

The Future of Payroll - Update

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A close-up photograph of the Union Jack (UK flag) and the European Union flag (blue with yellow stars) draped together. The Union Jack is on the left, showing its characteristic red, white, and blue stripes and cross. The EU flag is on the right, showing its blue field with twelve yellow stars arranged in a circle. The flags are wrinkled and overlap each other.

UK Exit from the EU
What will it mean for us?

UK Exit from the EU

- The UK triggered “Article 50” of the Treaty of Lisbon
- Still do not know when or if we will leave
- Assume we leave:
 - Repeal Bill becomes Repeal Act
 - No legislation change until end of transition period??
- Still chance of no deal!

UK Exit from the EU - Law

- Possible areas of change:
 - The Working Time Directive (WTD)
 - Holiday Pay
 - Holiday Pay Calculations – currently supported by the WTD
 - Sickness Rules
 - TUPE agreements
 - Uncapped Worker Compensation
 - Discrimination and Equal Pay
 - The Alabaster Ruling.

- UK still affected by rulings from CJEU
 - Federación de Servicios de Comisiones Obreras (CCOO) v Deutsche Bank SAE
 - Employer must keep records of hours worked to fulfil its obligations under the Working Time Directive
 - Judgment means member states must require employers to keep records of hours worked.
 - Seems the *Working Time Regulations*, (and the Northern Ireland equivalent), have not properly transposed the Directive into UK law.
 - Government will have to amend both *Working Time Regulations* (or derogate from the Directive where allowed)



Income Tax

Termination Payments



Termination Payments

From April 2020:

- Class 1A NI liability on s403 Termination payments in excess of £30,000
- HMRC stated this would be payable in real time
- Conflict still to be resolved:
 - Class 1A liability on payrolled benefits still payable by 19/22 July?

IR35

**Off Payroll Working
Rules**

HM REVENUE & CUSTOMS

IR35 in the Private Sector

From the Autumn Budget 2018:

- Rules to be extended to the Private Sector
- Applicable to Large and Medium sized businesses
- “Check Employment Status Test” tool still being challenged.

IR35 – How it Works

- If the rules apply engager (The Client) payer responsible for deducting tax and NICs at the point payment is made
- Employment status of the worker with the fee payer is only for the purposes of:
 - Tax, NICs, and Apprenticeship Levy
- Workers do not have rights to:
 - Statutory payments
 - Workplace pensions,
 - Certain employment rights
 - Student or Post Graduate Loan deductions



HM Revenue
& Customs

The Employment Allowance



Employment Allowance

Effective April 2020

- Only employers whose secondary NIC liability is less than £100,000 in the previous tax year will be eligible to claim
- Where employers are connected the aggregated total of all companies will apply.



Real Time Information



The End of Earlier Year Updates

2019/20	EYU reporting ceases for tax year 2019/20 and beyond. HMRC are extending the use of the Full Payment Submission
2018/19	Transitions arrangements in the Pilot year. Employers may choose to submit either an EYU or an FPS
2017/18 and earlier RTI years	Continue to submit amendments via an EYU
Pre RTI	Continue to submit amendments via P14/P35

Parental Leave



Call to reform paternity policies



- Suggested reforms by Women and Equalities Committee
 - Paternity pay to be set at 90% of earnings
 - 12 weeks leave and pay to replace Shared Leave & Pay
 - Legislate that all jobs be advertised as flexible from day 1
 - Harmonise workplace rights for fathers who are agency workers or self-employed
 - Report argues that current policies do not meet needs of 21st century families
- The Government has acknowledged that 'there is much more to be done' but rejected the recommendations made by the Committee
- Government review of shared leave and pay due later this year.

A silhouette of a person with long hair sitting on a swing, set against a warm, golden sunset background. The swing is on the right side of the frame, and the person is facing left. The background shows a horizon line over water, with the sun low on the right, creating a strong orange and yellow glow.

Parental Bereavement (Pay and Leave) Act 2018

Statutory Bereavement Pay and Leave

- From April 2020
 - Workplace right to paid leave for bereaved parents has been officially enshrined in law
 - Provides all employed parents a day-one right to 2 weeks' leave if they
 - lose a child under the age of 18, or
 - suffer a stillbirth from 24 weeks of pregnancy
- Employed parents will also be able to claim paid leave for this period, subject to meeting eligibility criteria
- Due to timescales, women on maternity can take it at the end of their paid SMP period



**STUDENT
LOANS**

Postgraduate Loans

- Came into effect from April 2019
 - HMRC sending new Postgraduate start notice (PGL1), or
 - New starter declaration
- Have you looked closely at the new “New Starter Declaration”
- Three options re student loans:
 - Plan 1
 - Plan 2
 - Both
 - Guidance lacking

Scottish Student Loans

- The Scottish government have confirmed changes to Scottish Student Loans
 - Comes in to effect 6th April 2021
 - Possible different plan type – Plan 4?
 - Transition of existing borrowers to the new scheme by April 2021
 - Based on Scottish resident students
 - Scottish “under” and “post” graduate loans under the same scheme
 - Currently expected to have a £25,000 threshold and a 9% deduction

A woman with blonde hair, wearing a black dress and red high-heeled shoes, is sitting in the open door of a blue SUV. She is looking towards the right. In the background, a white private jet with blue stripes is parked on a tarmac. A flight attendant in a white shirt and dark skirt is standing near the open door of the jet. The scene is set outdoors on a clear day.

Expenses and Benefits

PSA and Scottish Rate of Tax

- Form PSA1 was changed for the 2018/19 tax year
- This was to incorporate the rates and threshold changes for Scottish Income Tax
- When completing a PSA1 you will be asked whether the Expense or Benefit is for a 'UK taxpayer' or a 'Scottish taxpayer'
- This will allow you to provide HMRC with accurate tax and NICs

Beware!...

- If Welsh tax rates diverge from rUK then it is likely a third question will be added.



Company Cars

Company Car Tax				
CO ₂ emissions	2018/19		2019/20	
	<u>Petrol /</u> <u>Electric / RDE2</u>	<u>Diesel</u> <u>Non RDE2</u>	<u>Petrol /</u> <u>Electric / RDE2</u>	<u>Diesel</u> <u>Non RDE2</u>
	<u>Diesel</u>		<u>Diesel</u>	
0 - 50	13	17	16	20
51 - 75	16	20	19	23
76 - 94	19	23	22	26
95 - 99	20	24	23	27
100 - 104	21	25	24	28
105 - 109	22	26	25	29
110 - 114	23	27	26	30
115 - 119	24	28	27	31
120 - 124	25	29	28	32
125 - 129	26	30	29	33
130 - 134	27	31	30	34
135 - 139	28	32	31	35
140 - 144	29	33	32	36
145 - 149	30	34	33	37
150 - 154	31	35	34	37
155 - 159	32	36	35	37
160 - 164	33	37	36	37
165 - 169	34	37	37	37
170 - 174	35	37	37	37
175 - 179	36	37	37	37
180 - 184	37	37	37	37
185 - 189	37	37	37	37
190 - 194	37	37	37	37
195 - 199	37	37	37	37
200 - 204	37	37	37	37
205 - 209	37	37	37	37
210 Plus	37	37	37	37

Car Benefit:
the appropriate
percentage

N.B. 4% supplement for
non-RDE2 compliant
diesels.

0% supplement for cars
which are certified to the
RDE2 standard.

THE AUTO ENROLMENT TIMES

Pensions and Proposed Changes to Automatic Enrolment

Proposed Changes - Employees

Following a review the government has proposed the following changes to auto-enrolment:

- Lowering the age limit to 18, currently 22 – expected in the mid 2020's
- Removal of the link to the Lower Earnings Limit – meaning contributions will be calculated from first pound earned – No date announced
- Earnings trigger to be maintained at £10,000, there is no proposal to change or remove as had been suggested during the review.



Employment Rights

Payslip Changes

- The Employment Rights Act 1996 (Itemised Pay Statement) (Amendment Order) 2018
- Came in to effect on 6th April 2019
- Guidance issued by BEIS
- More payslip information required:
 - Employers must include the total number of hours worked where the pay varies according to the hours worked
 - For example, under variable hours or zero hours contracts
 - Showing the total number of hours worked as a combined amount?
 - Itemise the hours for different types of work or levels of pay
 - Payslips must be given to 'workers' and not just employees.

The Agency Workers (Amendment) Regulations 2019

- These regulations abolish the use of Swedish derogation - the legal loophole which enables some firms to pay agency workers less than permanent staff

The Employment Rights (Employment Particulars and Paid Annual Leave) (Amendment) Regulations 2018

- These regulations make it a day 1 right to a written statement of particulars of employment
- Where worker employed at least 52 weeks, the reference period is increased from 12 weeks to 52 weeks including the holiday pay period to allow seasonal workers the correct time off.
 - Where a worker employed less than 52 weeks, the reference period is the number of weeks for which the worker has been employed.

A little light news!



- Following a Freedom of Information request it was reported in The Daily Telegraph that
- HMRC had spent £10,298 between 2014 - 2018 on floral bouquets apologising
- A spokesperson reasoned the expenditure by saying
- “sending flowers in instances where sorry is not enough can “be a more personal gesture to put things right”.

Thank you

Any Questions

