



Employment taxes update

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Presenters



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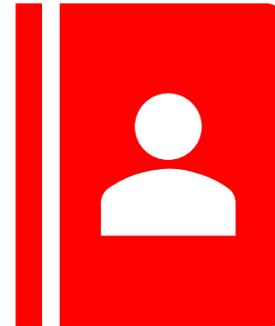
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Agenda

- 2022/23 Rates and Thresholds
 - Freezes, implications and issues
- Devolved issues
- Statutory Sick Pay
- National Insurance (2022/23)
- The HSCL (2023/24)
- Other
 - CJRS, Off-payroll and NMW compliance
 - Homeworking / hybrid working
 - 2021/22 P11Ds.

Rates and Allowances

- Income Tax
- National Insurance
 - Employment Allowance
- Apprenticeship Levy
- Statutory payments
- Student Loans
- Pensions
- National Minimum Wage
- Vehicle benefits.



The Freezes



Income Tax

- The Personal Allowance at 2021/22 level (£12,570)
 - Marriage Allowance (£1,260)
- The rUK Basic Rate limit (£37,700)
 - rUK Higher Rate threshold is £50,270 until April 2026
 - UEL aligned to the Higher Rate threshold
- Impacts:
 - Allowances and thresholds not in pace with inflation
 - More brought into the tax system
 - More at the higher rates
 - More losing Personal Allowances.

The Freezes



Student Loans

- Plan 2 and PGL thresholds
 - Frozen at 2021/22 levels
- Impact:
 - Thresholds not in line with legislation
- *'We will set out further plans'*
 - *The [Augur Report](#)*
 - Extending repayment period
 - Decreasing the repayment threshold
 - Wales [response](#).
 - Welsh Student Loans?

The Freezes



Lifetime Allowance

- Frozen until April 2026
 - £1,073,100
 - All pension allowances remain unchanged for 2022/23
- Impacts:
 - More exceeding the LTA at retirement
 - Income Tax liability
 - LTA HMRC 'Protection'.

The Freezes



Auto-Enrolment Thresholds

- Link with National Insurance broken
 - Lower and Upper QEB
- Earnings Trigger
- Impacts:
 - Earnings Trigger = 17,000 additional savers
 - Contributions broadly unchanged
- Consider '[Maintaining the Momentum](#)':
 - Removal of Lower QEB
 - Reduction in enrolment age from 22 to 18.

Communication?



Do we communicate?

- HMRC 'request' payslip message re NICs increase
- There are other things to communicate
 - Why just NICs?.

Three Devolved 'Issues'

- Scotland

- [The Diligence against Earnings \(Variation\) \(Scotland\) Regulations 2021](#)
- Effective 06 April 2022
- Current and new Arrestments



- Wales

- [The Council Tax \(Administration and Enforcement\) \(Amendment\) \(Wales\) Regulations 2022](#)
- Effective 01 April 2022
- CTAEOs issued by Welsh local authorities on or after 01 April 2022
- New Welsh CTAEO



- Northern Ireland

- The Parental Bereavement (Leave and Pay) Act 2022
- April 2022 as per Great Britain
- April 2024 / 2025 diverge from Great Britain.



‘Covid SSP’

- Coronavirus Act 2020 (25 March 2020)
 1. CSSPRS (closed 30 September 2021, claims by 31 December 2021)
 2. Suspension of Waiting Days
- 21 December 2021
 - [CSSPRS \(2\)](#) (for PIWs starting on or after 21 December 2021)
 - Closes 17 March 2022, claims cannot be made after 24 March 2022 (and IT ceases)
- Coronavirus Act 2020 expires midnight 24 March 2022
 - Suspension of Waiting Days power ends
 - **Any** PIW subject to 3 Waiting Days
- ‘Living with Covid’
 - No legal requirement to self-isolate
 - SSP?.

National Insurance 2022/23

- It's not a 1.25% increase! How will you present/communicate it?
 - The **voluntary** message: *1.25% uplift in NICs funds NHS, health & social care*
 - Rates are going up by 1.25 percentage points
 - Some employees/ers will pay less/nothing as thresholds increase
 - For those over the UEL that rate increases by 62.5%
 - For those on average UK earnings £31,772 increases are 8.87% 'ees and 7.86% 'ers
- Don't forget hike in Class 1A and Class 1B too
- Planning tips: salary sacrifice, NICs exemptions, SIPs, leavers in March
- How to forestall queries and can you reconcile the calculated NI.....?



FUST and VUST

- 2 new NI table letters relating to employer NI exemptions from 6 April 2022
 - V for veterans – more shortly...
 - F for Freeports for employers based in new Freeports – currently only England and none yet formalised
 - 60% of eligible employees' time in Freeport area <https://bit.ly/3l2941m>
 - £25,000 earnings threshold for max 3 years per eligible employee
 - Equivalent letters for over SpA (S), and deferred cases (L)
 - BUT....
 1. NI software spec <https://bit.ly/3sHXLf6> says insert new £25K threshold and rounding rule in all employer/employee Ni calculations
 2. NICs Bill 2021 says only insert threshold in Freeport employer calculation

3 ways to calculate NI from April 2022

- Method 1: current exact percentage method as per NICs Bill
- Method 2: 'new' exact percentage method as per specification
- Method 3: NI tables method (only amended for table letter F and equivalents)
 - Find out what method your software has chosen to do
 - There could be a 1p variance between methods 1 and 2
 - What method will Basic PAYE tools and the NIC calculator on .gov use?



Veterans' exemption

- Employer NI exemption up to the UEL (£50,270) for first 12 months after leaving regular armed forces (not reserves)
 - Can be successive or consecutive employments
- Began 6.4.21 but no table letter so post year end reclaim – by letter!! See <https://bit.ly/3gShIn8>
- Need eligibility proof: <https://bit.ly/3FAO>
- Can apply to deemed employees so ask them
- Only allocate table letter V if the employee would otherwise be on A
 - Exemptions such as under 21/apprentice more attractive

Health & social care levy (HSCL) 2023/24

- NICs rates return to 2021/22 levels
- Levy based on NI earnings' definition so impacts BiKs through the payroll such as vouchers
- Applies to those working and above SPA ie on table letter C
 - They don't pay NICs in 2022/23
- Levy is 1.25% standalone charge above NICs PT/ST
 - New entry on payslips
 - P60
 - P11D(b)
 - PSA computations
 - Another message?!
- NI exemptions will apply to levy too
- Will apply to deemed employees



HSCCL: impact

- Loss of employment allowance if 2022/23 employer NIC over £100K?
 - £4,000 will apply to employer NIC and levy
- Reduction in statutory payment recovery to 92% from 103% if employer NIC over £45K in 2022/23
- Salary sacrifice will reduce pay for levy purposes
- Will show on Business Tax Account: one combined remittance
- Impact on foreign tax credits?

Hybrid working and employment tax

- Homeworking relief: claim within 4 years for 2020/21 and 2021/22
 - Codes will have relief stripped out in April
 - Use homeworking allowance? No broadband reimbursement
- Equipment/supplies for homeworking: reimbursement easement to 5.4.22
- Business travel: permanent and temporary workplace
 - Designation of workplace and reason for attendance
 - New EIM guidance soon?
- Cycle schemes: 50% qualifying journeys from 6.4.22



OpRA (optional remuneration arrangements)

- Final transition period ended 5.4.21 for school fees, company cars over 75 g/km and living accommodation for OpRAs dated pre 6.4.17
- 2021/22 P11D calculation for cars is therefore
- Value 1 - what is the **modified cash equivalent** of the car: normal P11D value of list price x emissions before any reductions, OR
- Value 2 - what is the car allowance or salary given up (**salary foregone**)?
- Which is higher, modified cash equivalent or salary foregone?
 - If **modified cash equivalent** is higher use that value on P11D then deduct unavailability etc & making good to get net P11D value
 - If **salary foregone** is higher, then deduct any unavailability etc & making good to get net P11D value

Example: Type B OpRA



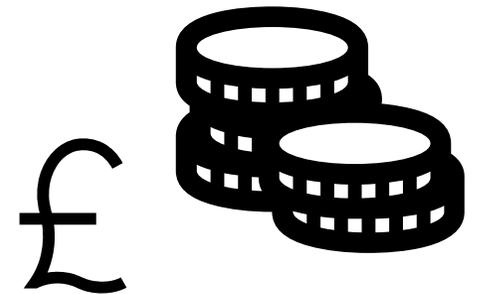
- Employee chose a car over a car allowance of £500 per month in April 2017, agreement signed on 30.3.17
- The car cost £22,000 and had emissions of 22%
- For tax years 2017-2020 P11D value calculated based on list price & emissions only, but for 2021/22...
 - Value 1: Modified cash equivalent $£22,000 \times 22\% = £4,840$
 - Value 2: Salary foregone $£500 \times 12 = £6,000$
 - So Value 2 is higher and would be reportable on the P11D
 - The £6,000 will only be reduced if the employee makes any contribution for private use out of net pay or has any capital contribution or unavailability reduction

CJRS compliance

- 1250 HMRC staff to investigate 30,000 claims over 2 years BUT activity can last 6 years
- If employer doesn't have CCM and they suspect error use [intent to disclose](#)
- Some cases are just quality assurance so don't panic if you receive one
- Each employer claim stands alone so no offsetting between claims:
<https://bit.ly/3mWFQIG>
- Employees must receive at least 80% of reference pay/£2,500 over ALL claims made on their behalf
 - Top ups must be [made within 12 months](#) of company's accounting year or whole claim invalidated NB pay in lump sum now but think about UC

NMW hot topics

- Stand alone NMW webinar available at: [icaew.com](https://www.icaew.com)
- NMW hours aren't contracted hours so risk is salaries up to £35K
- New compliance approach Feb 2020 and new regs April 2020:
<https://bit.ly/34Pa9Lj>
 - Who can be salaried? Annual hours, pay frequency and pay elements
 - Salary sacrifice and reg 12 'use and benefit of the employer' still outlawed
- Significant rises this year (see rates handout)
 - Salary sacrifice headroom?
 - 'Alabaster' recalculation – which is? <https://bit.ly/3p8WEx7>
 - More auto-enrollees

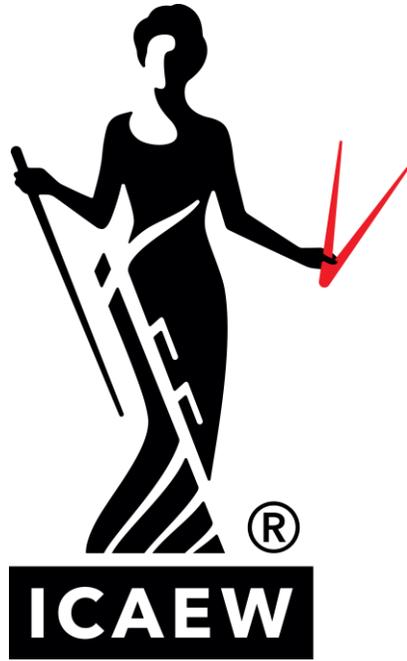


NMW hot topics

- Savings Schemes: Iceland case & remedy
- Time-off-in lieu
- Hospitality workers
- Deductions/failure to reimburse
 - 'connected to employment' [Augustine v Data Cars Ltd](#)
 - Unconnected to employment must be outside payroll eg Middlesbrough FC case
- Prompt reimbursement of expenses
- Prompt remittances to third parties

Off-payroll working

- Compliance activity has started in oil & gas and FS
 - Data gathering on business preparedness
- Light touch period is ending
 - But not for central government £263m repaid
- Need to focus on sole traders as well as PSCs
- Embed best practice on governance and adherence to contracts
- I've never had an SDS!



[icaew.com](https://www.icaew.com)