PAYROCKPAYROLL

Updates, Support, Networking for the Payroll Community

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

A round-up ahead of 2024-25
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PayrockPayroll update

Hi

Given the change to NIC rates announced this week, how glad am I that I held off writing this newsletter until after the Budget. With so little time before the new tax year starts on 6 April, I've limited this newsletter (limited is perhaps the wrong word given its length!) to what you need to know before you start 2024-25, what you need to watch out for in 2024, and what's ahead further into the future.
And so, as we start the rollercoaster ride that is Tax Year End, it's only left for me to wish you good luck and I'll see you on the other side!
If you would like a more detailed look at what's changing in the next tax year, join me at 10.30 on 21 March for a live payroll legislation update webinar. Register your place here

A round-up ahead of 2024-25

Income tax – England, Northern Ireland and Wales
Despite speculation that the Chancellor would lower the income tax rates, we now know that these remain unchanged. The personal allowance remains frozen at £12,570 and the rates for England and Northern Ireland are shown below. The Welsh government has decided to remain in line with these rates for another year.

	2024-2025	
Basic Rate	20%	£ 1 - £37,700
Higher Rate	40%	£ 37,701-£125,140
Additional Rate	45%	Over £ 125,140

Income tax - Scotland
Scotland has introduced a new tax band for 2024-25, meaning there are now six bands in Scotland, though the personal allowance remains at £12,570.

	2024-2025	
Starter Rate	19%	£12,571 - £14,876
Basic Rate	20%	£14,877 - £26,561
Intermediate Rate	21%	£26,562 - £43,662
Higher Rate	42%	£43,663 - £75,000
Advanced	45%	£75,001 - £125,140
Additional Rate	48%	Over £ 125,140

Also remember, under the UK Government's Personal Allowance policy, those earning more than £100,000 will see their Personal Allowance reduced by £1 for every £2 earned over £100,000.

National Insurance
Giving employers little time before the start of the new tax year, the Chancellor this week announced a further cut to employee National Insurance contributions, taking effect for earnings paid on or after 6 April. Acknowledging that the timeline for this is tight, HMRC realises that it is possible some employers will not be able to deduct the correct NICs rates from 6 April. HMRC will be directing employees to their employers to correct any overpaid NICs in the first instance.
Employer contribution rates unaffected and remain at 13.8%. The rates applying from 6 April are as follows:

Rates	2023-24 6 Jan - 5 Apr %	2024-25 6 Apr - 5 Apr %
Employee		
On earnings up to PT	0	0
On earnings between PT and UEL	10.0	8.0
On earnings above UEL	2.0	2.0
Married women's reduced rate	3.85	1.85
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 IZUST/ FUST / VUST	0	0
On earnings above UEL / UST/ AUST / IZUST/ FUST / VUST	13.8	13.8

Directors
Due to the reduction in NIC rates from 12% to 10% earlier this year, there is now a blended NIC rate you must use if you're paying Directors using the annual method. The blended rate to apply for the whole of 2023-24 is 11% for categories A/F/H/M/V and 5.35% for categories B/I. It will also apply to the last period recalculation for Directors using the alternative method going back retrospectively to 6 April 2023.
Investment Zones
You may have noticed in the chart above a new abbreviation – IZUST. 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 IZUST, where the conditions to claim the relief are met. The Investment Zone Upper Secondary Threshold matches the Freeport Upper Secondary Threshold.
The new NIC categories are:

	Categories for Investment Zone Employer NICs Relief
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

Statutory payment rates 2024-25
The statutory payment rates for the new tax year are as follows:

Rates effective from	Sunday 7 April 2024
Lower Earnings Level	£123
SMP and SAP for the first 6 weeks	90% of AWE
SMP and SAP for the next 33 weeks, SPP and SBPB 1 or 2 weeks and ShPP balance of entitlement	Lower of 90% AWE or standard weekly rate of £184.03
Recoverable amount for large employers	92%
Recoverable amount for small employers	103%
Annual NIC threshold for Small Employer Relief	£45,000
Rates effective from	**Saturday 6 April 2024**
SSP	£116.75

Student Loans

Loan type	Rate	Threshold
Plan 1	9%	£24,990
Plan 2	9%	£27,295
Postgraduate	6%	£21,000
Plan 4 (Scotland)	9%	£31,395
Plan 5	9%	£25,000

Don't be alarmed by the new Plan 5 loan which launched in September 2023. Plan 5 loan repayments won't start until April 2026 at the earliest, even for students who drop out early.

National Minimum Wage
A timely reminder of the new National Minium Wage rates which come into effect in the first pay period after 1 April. Note the expansion of the National Living Wage to include those aged 21 and over.

NMW and NLW	For pay periods from 1 April 2024
NLW (age 21 and over)	£ 11.44
18-20 year old rate	£ 8.60
16-17 year old rate	£ 6.40
Apprentice rate (1st year only if over age of 19)	£ 6.40
Accommodation offset	£ 9.99

Pensions
The Automatic Enrolment thresholds remain frozen at 2022-23 levels.
The Annual Allowance remains capped at £60,000, with the Lifetime Allowance now abolished from 2024-25.

2024-25	Annual	1 week	Fortnight	4 weeks	1 month	1 quarter	Bi-annual
Lower level of qualifying earnings	£6,240	£120	£240	£480	£520	£1,560	£3,120
Earnings trigger for Automatic Enrolment	£10,000	£192	£384	£768	£833	£2,499	£4,998
Upper level of qualifying earnings	£50,270	£967	£1,934	£3,867	£4,189	£12,568	£25,135

Company cars
The company car tax rates remain unchanged from 2023-24

- Van Benefit Charge of £3,960
- Car Fuel Benefit Charge multiplier £27,800
- Van Fuel Benefit Charge rate of £757

The Advisory Fuel Rates from 1 March 2024 are as follows (previous rates are in brackets):

Engine size	Petrol	LPG
1400cc or less	13p (14p)	11p (10p)
1401cc to 2000cc	15p (16p)	13p (12p)
Over 2000cc	24p (26p)	21p (18p)
Engine size	**Diesel**	
1600cc or less	12p (13p)	
1601cc to 2000cc	14p (15p)	
Over 2000cc	19p (20p)	
Fully electric vehicles	9p (9p)	

Things to watch out for in 2024

Statutory Paternity Leave changes
New parents will have more flexibility to choose when to take Statutory Paternity Leave (SPL) under changes coming in today (8 March 2024) and applying from 6 April 2024.
Under the current rules, fathers and partners can take up to two weeks' SPL leave on the birth of their child which must be taken in the first eight weeks and has to be taken as a single block of either one or two weeks. To be eligible for leave employees need six months' continuous service and to be eligible for pay, they must also earn above £123 per week.
Under the new rules, employees will be able to take SPL at any point in the first year (up from the first eight weeks) and will be able to split it up into two separate blocks of one week (rather than having to take two weeks together).The new rules apply to babies expected to be born after 6 April 2024 and to children expected to be placed for adoption on or after 6 April 2024.
The notice requirements are also changing. Currently, employees must give notice of their leave dates 15 weeks before the birth. This is changing so that fathers and partners will only have to give 28 days' notice of the leave they intend to take, although notice of entitlement must still be given 15 weeks before birth. The regulations come into force today to allow parents of children born or adopted on or after 6 April to give the required 28 days' notice.
However, the process for declaring entitlement is becoming stricter. Under the current rules, employers can ask the employee to sign a declaration that they are an eligible parent and that they want the leave for legitimate purposes (to care for the child or support their partner). The new rules say that employees ***must*** declare their eligibility and the legitimate purpose of their leave.
You can find more detailed guidance on GOV.UK

Holiday pay changes
In November's PayrockPayroll newsletter I explained about the changes to holiday entitlement and pay for irregular hours and part-year workers. This is a reminder that the Regulations, which came into effect on 1 January, will apply to leave years starting on or after 1 April 2024.
As a recap, 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. It is important to note that this does not apply to workers with regular hours who continue to accrue leave as 1/12th of the 5.6 weeks entitlement for each month or part month.
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.
More detailed guidance is available on GOV.UK

Protection from redundancy for those on child related leave
From 6 April 2024, employees who are pregnant or returning from maternity, adoption or shared parental leave will gain priority status for redeployment opportunities in a redundancy situation.
Under the current law, employees on maternity leave, shared parental leave or adoption leave already have special protection in a redundancy situation. They have the right to be offered a suitable alternative vacancy, if one is available, before being made redundant. This gives employees on these types of leave priority access to redeployment opportunities over other redundant employees.
The Protection from Redundancy (Pregnancy and Family Leave) Act 2023 extends the priority status to pregnant employees and those who have recently returned from maternity/adoption leave and shared parental leave.
It is important to remember that the protection only gives employees priority for redeployment opportunities – it does not ban making employees redundant during the special protected period. Employees with priority status can still be selected for redundancy. The protection kicks in when it comes to the allocation of alternative roles.

Payrolling of benefits – register before 5 April
If you would like to process your employees' benefits in kind through the payroll for 2024-25 you must register before 5 April 2024.
Using the online service for payrolling benefits and expenses means that you will not have to submit a form P11D. You must tell HMRC which benefits you want to payroll during the registration process.
The tax codes for all employees receiving these benefits will be amended unless you exclude any employees that you do not want to payroll benefits for in the online service.
You can find out more on payrolling and reporting expenses and benefits in kind.
But this leads me on to the final section of this month's newsletter…

Looking further ahead

Payrolling of benefits to become mandatory
On 16 January the government announced that it will mandate employers to report and collect Income tax and Class 1A NIC on employment benefits through payroll software from 6 April 2026. This means that the 2025-26 tax year will be the last year that employers will be able to file P11Ds and P11D(b)s with HMRC in most cases.
From this date, tax on employment benefits will be collected in real time and not through tax codes in arrears. Class 1A NIC will also be collected in real time for each pay period rather than at the end of the year.
Unsurprisingly, HMRC will consult with stakeholders to discuss the proposals to inform design and delivery decisions, and draft legislation will be published later in the year as part of the usual tax legislation process. HMRC will also work with industry experts to produce guidance, which will be made available in advance of 6 April 2026.

PayrockPayroll Update

Spring Budget payroll legislation webinar
Ahead of the start of the new tax year I will be delivering a payroll legislation update which will include the latest announcements from the Chancellor's Spring Budget. Join me at 10.30am on 21 March to find out about all the changes in 2024-25. You can register your place here
Payroll training courses
Just a reminder that we run training courses in payroll which can be tailored to meet your individual business needs. If you would like more information, or would like to join our mailing list, please contact Sarah@mbkbgroup.com
Payroll support helpdesk available to PayrockPayroll members
As payroll processing gets ever more complicated, we know that, 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@mbkbgroup.com

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