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## Payroll Update for the New Tax Year 2020/21

April, 2020

### INCOME TAX THRESHOLDS 2020/21

The following updates were announced in the Budget 2020:

Basic Personal Allowance – Remains the same: **£12,500**  
Emergency Tax Code – Remains the same: **1250L Week 1/Month 1 Basis**

Income limit for personal allowance remains at **£100,000**  
All 2020/21 PAYE Rates and Thresholds for UK, Scotland and Wales can be found on the following government link:  
<https://www.gov.uk/guidance/rates-and-thresholds-for-employers-2020-to-2021>

### NATIONAL INSURANCE THRESHOLDS 2020/21

The Primary Threshold (employee contributions) for Class 1 NICs will rise to **£9,500** and the Secondary Threshold (employer contributions) will not move in parallel, but instead will increase to **£8,788**.

### STUDENT LOAN & POSTGRADUATE LOAN RATES 2020/21

Plan 1 – Increase to: **£19,390** Threshold

Plan 2 – Increase to: **£26,575** Threshold

*Plan 1 and Plan 2 are repayable at a rate of 9%*

Postgraduate threshold - remains the same: **£21,000** –  
*repayable at a rate of 6%*

- *These thresholds are applied based on the earnings received in the pay frequency, for example: An employee subject to Plan 1 repayments, would pay student loan on earnings above £1,615.83 per month (£19,390 per annum / by 12).*
- *An employee could have either a Plan 1 or Plan 2 student loan, together with a postgraduate loan at the same time.*

**Please ensure that the updated starter checklist for 2020/21 is completed for all new starters, to guarantee the correct tax code and student loan plan(s) are applied correctly. An updated version for 2020/21 will be forwarded in due course.**

## **NATIONAL MINIMUM WAGE/LIVING WAGE RATES 2020/21 – EFFECTIVE FROM 1<sup>ST</sup> APRIL 2020**

	Current	From April 2020	Increase
NLW	£8.21	£8.72	6.2%
Age 21 - 24 Rate	£7.70	£8.20	6.5%
Age 18 – 20 Rate	£6.15	£6.45	4.9%
Age 16 – 17 Rate	£4.35	£4.55	4.6%
Apprentice Rate	£3.90	£4.15	6.4%
Accommodation Offset	£7.55	£8.20	8.6%

*\*The Apprenticeship rate is for apprentices under 19 years of age or those in the first year. If they are 19 or over and past their first year, you must pay the rate that applies to their age.*

**Please Note: Rates can be increased on the next payroll, if the 1<sup>st</sup> April falls part way through a pay reference period. For salaried employees paid at NLW/NMW rates the calculation for their monthly pay must be based on 52.18 weeks.**

### **THE CALCULATION OF HOLIDAY PAY**

Case law dictates that all types of overtime should be included when calculating holiday pay:

- Guaranteed overtime, where the employer is obliged to offer extra hours and the employee is obliged to work the extra hours.
- Non-guaranteed overtime where the employer is not obliged to offer overtime but when they do, the employee is obliged to accept.
- Voluntary overtime where there is no obligation on either the employer or the employee, but it is worked regularly.

Only overtime that is worked on a genuinely occasional and infrequent basis does not have to be included.

Where a worker receives commission relating to performance of their duties, this should be included in the calculation of holiday pay, regularly paid incentive bonuses, shift allowances, standby or on-call payments, work-related travel allowances, and all other elements of taxable remuneration paid on a regular basis, all fall within the definition of 'normal remuneration'. These elements of pay should therefore be included in the calculation of holiday pay.

### **UPDATE TO THE CALCULATION FROM APRIL 2020**

The reference period used to calculate holiday pay will be extended from 12 to 52 weeks. Currently where a worker has variable pay or hours, their holiday pay is calculated using an average from the last 12 weeks in which they worked, this reference period is being increased to 52 weeks.

<https://www.gov.uk/government/publications/calculating-holiday-pay-for-workers-without-fixed-hours-or-pay/calculating-holiday-pay-for-workers-without-fixed-hours-or-pay--2>

## **EMPLOYMENT ALLOWANCE – NEW RULES 2020/21**

The Employment Allowance for 2020/21 is increasing to £4,000.

**\*The employment allowance can only be claimed if your total qualifying employer's (secondary) Class 1 National Insurance liability in the tax year before the year of a claim, was less than £100,000\*** As part of the New Tax Year Processes, we will identify the companies who no longer qualify. For companies who are eligible to continue claiming the employment allowance, we will make the necessary submission to HMRC.

*\*if companies are connected, the total qualifying employers (secondary) Class 1 NICs liabilities incurred by all of the companies in the group, need to be added together\**

The Employment Allowance will be operated as de minimis state aid. De minimis state aid rules apply if businesses engage in economic activity, meaning providing goods or services to the market. It does not matter if you do not make a profit, if others in the market offer the same goods or services, it is an economic activity. In the case of this allowance this will apply to most businesses. Please see link for more information: <https://www.gov.uk/guidance/changes-to-employment-allowance>

## **APPRENTICESHIP LEVY**

No changes to the Apprenticeship Levy.

## **PARENTAL BEREAVEMENT LEAVE AND PAY**

The Government has introduced a new workplace right to paid leave for bereaved parents. From April 2020 this will provide parents or carers who lose a child under the age of 18 or a stillbirth after 24 weeks of pregnancy, with a day-one right to take two weeks off work. Eligible parents will be entitled to two weeks statutory pay.

## **CLASS 1A LIABILITIES ON TERMINATION PAYMENTS AND SPORTING TESTIMONIALS**

A new Class 1A National Insurance Contribution charge on termination awards over £30,000 and payments from sporting testimonials above £100,000 has been introduced from April 2020. For further information please see the link: <https://www.gov.uk/government/publications/income-tax-and-national-insurance-contributions-treatment-of-termination-payments>

## **OFF-PAYROLL WORKING (IR35) *\*(NOW POSTPONED UNTIL APRIL 2021)***

From April 2021 the responsibility for operating the off- payroll working rules in the private and third sectors will move from individual workers to the organisation, agency or other third party engaging them. The change applies to services carried out from 6<sup>th</sup> April 2021. The rules apply to all public sector clients and private sector companies that meet 2 or more of the following conditions:

- You have an annual turnover of more than £10.2 million
- You have a balance sheet total of more than £5.1 million
- You have more than 50 employees

For further information please follow the link: <https://www.gov.uk/guidance/understanding-off-payroll-working-ir35>



## **IMPORTANT INFORMATION - RETIREMENT OF EPAYSLIPS**

There are still a small number of clients who haven't yet moved from ePayslips to myePayWindow. **On 5<sup>th</sup> April 2020 ePayslips will be no longer available** but replaced by myePayWindow website. **You must ensure that you have transferred across by this date, to avoid your employees being unable to access their online payslip.**

## **MYEPAYWINDOW**

Please be aware that myEpayWindow is simply a document transfer facility to provide a secure way of sending and receiving data (in line with GDPR), it is not a storage facility. Documents will remain on the site for 3 months but after this time they will automatically be removed. **Please always ensure you save documents on receipt onto your own system securely.**

## **LEAVERS**

**For Employees leaving employment with an Employer:**

- Their data and access will be retained for 3 months. During this time the ex-employee can download or print copies as required.
- After 3 months their account will be disabled.
- After 12 months their data will be anonymised.

**P45s and P60s** are uploaded to the portal for Employee access and can be printed and saved, these will also be removed after 3 months for leavers from both the Employer and Employees' view.

**MyePayWindow securely delivers payslips and P60s to employees and can be accessed securely 24/7 on any device. It removes the distribution of paper payslips for employers, payslips are available on the pay date and previous and current payslips can be viewed at any time.**

**If you are not already signed up to MyePayWindow service and would be interested in doing so, please get in touch for more details.**

## **PAYROLLING BENEFITS IN KIND**

If you would like to take advantage of payrolling employee benefits in kind, which removes the requirement to submit forms P11D, you would need to register with HMRC prior to 6<sup>th</sup> April 2020 for tax year 2020/21.

Please refer to this link for more information: <https://www.gov.uk/guidance/payrolling-tax-employees-benefits-and-expenses-through-your-payroll>

If you think this is of interest to you, please contact **DTE Payroll Outsourcing** via our contact details above.

To support our clients and partners in navigating through and overcome the challenges caused by Covid19, we have created a **Support Hub** including all the key information, update and advice for businesses so far. If you have any questions or need support, please **contact us** today to discuss further.

