

## **Welcome to the sixth edition**

Hello and welcome to Whiting & Partners Payroll Update issue 6. We circulate the latest payroll & Construction Industry Scheme updates in this twice-yearly newsletter to help employers and contractors keep up to date with the latest developments.

If you wish to know more about any topic and how it affects you, please contact our Payroll Department on 01353 662595 or at payroll@whitingandpartners.co.uk

## **Tax Year-end 2016-17**

End of Year – Notable Dates:

- End of Year submissions to HMRC should be made by 19 April 2017.
- Form P60 is due to all employees who are still employed at 5 April 2017 and should be with employees by the 31 May 2017.

## **New Tax Year 2017/18**

- Increase tax codes by 50 for all employees with a “L” suffix (e.g. 1100L becomes 1150L)
- Increase tax codes by 55 for all employees with a “M” suffix (e.g. 998M becomes 1053M)
- Increase tax codes by 45 for all employees with a “N” suffix (e.g. 1202N becomes 1247N)
- Remove week 1/month 1 indicators on tax codes
- Apply new codes received from HMRC
- Ensure all figures are cleared down, ready for the New Year
- Submit an EPS to confirm you will claim the £3,000 employment allowance, if applicable.

Other guidance and information on successfully transitioning into the new tax year should be available from your software provider, or if you are a payroll client of Whiting & Partners, all tax year end/start procedures will be completed on your behalf.

## **Personal Allowance Increase and Higher Rate Threshold**

The personal allowance is set to rise to £11,500 in 2017/18. The income limit for the full personal allowance remains at £100,000. The point at which a worker would start paying higher rate income tax will increase to £45,000 in 2017/18. The Government has made a commitment to increase the personal allowance to £12,500 by 2020 and once it has reached £12,500, it will continue to increase in line with inflation. The higher rate income tax threshold is set to rise to £50,000 by 2020/21.

## **Scottish Rate of Income Tax**

The Scottish Parliament has made history by voting to set separate Scottish income tax rates and bands for the first time. From 6 April 2017 the basic, higher and additional rates of income tax are to stay the same as the rest of the UK but the threshold at which people start paying the higher tax rate will remain at £43,000.

## **Student Loan – Increase in annual threshold**

From 6 April 2017 the annual threshold for the repayment of Plan 1 student loans will increase to £17,775. The threshold for Plan 2 remains the same as in 2016/17 at £21,000.

## **National Minimum Wage & The National Living Wage**

The National Minimum Wage for those under the age of 25 and The National Living Wage for those over the age of 25 is to be increased from 1 April 2017.

The April 2017 rates are:

- workers aged 25 years or more: £7.50 per hour
- workers aged 21-24 years: £7.05 per hour
- workers aged 18 to 20: £5.60 per hour
- workers aged under 18 (but above compulsory school age): £4.05 per hour
- apprentices aged under 19: £3.50 per hour
- apprentices aged 19 and over, but in the first year of their apprenticeship: £3.50 per hour

Apprentices aged 19 or over who have completed one year of their apprenticeship are entitled to receive the national minimum wage rate applicable to their age.

## **Voluntary Living Wage**

The Voluntary Living Wage is different to the National Living Wage. It applies to all workers over the age of 18 and is updated annually. It is set independently by the Living Wage Foundation and is calculated according to the basic cost of living in the UK. Employers choose to pay the Living Wage on a voluntary basis. The current UK Living Wage is £8.45 per hour and the London Living Wage is £9.75 per hour.

For more information on this please visit The Living Wage Foundation's website. [www.livingwage.org.uk](http://www.livingwage.org.uk)

## **2017-18 Statutory Payment Rates**

The new rates effective from 6 April 2017 are as follows, where employees meet the eligibility criteria:

Statutory Sick Pay (SSP): £89.35/week

Statutory Maternity Pay (SMP): £140.98/week (or 90% of AWE, whichever is the lesser)

Statutory Paternity Pay (SPP): £140.98/week (or 90% of AWE, whichever is the lesser)

Statutory Adoption Pay (SAP): £140.98/week (or 90% of AWE, whichever is the lesser)

Shared Parental Pay (SShPP): £140.98/week (or 90% of AWE, whichever is the lesser)

Employers may still recover 92% of SMP/SPP/SAP/SShPP, with small employers able to recover 100%, plus 3% compensation. (Small employers are currently defined as those whose total NICs (employee and employer) were less than £45,000 for the previous tax year)

## **Update on Holiday Pay Case – Lock v British Gas**

The Supreme Court has made the decision to refuse British Gas the right to further appeal following on from their appeals to The European Court of Justice and The Employment Tribunal, both of which were dismissed. Many employers were waiting for the outcome of further appeals by British Gas, however in light of the Supreme Court judgement, employers must now ensure that they include commission payments in the calculation of holiday pay. Employers are still left with the difficult decision of how to calculate holiday pay and as yet there is still no definitive guidance on how to calculate this, taking into account the above changes. However, the Employment Rights Act refers to using the previous 12 weeks (prior to an employee taking their holiday), to calculate an average amount to base the holiday pay on.

## **Salary Sacrifice Arrangements**

The Government announced in the Autumn Statement that benefits given by way of a salary sacrifice arrangement would cease to have any tax and NIC advantages. There are exemptions to this and the acceptable items are: pension contributions, pension advice, childcare and cycle to work schemes. The changes apply from 6 April 2017, however arrangements in place before April 2017 will be protected for one year and for arrangements relating to cars, accommodation and school fees there will be protection until 2021.

## **Auto Enrolment**

Most employers have now reached their staging date, with the exception of new employers who set up business after 1 April 2012 who will stage between 1 May 2017 and 1 February 2018.

Once staged, The Pensions Regulator demands completion of The Declaration of Compliance. This document provides information to prove to the Pension Regulator that the employer is meeting their automatic enrolment duties. If you are an Auto Enrolment client of Whiting & Partners, this document will be submitted for you.

There are further changes coming with regards to minimum pension contribution rates. See table below:

Date Effective	Employer Minimum	Staff Contribution	Total Minimum Contribution
Until 5 April 2018	1%	1%	2%
6 April 2018 to 5 April 2019	2%	3%	5%
6 April 2019 onwards	3%	5%	8%

If you are concerned about Auto Enrolment or would like some assistance, please contact our sister company, Whiting and Partners Wealth Management Ltd at [ae@whitingandpartnerswm.co.uk](mailto:ae@whitingandpartnerswm.co.uk)

## **Who is excluded from all Automatic Enrolment duties?**

Certain people are excluded from the employer's AE duties, such as directors who are not working under an employment contract, trustees and directors who are the only employee in their company.

However, for other employees who are not excluded, employers sometimes have an option to choose not to automatically enrol them. This option applies to anyone in their notice period, a director working under an employment contract, those with pension scheme lifetime protection and those who have left their employer's qualifying pension scheme in the last 12 months (they should not be assessed until the employer's next re-enrolment date). If the employer does choose not to automatically enrol one of these staff, they still retain the right to opt in or join a pension (except those in their notice period) and employers will still have other AE duties, such as sending out letters to staff and completing the Declaration of Compliance.

Everything you need to know about Automatic Enrolment can be found on TPR's website.

[www.thepensionsregulator.gov.uk](http://www.thepensionsregulator.gov.uk)

### **Tax-Free Childcare Scheme Launch to Parents**

In our last issue we told you about the new government tax free childcare initiative to be rolled out from early 2017, which is intended to replace the existing Childcare Voucher Scheme in April 2018. For eligible families, Tax-Free Childcare offers to cover 20% of childcare costs (up to £2,000 per child, per year), for children up to the age of 12 (or under 17 if disabled). The scheme will be operated through online childcare accounts. Parents will open an online childcare account and pay money towards childcare costs directly into the account. The Government will automatically make “top-up” payments into the account at a rate of 20p for every 80p that families pay in up to the annual limits. Current childcare voucher schemes will be closed to new joiners from April 2018 to support the transition between schemes.

The government has launched the childcare choices website which has been designed for parents as a quick and simple way of seeing which schemes could provide support for their families.

[www.childcarechoices.gov.uk](http://www.childcarechoices.gov.uk)

### **Apprenticeship Levy**

6 April 2017 sees the launch of the new apprenticeship levy. The levy will be paid by employers in any sector with a pay bill of more than **£3 million per year**, and will be charged at 0.5%. There will be a levy allowance to offset against this worth £15,000 for each tax year.

For Example:

Annual pay bill of £7,000,000

Apprenticeship levy of 0.5% x £7,000,000 = £35,000

Minus £15,000 allowance = £20,000 annual levy payment

The levy will be paid to HMRC through PAYE and will be calculated, reported and paid through the PAYE process alongside tax and NICs. If you have calculated that you will be liable, you will need to declare this and include payment with your usual PAYE payment to HMRC.

### **CIS Update – Further Move to Digital**

Compulsory online filing for CIS returns has now been active since 6 April 2016, meaning HMRC will no longer accept paper returns. This includes submitting amended returns should there be a need for any corrections.

From 6 April 2017 mandatory online verification of subcontractors will also be introduced and the option to verify by telephone will be removed.

If you have any feedback, or would like more information on one of the topics covered, please e-mail [payroll@whitingandpartners.co.uk](mailto:payroll@whitingandpartners.co.uk), quoting “payroll update letter” in the subject line, or call 01353 662595 and ask to speak to a member of the payroll team.

For those of you for whom we already undertake payroll services, we will be addressing a number of the issues raised in this newsletter on your behalf.

Please also contact us if you would like to be removed from our mailing list.