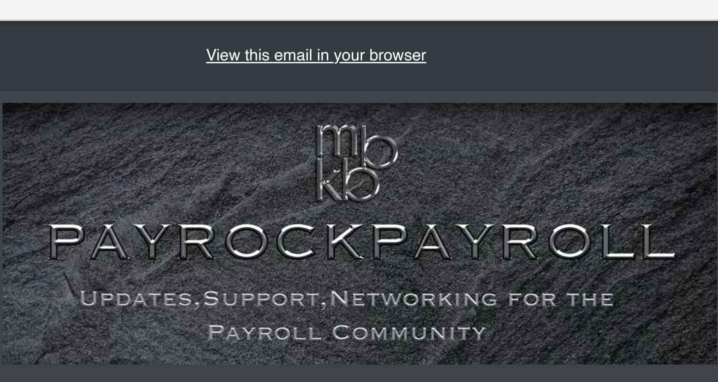

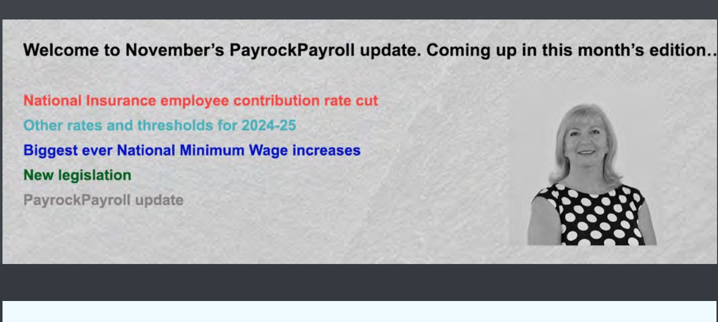

Hi

It doesn't matter how many years I've been doing this job, I still never learn! In the weeks running up to this year's Autumn Statement I believed the Chancellor when he repeatedly declared that there was no room for tax cuts at this time, and as such, I was fairly sure that there would be little impact on payroll in this year's Statement. I should have known better, and the rumours started to fly a week or so ago that there would indeed be cuts to personal taxes, it was just a case of which ones. And now we know...
To find out more join me for **a free live webinar** on 30 November at 10am. Register your place here

National Insurance employee contribution rate cut

The main rate of Class 1 employee NICs will be reduced to 10% for earnings paid on or after 6 January 2024 and for the remainder of the 2023-24 tax year. And before I go any further, I must say that of course this is a good thing for us all, as it means we get to keep more of our hard-earned wages. In fact the government claims that the average employee will save up to £450 next year.
But the downside is that it gives payroll software providers little over six weeks in which to update their software, though in reality it will be less than this due to Christmas and New Year. It's going to be very tight, though it won't be the first time that payroll software providers have risen to the challenge and delivered the seemingly impossible. Where would we be without them?
That being said, HMRC has acknowledged the very short timeline and that it is possible that some employers will not be able to deduct the correct NICs rates from 6 January, advising that employers will be expected reimburse in subsequent months employees who have had too much NIC deducted.
Employer Class 1 NIC rates are unchanged and there is no change to Class 1A rates, which remain at 13.8%.
The revised NIC rates applying from 6 January 2024 are as follows:

Rates	2023-24 6 Apr-5 Jan %	2023-24 6 Jan - 5 Apr %
Employee		
On earnings up to PT	0	0
On earnings between PT and UEL	12.0	10.0
On earnings above UEL	2.0	2.0
Married women's reduced rate	5.85	3.85
Deferred rate	2.0	2.0
Employer		
On earnings up to ST	0	0
On earnings above ST	13.8	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	13.8	13.8

This isn't the first time that we've had a mid-year change to NIC, it happened last year too when Kwasi Kwarteng overturned the NIC rate increase which Rishi Sunak had introduced in the Spring of 2022. So payroll professionals won't be surprised to hear that once again there will be a blended Primary rate for directors whose NIC is calculated on an annual basis. For directors on NI category A, F, H, M, V who would normally pay at 12%, that is averaged out for the whole year to 11.5%. Those directors who would normally pay the reduced rate of 5.85% will now pay an average for the year of 5.35%

Other rates and thresholds for 2024-25

National Insurance
Lower Earnings Limit - The Lower Earnings Limit (LEL) remains frozen at £123 per week.
Employment Allowance - The Employment Allowance remains frozen at £5,000 for eligible employers.
Veterans - The relief granted to employers of eligible veterans has been extended for one year from April 2024. Employers of these veterans will pay no employer NICs on earnings up to £50,270 for the first year a veteran is employed in a civilian role.
Freeports - Freeport tax reliefs will now be available until September 2031 in English freeports, as the period in which to claim these reliefs has been extended from five to ten years. Employers with physical premises in a freeport tax site will be able to apply a zero rate of secondary Class 1 NICs on the earnings of new employees (who must spend at least 60% or more of their working time within a freeport tax site). This rate can be applied on the earnings of all new hires above the Secondary Threshold (£9,100 per annum), up to the annual Freeport Upper Secondary Threshold (FUST) of £25,000 per annum, from April 2022 for 36 months per employee. The balance of earnings above this threshold will be charged at 13.8%.
Investment zones - New NIC categories will be introduced from 6 April 2024 for employers who have business premises in an Investment Zone Tax Site. Categories N, E, K, D will be applied to employees who started employment after 6 April 2022 for 36 months after they started. Employers in these zones will be able to apply a zero-secondary rate of employer NICs for such employees' earnings above the Secondary Threshold up to and including the FUST where the conditions to claim the relief are met.

NI category	Applies to
N	Standard Rate for employees eligible for Investment Zone Employer NICs Relief
E	Married Women and Widows entitled to pay reduced National Insurance
K	Employees over State Pension Age
D	Employee who can defer National Insurance because they're already paying it in another job

Income tax
Personal Allowance - Across the UK the income tax personal allowance will remain frozen at £12,570
Income tax rates and thresholds - Income tax rates and thresholds in England and Northern Ireland will remain frozen at their current levels. The Scottish Parliament and Welsh Assembly are yet to confirm details for their nations.

Biggest ever National Minimum Wage increases

Just ahead of the Autumn Statement, the Government announced that it had accepted the Low Pay Commission's recommendations on minimum wage rates to apply for pay periods starting on or after 1 April 2024.
This will be the largest ever increase in the minimum wage in cash terms and the first time it has increased by more than £1. In addition, from April 2024 the National Living Wage will be extended to 21 and 22 year olds.
However, as the NMW rates increase, employers who operate Salary Sacrifice schemes will need to ensure that the salary reduction does not breach NMW rules.
The following rates should be used from the pay period beginning on or after 1 April 2024:

NMW and NLW	For pay periods from 1 April 2023	NMW and NLW	For pay periods from 1 April 2024
NLW (age 23 and over)	£ 10.42	NLW (age 21 and over)	£11.44
21-22 year old rate	£ 10.18		
18-20 year old rate	£ 7.49	18-20 year old rate	£8.60
16-17 year old rate	£ 5.28	16-17 year old rate	£6.40
Apprentice rate (1st year only)	£ 5.28	Apprentice rate (1st year only)	£6.40
Accommodation offset	£ 9.10	Accommodation offset	£9.99

New legislation

Rolled up holiday pay is back
The rules for calculating holiday entitlement and pay change almost as often as I write these newsletters, but in this instance we're seeing previous rules making a come back.
The government has released draft legislation to implement important changes to holiday rights under the Working Time Regulations.
The Regulations are due to take effect on 1 January 2024 and will apply to annual leave years starting on or after 1 April 2024.
Entitlement to leave
For leave years starting on or after 1 April 2024, employers will be able to calculate annual leave entitlement as 12.07% of the hours worked in a pay period, for those workers who work irregular hours, and for part-year workers in the first year of employment and beyond. This does not apply to workers with regular hours who continue to accrue as $1/12^{th}$ of the 5.6 weeks entitlement for each month or part month.
A definition of irregular hours workers and part-year workers has now been set out in the Working Time Regulations (WTR) (Regulation 15F).
The legislation also introduces a method to calculate how much leave is accrued when irregular hours workers and part year workers take maternity leave or other family related leave (which will be defined as 'statutory leave'). Employers will be able to look back over a 52-week reference period to calculate an average of hours worked across that period.
Employers would need to include weeks not worked and not on statutory leave, so that the amount of accrued leave is now proportionate to the time worked. (This changes the position from the April 2020 changes to the employment rights act which excluded zero pay weeks).
Calculating holiday pay
Also taking effect on 1 January 2024, but applying for leave years starting on or after 1 April 2024, employers will be able to calculate the holiday pay for irregular hours workers and part year workers using Rolled-up Holiday Pay (RHP) should they choose and wish to.
Workers will not be able to request that they receive RHP. It will be the employer's choice whether to use RHP, continue to use a reference period for calculating annual leave, or to offer both. If employers choose to use RHP, they will be required to calculate a worker's holiday pay as 12.07% of the worker's total earnings within a pay period. They would not calculate RHP by calculating 12.07% a worker's normal remuneration and basic remuneration separately.
The employer will be required to pay the worker with each pay day, rather than when the leave is taken as had previously been required under European case law, and employers must clearly mark RHP payments as separate items on each payslip.
Reporting hours worked
In another proposed change to the Working Time Regulations (WTR) the government intends to reform or introduce changes to reduce time-consuming reporting requirements.
Regulation 9 of the WTR says that employers must keep adequate records to demonstrate compliance with certain aspects of the WTR, including the maximum weekly working time, length of night work, and provisions requiring health assessments being offered to night workers.
Previous judgements in the European Court had suggested that detailed records must be kept showing the duration of time worked each day by each worker. However the government believes that this level of detail is not necessary and has introduced legislation to remove the uncertainty and the potential high cost of implementing a system of recording working hours and provide legal clarity on the record-keeping requirements in the WTR.
This change comes into effect on 1 January 2024. However, it's not quite as straight forward as you would think because, whilst this change potentially removes some of the burdens for recording working time, and the need for what may be expensive time recording systems, employers must still have sufficient records for National Minimum Wage compliance.
And to further complicate things, HMRC is proposing a change to legislation requiring employers to provide via Real Time Information (RTI) more detailed information on employee hours paid. So with one hand they give, and with the other they take away. Any changes to the reporting of hours worked on the FPS is not due to take effect until April 2025 at the earliest.
TUPE consultation requirements
The government has also confirmed that it intends to amend TUPE legislation to extend the circumstances where employers can consult with employees directly.
The purpose of the TUPE Regulations is to protect employees' employment rights when the business or undertaking for which they work transfers to a new employer. In advance of a TUPE transfer, the current employer (the transferor) and the new employer (the transferee) need to inform and consult with the affected workforce's existing representatives or arrange elections for employees to elect new representatives if they are not already in place before the transfer.
Currently, there is a requirement to elect employee representatives for consultation on a TUPE transfer where appropriate representatives are not in place already, except for micro-businesses with fewer than 10 employees.
However, the government has now confirmed that the circumstances when employers can consult with employees directly will be extended to two different situations (provided there are no existing employee representatives in place):

- Where the business has fewer than 50 employees, irrespective of the size of the transfer; or
- Where the proposed transfer involves fewer than 10 employees, irrespective of the size of the business.

The intention is that these changes will take effect from 1 January 2024.

PayrockPayroll Update

Autumn Statement webinar
Join me for a free live webinar at 10am on 30 November, when I will be looking in more detail at all these changes and more.
Register your place now.

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