

Payroll Newsletter

Hello and welcome to the March 2024 Year End Payroll Newsletter.

In this edition we look at your statutory changes, key announcements, freeze on personal allowance, the same freeze or a reduction also applies to The Inheritance tax threshold & The Annual Exempt amount for Capital Gains Tax until at least April 2028.

- Larger Increases to National Living and Minimum wage rates
- The Personal Allowance and base rate limit remain unchanged.

Please be aware some Rates/Thresholds are subject to change when the Spring budget is announced.

National Minimum Wage Changes

Hourly Rate	1 st April 2023	£ Increase	% Increase	1 st April 2024
Workers above compulsory school leaving age, but under 18	£5.28	£1.12	21.2%	£6.40
Workers aged 18-20	£7.49	£1.11	14.8%	£8.60
Apprentices	£5.28	£1.12	21.2%	£6.40
National Living Wage 21 and over	£10.42	£1.02	9.8%	£11.44
Accommodation Offset (Daily Rate)	£9.10	89p	9.8%	£9.99

Please remember: Apprentices are entitled to the minimum wage for their age if they both:

- are aged 19 or over
- have completed the first year of their apprenticeship

Voluntary Living Wage – Announced on the 24th of October 2023 currently £12.00 (Rest of the UK) and £13.15 (London)

Statutory Payments

SSP – Statutory Sick Pay

Effective from the sixth day	April 2023	April 2024
Weekly Lower Earnings Limit	£123	£123 (no change)
Weekly SSP Rate	£109.40	£116.75

Statutory Maternity, Paternity, Adoption and Shared Parental Pay

Type of payment or recovery	2024 to 2025 rate
SMP – weekly rate for first 6 weeks	90% of the employee's average weekly earnings
SMP – weekly rate for remaining weeks	£184.03 or 90% of the employee's average weekly earnings, whichever is lower
Statutory Paternity Pay (SPP) – weekly rate	£184.03 or 90% of the employee's average weekly earnings, whichever is lower
Statutory Adoption Pay (SAP) – weekly rate for first 6 weeks	90% of employee's average weekly earnings
SAP – weekly rate for remaining weeks	£184.03 or 90% of the employee's average weekly earnings, whichever is lower
Statutory Shared Parental Pay (ShPP) – weekly rate	£184.03 or 90% of the employee's average weekly earnings, whichever is lower
SMP/SPP/ShPP/SAP – proportion of your payments you can recover from HMRC	92% if your total Class 1 National Insurance (both employee and employer contributions) is above £45,000 for the previous tax year 103% if your total Class 1 National Insurance for the previous tax year is £45,000 or lower

Income Tax rates - No change to the tax rates for 2024

PAYE tax rates and thresholds	2024 to 2025 – No change until at least 2028
Employee personal allowance	£12,570 per year
English and Northern Irish basic tax rate	20% on annual earnings above the PAYE tax threshold and up to £37,700
English and Northern Irish higher tax rate	40% on annual earnings from £37,701 to £125,140
English and Northern Irish additional tax rate	45% on annual earnings above £125,140
Married Couples Allowance	Maximum - £11,080 Minimum - £4,280
Transferable Marriage Allowance	£1260
Income Limit for Married Couples	£37,000 up £2,400 from last year
Income Limit (Regardless of DOB)	£100,000
Blind Persons Allowance	£3,070.00

Emergency tax codes:

The emergency tax codes from 6 April 2024 are:

- 1257L W1
- 1257L M1
- 1257L X

National Insurance - Frozen Until 2028

The Class 1 NICs thresholds for 2024/25 are as follows

	2023/24	2024/25
Lower earnings limit	£123 per week £533 per month £6,396 per year	£123 per week £533 per month £6,396 per year
Primary threshold	£242 per week £1048 per month £11,908 per year	£242 per week £1048 per month £12,570 per year
Secondary threshold	£175 per week £758 per month £9,100 per year	£175 per week £758 per month £9,100 per year
Upper earnings limit Veterans Upper Secondary Threshold (VUST)	£967 per week £4,189 per month £50,270 per year	£967 per week £4,189 per month £50,270 per year
Freeports Upper Secondary Threshold (FUST)	£481 per week £2,083 per month £25,000 per year	£481 per week £2,083 per month £25,000 per year
Investment Zone upper secondary threshold		£481 per week £2,083 per month £25,000 per year

Scottish Rates and Thresholds: <https://www.gov.scot/policies/taxes/income-tax/>

Welsh Rates: [Parity with the rates set by the UK Government for 24/25](#)

NIC Rates – For 2024/25

Employee	2023/24	2024/25	Employer	2023/24	2024/25
Earnings up to LEL	Nil	Nil	Earnings up to LEL	Nil	Nil
Earnings between LEL and PT	0%	0%	Earnings between LEL and ST	0%	0%
Earnings between PT and UEL	12%	8%	Earnings between ST and UEL	13.8%	13.8%
Earnings above UEL	2%	2%	Earnings above UEL	13.8%	13.8%
Certificate of Election	5.85%	3.58%	Earnings between ST and AUST	0%	0%
Deferment	2%	2%	Earnings between ST and VUST	0%	0%
Directors (Blended rate for 23/24)	11.5%	8%	Earnings between ST and FUST	N/A	0%
			Earnings above UST, AUST, AUST and VUST	13.8%	13.8%
Self Employed Class 4			Earnings above FUST	13.8%	13.8%
Earnings between PT and UEL	9%	9%	Class 1A	13.8%	13.8%
Earnings above UEL	2%	2%	Class 1B	13.8%	13.8%

In line with the government's previous announcement in 2022, 12 Investment Zones were confirmed, and in the Autumn Statement 2023, the period of relief doubled from 5 to 10 years. These investment zones are offering tax reliefs and other flexible grants to support digital/technology, life sciences, creative industries, green industries and advanced manufacturing.

Where will they be located?

The Investment Zones tax offer will be carefully designed to encourage investment and new economic activity, supporting growth and jobs.

At the 2023 Spring Budget, the Government announced it would invite local partners within the following Combined Authorities to begin discussions on hosting an Investment Zone:

- East Midlands
- Greater Manchester
- Liverpool City Region
- Northeast
- South Yorkshire
- Tees Valley
- West Midlands
- West Yorkshire

The government also said that it would engage with the devolved administrations in Scotland, Wales and Northern Ireland to establish at least one new Investment Zone in each location, with Glasgow City Region and the Northeast of Scotland (Aberdeen) subsequently selected to host Scotland's Investment Zones. Specific locations within these areas are yet to be confirmed.

The incentives available align with those already available in Freeports:

Employer National Insurance Contributions ("NICs") threshold raised from £9,100 (2023/24) to £25,000 in respect of new employees, saving up to £2,200 per eligible employee per year.

Employers in Great Britain will claim in real-time through RTI using the new NI table letters N, E, K and D. The applicable rules are below:

- The employee must be a new hire whose employment starts on or after 6 April 2022 and before the applicable sunset date.
- The employee cannot have worked for that employer (or an employer connected to the employer) in the previous 24 months.
- The employee will spend a minimum of 60% of their working time in the Investment Zone tax site.
- Claim will expire 36 months from the employee's start date.
- There are no limits to the number of employees.
- Feepayers can claim for IR35 based calculations.

100% business rates relief on newly occupied and expanded premises. Local authorities hosting Investment Zones will receive 100% of the business rates growth above an agreed baseline in designated sites for 25 years.

Full stamp duty land tax relief on land bought for commercial or residential development.

100% first year enhanced capital allowance relief for plant and machinery used within designated sites.

What should I be doing now?

Businesses should monitor the implementation and development of Investment Zones, including the proposed sites, to evaluate them as an option when planning future investments.

National Insurance Letters:

Category letter	Employee group
N	Standard Rate for employees eligible for Investment Zone Employer NIC's relief
E	Married women and widows entitled to pay reduced National Insurance
K	Employees over the state pension age
D	Employees who can defer National Insurance because they're already paying it in another job

Student loan and postgraduate loan recovery

The 9% repayment rate will not change, and all outstanding loans will be written off after 30 years. This is applicable to all current loan schemes

Rate or threshold	2024 to 2025 rate
Employee earnings threshold for student loan plan 1	£24,990 per year
Employee earnings threshold for student loan plan 2	£27,295 per year
Employee earnings threshold for student loan plan 4 PGL (Plan 3)	£31,395 per year
Plan 5	£25,000
Student loan deductions	9%
Postgraduate loan deductions	6%

Company cars: advisory fuel rates

Use advisory fuel rates to work out mileage costs if you provide company cars to your employees.

These rates apply from 1 December 2023.

Engine size	Petrol – amount per mile	LPG – amount per mile	Diesel - amount per mile
1400cc or less	14 pence	10 pence	13 pence
1401cc to 2000cc	16 pence	12 pence	15 pence
Over 2000cc	26 pence	18 pence	20 pence

Employee vehicles: mileage allowance payments

Mileage allowance payments are what you pay your employees for using their own vehicle for business journeys.

You can pay your employees an approved amount of mileage allowance payments each year without having to report them to HMRC. To work out the approved amount, multiply your employee's business travel miles for the year by the rate per mile for their vehicle.

Find out more about [reporting and paying mileage allowance payments](#).

Type of vehicle	Rate per business mile 2024 to 2025
Car	For tax purposes: 45 pence for the first 10,000 business miles in a tax year, then 25 pence for each subsequent mile For National Insurance purposes: 45 pence for all business miles
Motorcycle	24 pence for both tax and National Insurance purposes and for all business miles
Cycle	20 pence for both tax and National Insurance purposes and for all business miles Plus, the 5p per mile passenger rate

Electric Vehicle (EV) Schemes

This has been an area of continual growth due to the low benefit costs and legacy rules for Salary Sacrifice and we see more providers in the market

- These schemes are legacy under the 75g/km or less rule
- The majority of schemes will be lease schemes through the employer's contract with a leasing company
- The employee's sacrifice will usually cover the monthly lease costs – so covering the employer charge
Therefore, the full available saving on tax as well as EE's ER's NI liability
As well as often a VAT saving to the Employer
- From April 2025, electric vehicles will no longer be exempt from Vehicle Excise Duty (Car Tax)

Remember however, these are classified as a company car for benefit purposes:

- A P46 (Car) must be completed
- The car must be returned through the payroll/P11D process
2024/25 – The liability remains at 2% until 2025/26
- EV has no fuel benefit charge (Electricity is not seen as a "fuel")
- The lease value does not need to be included on the P11D

Employment Allowance

The Employment Allowance increased to £5000 **for those eligible** from the 6th of April 2022 and will continue for the current tax year at this rate. It is **NO LONGER** automatically claimed each year meaning we will require confirmation clients are still eligible to claim..

You cannot claim the allowance if:

- Your Secondary Class 1 NICs liability for the previous tax year is £100,000.00 or more
- Employers who are connected must ensure that the cumulative value of all secondary Class 1 NICs or State aid across all connected companies does not exceed the relevant limits
- **Employers will have to claim the Employment Allowance every year to receive the relief as it will no longer be carried forward from one tax year to the next tax year. This means Employers will have to confirm they are still eligible for the Employment Allowance.**

Termination Payments

The new rules around Termination Payments were applied in April 2020. Clients will need to ensure they seek legal advice or get your HR department involved in the process to ensure these payments are dealt with correctly.

The main changes as of April 2020 are as follows:

- Payments above £30k were only subject to tax however this changed from April 2020
- Employers will now pay Employees Ni on any figures above £30k
- Termination payments are being monitored by HMRC especially around payments that are made tax free without any breakdown such as notice pay as these should be subject to Tax and NI. **ENSURE YOU SEEK LEGAL & HR ADVISE ON TERMINATION PAYMENTS**

Holiday Pay

Working Time Regulations

Note that we are still awaiting the Responses from the 'Consultation on Modern Workplaces' document in respect of changes to the 1998 Working Time Regulations. However, this is eagerly anticipated with respect to annual leave, as several decisions of the Court of Justice of the European Union (CJEU) have ruled on various conflicts that arise between the right to paid annual leave and other types of leave (i.e., sickness and maternity).

It is also eagerly anticipated considering two important 2014 case law rulings that affect the calculation of a week's pay when determining the rate at which holiday pay should be paid.

New Rules for Part-Year and Irregular Workers from Jan 24 (Please be aware this only applies to work from Jan 24 prior periods will still need to be calculated using your previous method).

- Employers can calculate annual leave ENTITLEMENT as 12.07% of the hours worked in a pay period for irregular/part-year workers in the first year of Employment and beyond.
- Applicable for holiday years from the 1st April 2024.
- Employers will also have the option to operate Rolled-Up Holiday Pay for these staff based on 12.07% of all earnings (including overtime and other pay allowance) within the pay period.
- New guidance includes method to calculate how much leave is accrued when irregular hours / part time workers take Maternity leave or other family related leave.

New Rules for Rolled-Up Holiday Pay (RHP)

- From 1st April 2024, Employers will be allowed to use this method to calculate holiday pay should they choose. This is a reversal of previous rules making it unlawful.
- Employers 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.

New Guidance:

Published on 1st of January 2024 and includes details on:

- Defining irregular hours/Part time workers in relation to the introduction of the holiday entitlement accrual method and rolled-up holiday pay.
- Introducing a method to calculate statutory holiday entitlement for these workers.
- Removing the Working Time (Coronavirus) (Amendment) Regulations 2020 which affect the accrual of Covid-19 carryover of leave.
- Maintaining the current rates of holiday pay where 4 weeks and 1.6 weeks are paid at normal rate of pay whilst retaining the 2 distinct pots of leave.

Holiday pay and entitlement reforms from 1 January 2024 - Article (gov.uk)

National Minimum Wage and Breaches

HMRC are committing more staff to investigate these breaches as they are easy to spot and can cost clients up to a maximum of £20k per employee depending on the severity and staff numbers involved. We have seen a request to show the hours each Employee works in a month as standard on all Payrolls from April 2025 possible sooner. HMRC see this as a game changer as this would effectively be hours worked in a month divided by NMW and if the Gross on the payslip is less that would be a breach.

Some of the more common NMW Breach examples:

- Salary Sacrifice – As you are aware Salary Sacrifice reduces the Gross Pay and is becoming more popular due to the saving for both Employees and Employers however for low earners a Salary Sacrifice deduction can take them below NMW and checks need to be carried out on all low earners each month to ensure there are no breaches alternatively Clients should consider other options for low earners possibly just a Net based pension scheme.
- Annual Salary using a 52 week average – This one has caught a few clients including one of our own. HMRC advise there are actually 52.1 weeks in a standard year and 52.3 weeks in a leap year, so for clients who use a 52 week method to calculate an employee's wages need to be careful as this method would breach NMW not every month but HMRC only need one breach to take action. It's worth noting this would only apply to clients who are paying staff at the NMW rates. Or slightly over if the calculation is based on 52 weeks.
- Deductions from workers' wages, which reduce NWM, for items such as uniforms and expenses.
- Failure to pay apprentices at the correct NMW rate after the first year.
- Failure to pay for overtime.
- Failure to pay correctly for time deemed as work, such as mandatory training, travel time and trial shifts.
- Paying the incorrect NMW rate, for example by not increasing NMW pay in line with the annual NMW increase.

Pensions:

State Pension from April 2024 - Weekly payments will increase by the triple lock in 2024.

- Pensions Increase by 8.5% (Earnings Growth)
- Single tier state pension £203.85 to £221.20
- Old State Pension from £156.20 to £169.50

Remember: The state Pension Age (SPA) is aligned at 66

Annual & Lifetime Allowances:

Pension Allowances	2024/25
Annual Allowance	£60,000
Money Purchase Annual Allowance	£10,000
Annual Pension Tapered Allowance	£260,000

Important Changes – DO NOT IGNORE

Please see changes to legislation and some helpful tips from April 2024 and upcoming changes.

- **New Starter Checklist: Starter checklist** (publishing.service.gov.uk).
- **ALL employees MUST provide their staff with a written statement from day 1. A contract is a legal requirement.**
- 52 weeks rather than previous 12 weeks in holiday pay calculations for casual, zero hours and part time workers.
- If you meet the criteria IR35 effective April 2021 please ensure you have done the necessary checks to your workforce.
- Please ensure you seek the relevant legal advice regarding Termination Payments.
- **Employment Allowance please ensure your company is eligible for the allowance for the coming tax year.**
- **HOLIDAY PAY – Are you getting it right? Please ensure you are, as the consequences for getting it wrong could be costly.**
- **LEAP YEAR this may affect NMW calculations.**
- Please encourage your staff to setup their Personal Tax Accounts with HMRC. They can do this at <https://www.gov.uk/personal-tax-account>. Your staff can check HMRC have the correct details as well as having access to current and previous year tax and NI records.
- If you still have staff in the Old Childcare voucher scheme – Please remember to carry out a Basic Earnings Assessment.
- Auto-Enrolment reforms receive Royal Assent. Plans include lowering the LEL for minimum contributions meaning the first pound of earnings will qualify for pension & lowering the minimum age from 22 to 18 for Qualifying. No date set for these changes yet.
- **HMRC has announced it will become MANDATORY to Payroll benefits from April 2026. More to follow on this.**
- **NMW checks becoming more frequent Please carry out regular checks.**

HMRC Important Telephone Numbers:

Contact Subject	Number	Opening Times
Child Benefit	0300 200 3100	8am to 8pm Monday to Friday 8am to 4pm Saturday
Construction Industry Scheme (general)	0300 200 3210	8am to 8pm Monday to Friday 8am to 4pm Saturday
Tax (for employees)	0300 200 3300	8am to 8pm Monday to Friday 8am to 4pm Saturday
Tax (for employers)	0300 200 3200	8am to 8pm Monday to Friday 8am to 4pm Saturday
National Insurance (employees and employers)	0300 200 3500	8am to 5pm Monday to Friday Closed weekends
National Insurance Numbers (employees)	0300 200 3502	830am to 5pm Monday to Friday Closed weekends
Online Services Helpdesk	0300 200 3600	8am to 8pm Monday to Friday 8am to 4pm Saturday
Self-Assessment	0300 200 3319	8am to 8pm Monday to Friday 8am to 4pm Saturday
Tax Credits (general)	0345 300 3900	8am to 8pm Monday to Friday 8am to 4pm Saturday
VAT (general)	0300 200 3700	8am to 6pm Monday to Friday Closed weekends