

# Payroll Update for the New Tax Year 2021/22

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## Income Tax Thresholds 2021/22

The following updates were announced in the Budget 2021:

- Basic Personal Allowance – Changes to: **£12,570**
- Emergency Tax Code – Changes to: **1257L Week 1/Month 1 Basis**
- Income limit for personal allowance remains at **£100,000**

All 2021/22 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-2021-to-2022>

## National Insurance Thresholds 2021/22

The Primary Threshold (employee contributions) for Class 1 NICs will rise to **£9,568** and the Secondary Threshold (employer contributions) will increase to **£8,840**.

## Student Loan & Postgraduate Loan Rates 2021/22

Plan 1 – Increase to: **£19,895** Threshold

Plan 2 – Increase to: **£27,295** Threshold

**(NEW) Plan 4 Scottish Student Loan** **£25,000** Threshold

*Plans 1, 2 & 4 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 £1,657.91 per month (£19,895 per annum / by 12).*
- *An employee could have either Plans 1, 2 & 4, together with a postgraduate loan at the same time.*

**Please make sure the updated starter checklist for 2021/22 is completed for all new starters, this will ensure the correct tax code and student loan plan(s) are applied correctly. An updated version for 2021/22 is attached.**

Link:

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/963434/Starter-checklist\\_English\\_2021\\_2022.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/963434/Starter-checklist_English_2021_2022.pdf)

## National Minimum Wage/Living Wage Rates 2021/22 – Effective from 1<sup>st</sup> April 2021

	Current	From April 2021	Increase
<b>NLW (AGE 23 &amp; ABOVE)*</b>	£8.72	<b>£8.91</b>	2.2%
Age 21 - 22 Rate	£8.20	<b>£8.36</b>	2.0%
Age 18 – 20 Rate	£6.45	<b>£6.56</b>	1.7%
Age 16 – 17 Rate	£4.55	<b>£4.62</b>	1.5%
Apprentice Rate	£4.15	<b>£4.30</b>	3.6%
Accommodation Offset	£8.20	<b>£8.36</b>	2.0%

**\*The National Living Wage age threshold has been reduced from 25 years and above to 23 years and above**

*\*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 1<sup>st</sup> April, falls part way through a pay reference period and for employees being paid at NMW/NLW the calculation for salaried staff must be based on 52.18 weeks.**

**Holiday Pay must be based on the average pay received over the last 52 weeks, please see below.**

**Update to the calculation from April 2020 (as previously advised)**

<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>

### **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.

## **The Employment Allowance for 2021/22 remains at £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 our 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 companies within the group must be added together \**

To check if your business is eligible to claim the Employment Allowance please go to the link below:

<https://www.gov.uk/claim-employment-allowance>

## **Apprenticeship Levy**

No changes to the calculation of the Apprenticeship Levy (<https://www.gov.uk/guidance/manage-apprenticeship-funds>)

## **Off-Payroll Working (IR35) FROM APRIL 2021**

The off payroll working rules are designed to ensure individuals who work under similar terms as employees but through their own limited company (often known as a 'personal service company' or 'PSC') or other intermediary, pay broadly the same Income Tax and National Insurance (NICs) as individuals who are directly employed.

From 6<sup>th</sup> April 2021 the responsibility for operating the off- payroll working rules in the private and non-public 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/prepare-for-changes-to-the-off-payroll-working-rules-ir35>

**If you need some guidance on this, please let us know & we can arrange for one of our tax specialists to assist.**

If the determination is made that the contract is within the "off payroll working" rules and the company is the fee- payer, you must:

- Calculate the deemed direct payment to account for employment taxes and National Insurance contributions associated with the contract
- Deduct those taxes and employee National Insurance contributions from the payments to a worker's intermediary
- Pay employer National Insurance contributions
- Report to HMRC through Real Time Information the taxes and National Insurance deducted
- Apply the Apprenticeship Levy (if applicable)

Please contact DTE payroll to make arrangements for the off-payroll worker to be included on your payroll, we will then issue details of the information required for set up/processing.

## **MyePayWindow**

**MyePayWindow securely delivers payslips, P45s 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 (or sooner if required) 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 2021 for tax year 2021/22. Please refer to this link for more information: <https://www.gov.uk/guidance/payrolling-tax-employees-benefits-and-expenses-through-your-payroll#how-to--register-for-payrolling-benefits-and-expenses>

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

### **New - Building and Construction Vat Reverse Charge**

From 1<sup>st</sup> March 2021 the domestic VAT reverse charge must be used for most supplies of building and construction services.

<https://www.gov.uk/guidance/vat-domestic-reverse-charge-for-building-and-construction-services#whentouse>

### **Post-Employment Notice Pay (PENP) – From 6<sup>th</sup> April 2021.**

The measure will apply to those individuals who have their employment terminated and where the termination payment is received on or after 6<sup>th</sup> April 2021.

The key changes will be to include an alternative calculation for PENP, for employees who have a pay period defined in months, but a contractual notice period defined in weeks or days, or where post-employment notice period is not a whole number of months.

<https://www.gov.uk/government/publications/changes-to-the-treatment-of-termination-payments-and-post-employment-notice-pay-for-income-tax/changes-to-the-treatment-of-termination-payments-and-post-employment-notice-pay-for-income-tax>

### **Coronavirus Job Retention Scheme Extension**

The CJRS is extended to the end of September 2021 and will taper off from July with more of an employer contribution to wages, not just the employer contribution to on-costs.

The eligibility has also been amended to include from 1<sup>st</sup> May 2021 onwards, newly eligible employees who were employed on 2<sup>nd</sup> March 2021, if a payment of earnings was reported on an RTI between 20<sup>th</sup> March 2020 and 2<sup>nd</sup> March 2021.

If you would like to discuss any points mentioned above, or have questions about your specific situation, please get in touch with your regular contact at DTE, or contact our Payroll team via the contact details below for a free, no-obligation consultation to see how we can help:

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