

## RECENT PAYROLL RELATED CHANGES

### Introduction

Since the beginning of the tax year, there have been a few payroll related changes, which are likely to affect employers, as detailed below.

### Increase to the Employee National Insurance Threshold

With effect from 6 July 2022, the starting point for an employee paying National Insurance has risen from £9,880 to £12,570 per annum (or £823 to £1,048 per month), which aligns the threshold to that for Income Tax. It should be noted that for directors, whose National Insurance contributions are always based on their annual earnings at the end of the tax year, rather than per pay period, the threshold is £11,908, which is the time apportioned threshold over the year.

This threshold increase partly sets off the additional 1.25% which became payable in April 2022.

### Mini-Budget Impact

Since the Chancellor announced his Mini-Budget, this increase is to be reversed, starting on 6 November 2022. Due to the short time scale of implementing this change, some employees may not actually receive the benefit until December or January depending on the complexity of their employer's payroll software. Similarly the current mandated message on the payslip regarding the increase will need to be removed. For directors, the annual calculation will ensure that their contributions take into account the four months at the higher rate and the remaining eight months at the lower rate, resulting in a blended annual rate of £12,730.

The reversal of the additional 1.25% is a permanent change and hence will not be effective in the tax year commencing 6 April 2023.

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## Claiming Tax Relief when working from home

With effect from 6 April 2022, HMRC have updated the rules in terms of when you can claim the £6 per week (or specific extra costs you have incurred if these can be evidenced) for costs incurred whilst working from home and the way in which equipment can be purchased and remain tax free.

### ***Tax Relief for additional household expenses***

During the pandemic, HMRC allowed a claim to be made for the whole tax year as long as you were required to work from home at any time during the year. Since 6 April 2022 this rule has been updated and whilst you can still make a claim for additional household costs if you have to work at home part or all of the week, one of the following conditions must be met;

- Your job requires you to live far away from your office
- Your employer does not have an office
- You are required to work from home due to Government restrictions

You cannot claim tax relief if you choose to work from home and this includes;

- Your employment contract lets you work from home some or all of the time you work from home because of Covid
- Your employer has an office, but you cannot go there sometimes because it is full

If you are eligible, you can claim £6 per week and this will usually be effected through an adjustment to your tax code.

### ***Home Working Equipment***

During the pandemic, HMRC relaxed the rules regarding the reimbursement of the purchase of equipment for work, such that it was not a taxable event. With effect from 6 April 2022, this easement has now been removed and the rules have reverted back to those pre pandemic. Hence, the way home office equipment is purchased will determine its tax treatment. In summary the following rules apply;

#### *Employer purchase*

Where an employer provides and has paid for home working equipment, provided there is no significant private use, there is no taxable benefit. If there is significant private use, a benefit in kind arises; hence it is recommended that employers have a policy stating that private use for any equipment provided is limited to avoid a reporting requirement.

The equipment remains the property of the employer; if the employee subsequently retains the property, a benefit in kind arises equal to the value of the asset at the time of transfer. The value will often be low, but should be reported, either by way of a P11D or included on the employer's PAYE Settlement Agreement (PSA).

#### *Employee purchases and employer reimburses*

If the employee purchases equipment and the employer reimburses the amount, the reimbursement is treated as taxable income, and is subject to PAYE and NIC.

#### *Employee purchases but the employer does not reimburse*

In this situation, it may be possible for the employee to claim tax relief for the costs incurred; the employee must be able to demonstrate that the equipment is used in the performance of their duties. This criteria is accepted for items such as laptops and computers but not for items such as office furniture, which HMRC do not consider necessary to

perform work, but merely putting the employee in a more comfortable position to undertake their duties.

## Fit Notes

A fit note is required by employers where an employee has been off work through sickness for more than seven days as it provides the evidence to the employer about the absence and any advice relating to their return to work. With effect from 1 July 2022, nurses, occupational therapists, pharmacists and physiotherapists are able to issue fit notes in addition to doctors. Since April 2022, fit notes can now be certified digitally and then sent to the patient digitally.

## Holiday Pay

In late July 2022, the Supreme Court ruled that every worker must receive 5.6 weeks leave at full pay, even if they work for only part of the year. This ruling effects workers who have a continuing contract throughout the year but only work for certain periods during the year, such as term-time workers. It is accepted by the court that these workers will receive holiday pay which is a higher proportion of their annual pay compared with full or part time workers who work regular hours. This is a complex area of legislation, and in particular this ruling, and hence will be the subject of a standalone briefing, which will be issued in autumn.

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