

Important changes to Payroll – please read

Welcome to our March quarterly newsletter informing you of legislation changes and payroll updates.



The National Insurance Contributions (NICs) Employment Allowance

From 6 April 2014 the Government will introduce an allowance of up to £2,000 per year for many employers to be offset against their employer Class 1 NIC liability. The legislation confirming the introduction of this allowance is contained in the National Insurance Contributions Bill 2013. The £2,000 allowance is sufficient to cover the employer Class 1 liability of one employee earning approximately £22,000 or four employees paid the National Minimum Wage.

Are there any exceptions?

There will be some exceptions for employer Class 1 liabilities which can be offset by the allowance. These include liabilities arising from:

- a person who is employed (wholly or partly) for purposes connected with the employer's personal, family or household affairs. This would include nannies, gardeners and care support workers;
- employer contributions deemed to arise under IR35 for personal service companies.

Can all employers claim the allowance?

There are rules to limit the employment allowance to a total of £2,000 where there are 'connected' employers. For example two companies are connected with each other if one company controls the other company.

What if the employer Class 1 NIC liability is less than £2,000?

The allowance is limited to the employer Class 1 NIC liability if that is less than £2,000. It is not deductible against PAYE liabilities or the NIC the employer has deducted from the employee.

How is the allowance claimed?

Draft arrangements have recently been published detailing how an employer can claim and receive the allowance.

If you are classed as an eligible employer the employment allowance will be deducted from your PAYE liability.

- Once notice has been given to HMRC that you are an eligible employer deductions for the employment allowance must be made from qualifying payments as they occur in the tax year. The employer's payment of PAYE and NIC will be reduced each month by the employer Class 1 NIC liability until the £2,000 limit has been reached.
- Where there are two or more PAYE schemes (for example where there are two companies which are connected), only one of the schemes can give notice and thus make deductions.

Drawings for Directors

The increase in national insurance thresholds means Directors who currently are drawing £641 per month will be able to increase their salary to £663 per month.



Abolition of Small Employers Relief for Statutory Sick Pay

Statutory Sick Pay Relief for small employers will cease with effect the 6th April 2014 .

Tax Codes for 2014/15

HMRC have announced an 'uplift' of all tax codes with a suffix of L by 56. This means for example an employee with tax code 944L for 2013/14 will have their tax code uplifted by 56 from 6 April 2014 to 1000L. As your payroll provider we will automatically apply the uplift where required.

The new emergency tax code for 2014-15 is 1000L



For more information on any of the above please do not hesitate to contact:
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