PAYROLL BRIEFING

MARCH 2022

PAYROLL - NEW TAX YEAR, FORTHCOMING CHANGES AND POINTS TO CONSIDER

Introduction

As with every new tax year, there are various payroll related matters which need to be considered, some of which may need action now.

National Insurance increase

With effect from 6 April 2022, and as has been the subject of many a headline over the past few months, the rate of National Insurance is increasing by 1.25%. This additional revenue is to be specifically spent on the NHS, healthcare and social care in the UK.

It is applicable to Class 1, paid by employees and secondary Class 1, 1A and 1B, paid by employers, although it is not due for anyone over State Pension Age. The level of earnings required before NIC is payable will rise by just over £300 per annum, but this will only minimally mitigate the increase. This additional 1.25% is also due under Class 4 for the self-employed.

HMRC have requested that employers include a message on the payslips for the tax year explaining the increase in NI, which should read “1.25% uplift in NICs funds NHS, health & social care.”

With effect from April 2023, this increase will be replaced by a new Health and Social Care Levy of 1.25% and hence the NIC rates will revert back to their current rates. It should be noted that employees above State Pension Age, and their employers, will also be liable to this levy, assuming they earn above the normal primary Class 1 National Insurance thresholds.

On the basis of the above, there is a planning opportunity for salary related ad hoc payments to be accelerated to March 2022, if possible, and taking into account the wider picture, such as the effective tax rate. If such payments are able to be accelerated, there will be a saving to both the employee and employer of 1.25% of the accelerated payment.

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National Minimum Wage changes

As announced in October 2021, with effect from 1 April 2022, the hourly rates increase as follows:

Wage Band	Current Rate	Rate from 1 April 2022
Age 23 and over (National Living Wage)	£8.91	£9.50
Age 21 to 22	£8.36	£9.18
Age 18 to 20	£6.56	£6.83
Under 18	£4.62	£4.81
Apprentice	£4.30	£4.81

In addition, the National Living Wage rate, as calculated by the Living Wage Foundation, and announced in November 2021, the voluntary hourly rate increases as follows:

- UK, apart from London - £9.50 to £9.90
- London - £10.85 to £11.05

It is estimated that more than 300,000 workers receive this rate of pay as their minimum.

Employers will need to check that they are compliant with these new rates, not only for hourly paid employees, but also salaried employees, as the rises are significant across all the categories, but in particular regarding younger members of the workforce.

National Insurance Relief for Veterans

As introduced last tax year, there is a zero rate of secondary (employer's) Class 1 National Insurance on the earnings of a qualifying veteran for 12 consecutive months, assuming various criteria are met. However, during the current tax year, employers have had to pay this Class 1 employer's National Insurance and will be able to reclaim the amount from 6 April 2022. The Government has recently confirmed that this can be done by submitting a revised Final Payment Submission after 6 April 2022 using National Insurance letter V for qualifying veteran employees. Alternatively, a written claim can be made, but this will inevitably lead to delays.

From April 2022, and assuming the necessary qualifying rules are met, employers will be able to apply the relief in real time through their PAYE. Veterans will be issued with a NI number with a V at the end which will ensure the employer's NIC is correctly calculated.

Payrolling of Benefits

As detailed in the recent Briefing, if you are considering payrolling all or any of the benefits you provide, the application must be made before the end of the current tax year.

IR 35 penalties

When IR 35 was introduced for large and medium sized companies last year, HMRC confirmed they would take a "light touch approach" and businesses would not need to pay penalties for inaccuracies in the first year, unless it was thought there was deliberate non-compliance. In theory, this light touch regime ceases at the end of March and hence it is likely that penalties will become payable where HMRC determine there has been non-compliance. HMRC have remained silent on their stance as to whether this concession will continue, as the approach is meant to be reviewed annually and notice given if it is to be withdrawn.

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SSP and Covid

With effect from 17 March 2022, the SSP Rebate Scheme closes for Covid related absences, meaning that employees will no longer be paid from their first qualifying day they are off work. Employers must make any claims under this scheme by 24 March 2022.

Additional Bank Holiday

As most employees will be aware, it has been announced that there is an additional bank holiday this year to celebrate the Queen's Platinum Jubilee. However, whether or not an employee is legally entitled to this additional day off will depend on the wording of the employment contract, plus their usual work pattern.

If an employment contract states an employee is entitled to, say 20 days plus bank holidays, they are entitled to the additional day. However, if it states they are entitled to 28 days of annual leave inclusive of bank holidays, it is the employer's choice as to whether or not the extra day is granted. Similarly, if the contract refers to the usual bank holidays, it is not considered an entitlement, as this extra day is not considered usual.

Where employees normally work bank holidays, they should not expect the day off and employers will need to consider whether the employee should be paid a more generous amount, in line with other bank holidays, as employees are more than likely to expect this to be the case for this extra day.

Part time workers will also need to be considered and their entitlement will be in line with their contract, using the same principles as above. Similarly, employees on maternity (or other parental leave) will need to refer to the employment contracts to determine the employee's entitlement.

In general, and as with most employee related matters, communication is key, together with the effect on morale if the additional day is not given.

Conclusions

Whilst many of the items changing cannot be avoided, there are a few planning opportunities and as always points to be considered and communicated to employees.

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