

Payroll Newsletter

Hello and welcome to the March 2023 Year End Payroll Newsletter.

In this edition we look at your statutory changes, key announcements, Freeze on personal allowance until at least April 2028

- Budget to be announced in March but we're not looking at much change to the rates etc
- Increase benefits by inflation – 10.1%
- Pensions back to the Triple Lock therefore inflation at 10.1%
- Larger Increases to National Living and Minimum wage rates

National Minimum Wage Changes

Hourly Rate	1 st April 2022	£ Increase	1 st April 2023
Workers above compulsory school leaving age, but under 18	£4.81	47p	£5.28
Workers aged 18-20	£6.83	66p	£7.49
Apprentices	£4.81	47p	£5.28
Adult 21-22	£9.18	£1	£10.18
Adult 23 and over (Previously 25 and over) National Living Wage	£9.50	92p	£10.42
Accommodation Offset (Daily Rate)	£8.70	40p	£9.10

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 – From 1st September 2022 currently £10.90 (Rest of the UK) and £11.95 (London)

Statutory Payments

SSP – Statutory Sick Pay

Effective from the sixth day	April 2022	April 2023
Weekly Lower Earnings Limit	£123	£123 (no change)
Weekly SSP Rate	£99.35	£109.40

Parental Bereavement (Pay and Leave) - There is a day-one right for employees to take "a 'reasonable' amount of unpaid time off work to deal with an emergency involving a dependant, including making arrangements following the death of a dependant. What is 'reasonable' depends on the circumstances but in practice the length of time off will be agreed between the employer and their employee." Important Note: Initially from the 6th of April this was Great British legislation. However, the legislation was confirmed and acted in Northern Ireland from the 6th of April 2022 meaning it is now UK legislation. The Act has now been enshrined in law and is all parents in employment will have a day-one right to 2 weeks statutory leave if they lose a child under the age of 18 or have a stillbirth from 24 weeks of pregnancy. There is also a right to two-week Statutory Bereavement Pay and all claims for paid leave will be subject to an eligibility criteria of 26 weeks employment prior to the death of the child and the employee having earnings on average over the LEL in the eight-week period prior to the sad event.

Who can claim? (Must have status at the point of death):

- Birth Parents
- Adoptive Parents from date matched or the placement order
- Surrogates where one must be a biological parent with a placement order
- Someone with a relationship to the child
- Where the child has lived with them for at least 28 consecutive days to the death
- They are not being paid for their services
- These are known as Kinship Carers
- If a Kinship Carer lives with a biological parent, only the biological parent can claim e.g. a Grandparent living with the mother helping to care for the child.

Statutory Maternity, Paternity, Adoption and Shared Parental Pay

Type of payment or recovery	2022 to 2023 rate
SMP – weekly rate for first 6 weeks	90% of the employee's average weekly earnings
SMP – weekly rate for remaining weeks	£172.48 or 90% of the employee's average weekly earnings, whichever is lower
Statutory Paternity Pay (SPP) – weekly rate	£172.48 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	£172.48 or 90% of the employee's average weekly earnings, whichever is lower
Statutory Shared Parental Pay (ShPP) – weekly rate	£172.48 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

PAYE tax rates and thresholds	2023 to 2024 – 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 - £10,375 Minimum - £4010
Transferable Marriage Allowance	£1260
Income Limit for Married Couples	£31400 up £1000 from last year
Income Limit (Regardless of DOB)	£100,000
Blind Persons Allowance	£2870.00

Emergency tax codes:

The emergency tax codes from 6 April 2021 are:

- 1257L W1
- 1257L M1

National Insurance - Frozen Until 2028

The Class 1 NICs thresholds for 2023/24 are as follows

	2022/23	2023/24
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

Scottish Rates and Thresholds: <https://www.gov.scot/publications/scottish-income-tax-2023-2024/>

Welsh Rates: <https://gov.wales/welsh-rates-income-tax>

NIC Rates – For 2023/24

Employee	2022/23	2023/24
Earnings up to LEL	Nil	Nil
Earnings between LEL and PT	0%	0%
Earnings between PT and UEL	12%	12%
Earnings above UEL	2%	2%
Certificate of Election	5.85%	5.58%
Deferment	2%	2%
Self Employed Class 4	N/A	N/A
Earnings between PT and UEL	9%	9%
Earnings above UEL	2%	2%

Employer	2022/23	2023/24
Earnings up to LEL	Nil	Nil
Earnings between LEL and PT	0%	0%
Earnings between PT and UEL	13.8%	13.8%
Earnings above UEL	13.8%	13.8%
Earnings between ST and AUST	0%	0%
Earnings between ST and VUST	0%	0%
Earnings between ST and FUST	N/A	0%
Earnings above UST, AUST, AUST and VUST	13.8%	13.8%
Earnings above FUST	13.8%	13.8%
Class 1A	13.8%	13.8%
Class 1B	13.8%	13.8%

National Insurance Letters:

Category letter	Employee group
A	All employees apart from those in groups B, C, H, J, M, V and Z in this table
B	Married women and widows entitled to pay reduced National Insurance
C	Employees over the state pension age
H	Apprentices under 25
J	Employees who can defer National Insurance because they're already paying it in another job
M	Employees under 21
V	Employees who are working in their first job since leaving the armed forces (veterans)
Z	Employees under 21 who can defer National Insurance because they're already paying it in another job
	Category letters for employees who work in freeports Employers use category letters F, I, L and S for employees who work in a freeport
F	All employees who work in freeports, apart from those in groups I, L, and S in this table
I	Married women and widows who work in freeports and are entitled to pay reduced National Insurance
L	Employees who work in freeports and can defer National Insurance because they're already paying it in another job
S	Employees who work in freeports and are over the State Pension age

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	2023 to 2024 rate
Employee earnings threshold for student loan plan 1	£22,015 per year
Employee earnings threshold for student loan plan 2	£27,295 per year
Employee earnings threshold for student loan plan 4	£27,660 per year
Student loan deductions	9%
Employee earnings threshold for postgraduate loan (Plan 3)	£21,100
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 2022.

Engine size	Petrol – amount per mile	LPG – amount per mile	Diesel - amount per mile
1400cc or less	13 pence	9 pence	14 pence
1401cc to 2000cc	15 pence	10 pence	17 pence
Over 2000cc	22 pence	15 pence	22 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 2023 to 2024
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

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 275g/km or less rule
- Most schemes will be lease schemes through the Employers 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
 - 2022/23 – The liability is 2%
 - 2023/24 – 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. It is **NO LONGER** automatically claimed each year.

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 you 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 are only subject to tax however this has change from April 2020
- Employers will now pay Employers 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

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 a number of 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.

The UK Budget 2022

We've seen a number of budgets and mini budgets in 2022 each with someone different and a variety of decisions and promises, some remaining, some reversed and some altered!

The March Statement with Rishi!

- Cuts to fuel tax
- Increases to the Primary NI threshold to £12,570
- Increased EA to £5,000
- 19% tax rates from 2024

The Growth Plan with Kwasi!

- Energy price limits for 2 years
- Repeal IR35 legislation – giving it back to intermediaries
- Reduce NI to previous levels and scrap the HCS
- 19% Basic tax rate from 2023
- Additional rate 45% scrapped.

After a number of previous statements and budgets and a number of changes in government – with Rishi Sunak as Prime Minister and Jeremy Hunt as Chancellor of the Exchequer now in place and a final ratifying and altering statement given at the later part of 2022.

The Autumn Statement was delivered on the 17th of November focusing on:

- Tackling the cost-of-living crisis
- Rebuilding the economy

The primary functions of the statement:

- Stability, growth and public services
- Managing the biggest issue – inflation
- Reversing unrealistic, unaffordable measures

For reference, the next update will be the Spring Budget on the 15th of March 2023.

Key announcements:

Inflation averaged 9.1% in 2022, 10.1% (10.09995%) in September 2022 when decisions on change are made:

- Expected to average 7.4% next year with larger reductions from mid-2023
- Unemployment is expected to rise from 3.6 to 4.9% in 2024

Key changes

- A reduction in the additional rate of tax threshold to £125,140 from £150,000
- Maintaining tax rates and thresholds for a further 2 years through to April 2028
- Include the freeze to National Insurance
- Reducing inheritance tax from £2,000 to £1,000 then £500 in 2024
- Reducing the Annual Exempt Amount for capital gains tax from £12,300 to £6,000 then to £3,000 in 2024
- Reversing the IR35 repeal – back to where we were! – guidance in this manual
- Reversal of the reduction in base rate taxation to 19%
- Reinstatement of the Additional rate tax of 45%
- From April 2025, electric vehicles will no longer be exempt from Vehicle Excise Duty (car tax)
- Limit rate increases for EV cars for 1ppt a year for three years from 2025
- Stamp Duty levels remain in place until April 2025
- Continue to provide the current level of employment allowance announced
- Larger increases to National Living and Minimum wage rates
- Increase benefits by inflation – 10.1%
- Pensions back to the Triple Lock therefore inflation at 10.1%
- NI decisions remain.

Important Changes – DO NOT IGNORE

Please see changes to legislation and some helpful tips from April 2023.

- **New Starter Checklist introduced to include Student Loan 4:** https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/963434/Starter-checklist_English_2021_2022.pdf
- **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**
- An extra Bank Holiday this year on the 8th of May 2023 UK Wide (The Coronation of King Charles) Employers should consider the application of work and holiday rules. Remember, it means two 4-day weeks in a row
- 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.

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