



## PAYROLL

# Important changes from April 2020 for you and your employees

Please note that the information detailed in this document is subject to change in the upcoming Budget, in which case an additional update will be published.

## Personal Allowance threshold

The Personal Allowance threshold – the amount you can earn before paying income tax, remains at £12,500 for the 2020/2021 tax year.

## National Insurance (NI) thresholds

From 6th April the National Insurance Contribution (NIC) threshold will rise as part of the government's commitment to reduce contributions by the low paid. HMRC have reintroduced a secondary threshold so employers will start to pay NI before the employee.

For 2020/21 the threshold at which taxpayers start to pay NICs will rise to £9,500 per year for both employed (Class 1) and self-employed (Class 4) people, but there is no change to the percentage rates.

	2020/21	2019/20
<b>Primary threshold</b>	£9,500 per year	£8,632 per year
<b>Secondary threshold</b>	£8,788 per year	£8,632 per year

## Automatic Enrolment earnings threshold

From 6th April the lower level of qualifying earnings threshold is expected to increase, although this is subject to parliamentary approval.

	Proposed 2020/21 annual threshold	2019/20 annual threshold
Lower level of qualifying earnings	£6,240	£6,136
Earnings trigger for automatic enrolment	£10,000	£10,000
Upper level of qualifying earnings	£50,000	£50,000

## National Minimum Wage and National Living Wage rates

As part of the governments plan to tackle wage inequality and rising living costs, from 1 April 2020, the National Minimum Wage will increase by up to 6.5%, providing the low earners with the biggest increase to the NMW to date, whilst the NLW, applicable to those aged 25 or older, will increase 6.2% from £8.21 to £8.72.

	25+	21 to 24	18 to 20	Under 18	Apprentice
2020-21	£8.72	£8.20	£6.45	£4.55	£4.15
2019-20	£8.21	£7.70	£6.15	£4.35	£3.90

Almost 3 million people are set to benefit from the increased rates.

## Statutory payment rates

To be entitled to these statutory payments, the employee's average earnings must be equal to or more than the lower earnings limit.

	2020/21	2019/20 rate
Statutory Sick Pay (SSP)	£95.85	£94.25

## Statutory payment rates (continued)

	2020/21	2019/20 rate
<b>Statutory Maternity Pay – weekly rate for remaining weeks</b>	£151.20 or 90% of the employee's average weekly earnings, whichever is lower	£148.68
<b>Statutory Paternity Pay (SPP) – weekly rate</b>	£151.20 or 90% of the employee's average weekly earnings, whichever is lower	£148.68
<b>Statutory Shared Parental Pay (ShPP) – weekly rate</b>	£151.20 or 90% of the employee's average weekly earnings, whichever is lower	£148.68

## Statutory bereavement leave

Parents who suffer the devastating loss of a child under the age of 18, or if they suffer a stillbirth after 24 weeks of pregnancy, will be legally entitled to 2 weeks statutory leave from April 2020 as part of a landmark modification to bereavement leave.

The new rights introduced with effect from April 2020

- Cover any working parent, regardless of how long they have been employed.
- For those parents/primary caregivers who have been employed for at least 26 weeks prior to the child's death, will be entitled to two weeks of statutory pay, in line with entitlements for parental leave.
- Where the parents/primary caregivers have not been employed for 26 weeks prior to the child's death, they are still are entitled to two weeks, but without pay.
- The leave can be taken in one block of two weeks or two blocks of one week.
- Notice requirements are flexible, and the leave can be taken at short notice.

## Employment Allowance

From 6 April 2020 you will only be able to claim if your employer Class 1 National Insurance bill was below £100,000 in the previous tax year, this also includes employers with connected companies.

You can claim Employment Allowance if:

- You're a business or charity (including community amateur sports clubs) paying employers' Class 1 National Insurance.
- You can also claim if you employ a care or support worker.
- You have more than one employer PAYE reference, you can only claim Employment Allowance against one of them.

## IR35 Off Payroll Rules

From 6 April 2020, large and medium size businesses will become responsible for determining the potential 'employment status' of workers who provide their services via intermediaries, i.e. a Personal Service Company (PSC), agency or another intermediary, and whether the IR35 Off Payroll rules apply to those workers.

Affected businesses using workers off payroll (provided by a PSC, agency or another intermediary), will be responsible for determining the 'employment status' of workers, and if they look akin to employees, the new rules will apply. The business paying the worker's PSC will be responsible for deducting PAYE tax and Class 1 NIC, and they will also be liable to pay Employers NIC in respect of those payments.

If the end user making the decision is not the business paying the Off Payroll worker, they are required to provide a Status Determination Statement to the business making the payment to the PSC, advising them of the decision and the action to be taken. Failure to do this will result in any potential underpayments of tax/NIC falling on them.

If the end user is a small business, it will be exempt from operating the new IR35 rules (a business is defined as 'small' if they can meet 2 or more of the following):

- An annual turnover of not more than £10.2 million;
- A balance sheet total of not more than £5.1 million;
- 50 Employees or less;

## Termination payments

From 6th April 2020, rules affecting termination payments are changing so employer NICs will be payable on termination payments above £30,000.

Prior to this date, the charge on termination payments in excess of £30,000 is limited to income tax only. The new NIC legislation will mean that any termination payment in excess of £30,000 made after 6th April 2020, chargeable to income tax, will also attract a Class 1A NIC liability at 13.8% on the balance above the £30,000.

A charge to Class 1A NIC rather than Class 1 NIC means that it is only the employer that suffers NIC and not the employee.

Payroll legislation and ever-changing regulations can be difficult to navigate. But this is where our specialist payroll bureau can help – we provide a holistic range of payroll services around your needs, and ensure your employees' salaries are cared for, in house, on time.

**If you would like to speak to one of our dedicated experts, please get in touch today.**



**Get in touch**

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