1 x short course delivery
- PayrockPayroll - Annual Industry Festival

#### Update your contact preferences

To make sure that you only receive the communications from us that you prefer to receive, please click below 60 seconds to update your preferences using the button below

[Update Now](#)

