



# *Employment Taxes update*

11 MAY 2020

KATE UPCRAFT  
PETER BICKLEY

ICAEW TAX FACULTY

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## *Presenters*



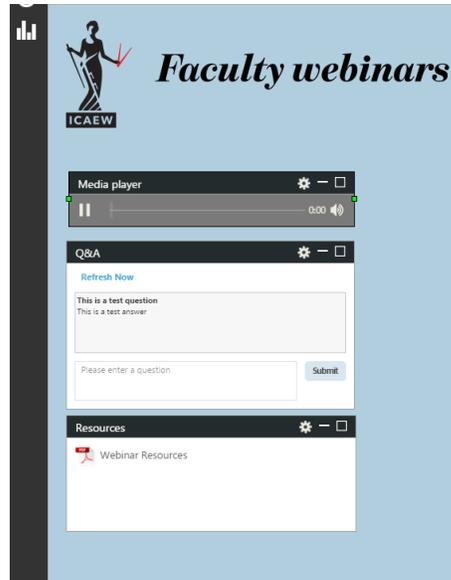
Today's moderator  
Peter Bickley  
Technical Manager  
ICAEW Tax Faculty



Today's speaker  
Kate Upcraft  
Kate Upcraft Consultancy

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## Employment tax update spring 2020



Kate Upcraft  
07748 797478  
[www.kateupcraft.com](http://www.kateupcraft.com)  
[kate@kateupcraft.com](mailto:kate@kateupcraft.com)  
Kate Upcraft Consultancy Ltd

## Agenda

- CJRS tips and traps
- SSP and COVID-19
- Off-payroll – time to prepare?
- Scottish tax year start – it's today!
- Employment allowance 2020
- Class 1A on termination payments
- Holiday pay
- Parental bereavement leave
- Benefits in kind

## CJRS – what have we learned?

- Claims can be made as often as you like as long as furlough dates don't overlap and furlough end date not more than 14 days ahead
  - Useful for weekly payrolls
- Equally you can claim just once at the end of the scheme as portal won't close for some time
- Don't worry if you made a mistake in a claim
  - It's not likely there will be an amend facility so just correct next time
  - Ensure you have supporting evidence and claim is right over total period of scheme
- It's one claim per PAYE scheme so include all pay frequencies
  - Start and end dates won't align perfectly just pick dates that cover the majority and include in next claim
  - Eg Monthly 1-30<sup>th</sup> April, Weekly may include all of w/e 4<sup>th</sup> April but not w/e 2<sup>nd</sup> May

## CJRS – what have we learned?

- Bank accounts
- Annual schemes
  - Should be based on 19/20 earnings, no point moving to monthly for 2020/21
  - Some inexplicably rejecting?
- Numbers of employees in claim can be an issue with rehires
- Sub 100 uploads
- Missing NINOs
  - Ideally don't use temporary numbers
- Furlough periods can be extended if no return to work or repeated with 21-day minimum
- RTI reporting
  - No need to show furlough pay on payslips
  - Ensure client has actually paid otherwise UC will be impacted
  - Remember payment date in FPS is contractual
  - Don't use EYU to retro amend, UC isn't cumulative

## CJRS – what have we learned?

- Furlough and some statutory leave can run concurrently
  - Holiday and family-related
  - Holiday taken during furlough must be paid at 100% of pay
  - Holiday carry over <https://bit.ly/39v4Htw>
  - Sickness has to end to move to furlough
- Maternity etc leave
  - Regs changed for leave beginning 25<sup>th</sup> April onwards: <https://bit.ly/3eWLoNr>
  - 'Average Weekly Earnings' during relevant period (8 weeks before qualifying week QW) now needs manual calculation to 'Normal weekly Earnings'
  - Earliest start date is 11 weeks before baby due: for QW 26.4 relevant period is 8 weeks before 29.3.20 which could be impacted by furlough
  - SSP is not included in the change

## CJRS – what have we learned?

- National Minimum Wage
  - These are not working hours
  - April uplift not necessary under the scheme
- Salary sacrifice: grant on post sacrifice pay – you must not reduce pay further as will fall below 80%
  - Contract change must be in place before pay day they take effect: <https://bit.ly/34hkWcA> so can't be done retrospectively
  - Can be done as 'lifestyle event': but it wouldn't affect reclaim as that's based on February/pre-19.3
  - Can't end sacrifice in April and move pension contributions to net pay but not increase salary!
  - Guidance from Pension Regulator: <https://bit.ly/3cwasc6> on grossing up pensionable pay

## Latest guidance

- TUPE/Reorganisation date for PAYE schemes is after 28.2.20
- Union rep duties aren't classed as working
- Must not claim NI for director's who haven't yet paid any NI in 20/21
- CJRS grants aren't state aid so no issue in terms of Employment Allowance later in the year, best to turn off EA claims for now

## Covid-19 & SSP

- From 13 March SSP rules changed but only for
  - Employees absent with COVID-19, and
  - Caring for those with COVID-19/suspected
- And from 16 April for
  - Those 'shielding' on medical advice
- SSP is payable from the first qualifying day
  - That might not be day one of absence
  - There are no qualifying waiting days, and
  - A PIW must still be formed

## Who qualifies for SSP?

- Employee with average earnings over the 8 weeks prior to first day of absence at, or above, the Lower Earnings Limit £118 p.w. 2019/20 or £120 from 6.4.20
- So that includes zero hours employees even if work not scheduled
- You don't get any additional SSP entitlement if you've had 28 weeks already in an absence or linked absence
- If a pregnant employee is in receipt of COVID-19 SSP in the four weeks before her due date it doesn't mean the maternity pay period has to start
- Evidence rules relaxed

## Reclaiming SSP?

- SSP recovery was abolished in 2014 for all employers so it's national minimum sick pay
- For employers with less than 250 employees on 28.2.20
  - What does less than 250 mean?
  - There will be 100% recovery of the first 2 weeks of COVID-19 SSP per employee (even without evidence)
  - From 13 March to 12 November but could be extended
- Reclaim will be via a separate system to RTI but not yet in place
  - Secure employees and amounts



Off-payroll working

## Off-payroll working

- Private sector rollout delayed until April 2021
- Will it be just a delay or cancellation?
- Changes to taxation of self-employed
- Legislation removed from the Finance Bill
  - Changes eg transfer or liability/employment rights
- Best guidance is to refer clients to ESM: <https://www.gov.uk/hmrc-internal-manuals/employment-status-manual/esm10000>
- Public sector changes delayed too
  - Issuing SDS
  - Handling appeals
  - But still wise to set off payroll marker

## Off-payroll working

- Strategic decisions on supply chain/umbrellas
- Revisit size: are you/clients still small?
- Implement process changes to finance/payroll/HR
- Appoint status specialist
- Agree who will handle appeals
- Any slippage on agreed ways of working?
  - Eg line management, company benefits
  - Reassess using CEST?
- Check office holders on PAYE already



## Tax 2020/21

- No change to personal allowance and associated allowances, but
- Change in estimated pay due to furloughing will lead to tax code changes
- Scotland not straightforward....



## Scottish income tax 2020/21 .

### Rates not effective until 11 May

- Most will backdate to 6<sup>th</sup> April as will be on cumulative for April
- Any month 1 codes used for May payroll runs will not adjust and employees will have to wait until the end of the year for this to be sorted out

## Tax rates and bands 2020/21

Band 2020/21	Band 2019/20	Band Name	Rate 2019/20 & 2020/21
£12,501 - £14,585	£12,501– £14,549	Starter rate	19%
£14,586 - £25,158	£14,550 – £24,944	Basic rate	20%
£25,159 - £43,430	£24,945 – £43,430	Intermediate rate	21%
£43,431 - £150,000	£43,431–£150,000	Higher rate	41%
Over £150,000	Over £150,000	Top rate	46%



National insurance 2020/21

Whole of UK

## Class 1 NICs 2019/20 % 2020/21

Pay Frequency	2020/21						2019/20				
	LEL	PT	ST	UEL	AUST	UST	LEL	PT/ST	UEL	AUST	UST
Weekly	£120	£183	£169	£962	£962	£962	£118	£166	£962	£962	£962
Fortnightly	£240	£366	£338	£1,924	£1,924	£1,924	£236	£332	£1,924	£1,924	£1,924
Four-weekly	£480	£731	£676	£3,847	£3,847	£3,847	£472	£664	£3,847	£3,847	£3,847
Monthly	£520	£792	£732	£4,167	£4,167	£4,167	£512	£719	£4,167	£4,167	£4,167
Yearly	£6,240	£9,500	£8,788	£50,000	£50,000	£50,000	£6,136	£8,632	£50,000	£50,000	£50,000

## Employment allowance 2020/21

- Restricted to businesses with £100,000 or less employer NICs in previous tax year – so that makes it *de minimis* state aid
- **No action** to take on the April EPS for those not eligible any longer
- New questions on EPS re state aid

## What do clients have to tell you each April?

- Are they excluded as over £100K employer NICS 2019/20
- Whether they can claim state aid
- What sector are they in
- How much *de minimis* aid have they had up to 5.4.20
  - Don't include the 2020/21 EA or any money not yet received
  - Exchange rate is £1 to €1.1249
- Are they at least £4K below their sector threshold for the two years up to and including 5.4.20?
- Guidance: <https://bit.ly/3frCzvy>

## EPS April 2020 – new fields

- Do you want to claim EA? Must be Y or N and **set each April after 2020 if Yes previously**
- If Yes: Do state aid rules apply to you? Y or N
- If Yes what sector(s) are you in:
  - Road freight €100,000 Y/N
  - Agriculture €20,000 Y/N
  - Fisheries €30,000 Y/N
  - All other sectors €200,000 Y/N
- A confirmation that the amounts referred to are in Euros

## EPS – what happens next?

- HMRC have introduced an accept/reject mechanism
- It can only really apply to £100K threshold,
- If so
  - GNS message to client to reject claim in 3-5 days – will they get it and tell you?
  - Acceptance of claim by letter

## Other NI related rates

- Apprenticeship levy 0.5% and levy allowance £15,000 unchanged
- Compliance activity on levy accuracy/connected companies rule

## NI on termination payments

- Class 1A in real time
- Taxable termination payments in excess of £30,000 will be subject to employer's NI
- Calculated at time of payment
- Reported in the FPS as a YTD figure
- Paid over alongside Class 1 NI
- Class 1A on continuing benefits like company cars will continue to be reported and paid over at year end

## Business Tax Account

PAYE statement (month 3)		TestUser
Period: 6 Jun to 5 Jul 2020		Your reference Employer PAYE r Accounts Office
<b>Charges</b>	<b>£425.06</b>	<b>PAYE for emp</b>
<a href="#">See breakdown</a>		<a href="#">Upcoming paym</a>
<b>Full Payment Submission (FPS)</b>		<a href="#">Overdue paymer</a>
Income Tax	£250.00	<a href="#">Annual statemen</a>
Employer's NICs	£146.33	<a href="#">Payment history</a>
<b>In-year Class 1A NICs</b>	£26.61	<a href="#">File returns and/</a>
	<b>£422.94</b>	<a href="#">Make an early Pa</a>
<b>Other charges</b>		<a href="#">PAYE notices</a> (
Interest	£2.12	<a href="#">Benefits and exp</a>
	<b>£2.12</b>	<a href="#">P46(car)</a> )



### P60s and stationery issues

- New version this year to include Post Graduate loan box
- No more paper P60/P45 stationery from HMRC from April 2020
- New starter checklist this February and next April

## 2020/21 thresholds

Plan 1	Plan 2 (England & Wales post- 2012)	PGL (England & Wales)
£19,390 annual	£26,575 annual	£21,000 annual
£1,615.83. monthly	£2,229.75 monthly	£1,750 monthly
£372.88 weekly	£511.06 weekly	£403.84 weekly
£745.76 2-weekly	£1,022.12 2-weekly	£807.68 2-weekly
£1,491.52 4-weekly	£2,044.24 4-weekly	£1,615,36 4-weekly



Statutory  
payments

## Family related statutory payments

Payment	Rate
SMP	£151.20 p.w. £21.60 per day <b>From w/c 5.4.20</b>
SAP	
ShPP	
SPP	
SPBP	
Recovery rates	92% and 103% (if NI bill £45K or less)

## SSP daily rate table 2020/21: it always starts on 6th April

Unrounded daily rates	Number of QDs in week	Number of days to pay						
		1	2	3	4	5	6	7
£13.6928	7	£13.70	£27.39	£41.08	£54.78	£68.47	£82.16	£95.85
£15.9750	6	£15.98	£31.95	£47.93	£63.90	£79.88	£95.85	
£19.1700	5	£19.17	£38.34	£57.51	£76.68	£95.85		
£23.9625	4	£23.97	£47.93	£71.89	£95.85			
£31.9500	3	£31.95	£63.90	£95.85				
£47.9250	2	£47.93	£95.85					
£95.8500	1	£95.85						



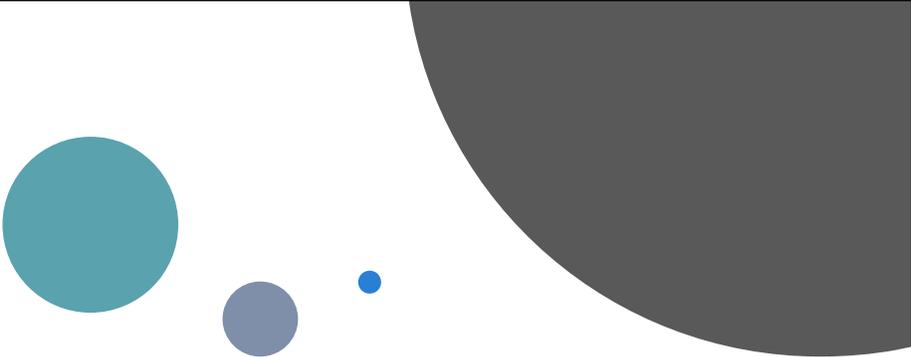
NMW

### NMW – first pay period after 1<sup>st</sup> April 2020

Rate/Age	Current rate	New rate
NLW - 25 and over	£8.21	£8.72
21-24 years old	£7.70	£8.20
18-20 years old	£6.15	£6.45
16-17 years old	£4.35	£4.55
Apprentice rate	£3.90	£4.15
Accommodation offset	£7.55	£8.20

## NMW issues

- Salary sacrifice
  - Be careful after increase
  - Still outlawed but no penalties
- NMW increase is an Alabaster rise



Statutory Parental  
Bereavement Pay and  
leave (SPBP)

## Statutory parental bereavement pay (SBPB) and leave (SPBL)

- There are 7,500 child deaths under the age of 18 p.a.
- The vast majority occur in the first 7 days
- Parents have no rights to time off at the moment, it is at the employer's discretion
- For deaths or stillbirths from week 24 of pregnancy that occur from 6.4.20 onwards...
  - One or two weeks' paid leave subject to eligibility
  - For the primary carer or carers
  - More than one entitlement if more than one child dies
- Leave is a day one right, pay is not

## Who is covered?

- SPBP and SPBL will not be introduced in Northern Ireland unless the employee's contract is drawn up under the Employment Rights Act 1996 as this entitlement only applies in Great Britain

## Who can qualify for pay and leave?

- Biological parents
- 'Foster to adoption' parents
- Adoptive parents who have been matched or an adoption order made (but then not the biological ones unless they have continuing contact)
- Partners of biological or adoptive parents as long as they're in an 'enduring family relationship'
- Parents of a child received via a surrogacy arrangement
- 'Parent in fact' - child has lived with them for 4 weeks prior to death (eg legal guardians) unless someone with parental responsibility is present or they're paid to look after them eg foster allowance/children's home

## Notice for leave (not pay!)

- For time off within 8 weeks of the death (Period A)
  - Just informal notice before shift starts
  - Can be verbal
  - Just give date of death, time off required and start date
- For time off later than 8 weeks after the death (Period B)
  - 1 week
  - Still verbal
- Changes of mind as above notice periods
- If no notice given it's unpaid absence

## Notice for pay

- An online declaration that includes
  - The name of the employee
  - The date of death
  - The chosen leave dates
- If the employee wants to take two separate weeks, then two forms will need to be completed
- Notice must be received within 28 days of payment being made
- To cancel a period of leave in terms of pay the notice period will be
  - Before the first shift within the eight weeks after the death
  - One week's notice for later periods

## Evidence for pay and leave

- No evidence is required for any period of leave, paid or unpaid
- It is a self declaration by the claimant

## Entitlement to pay

- 26 weeks service at the Saturday at the start of the week that the death/stillbirth occurs, and still employed at date of death
- Average earnings in the 8-week period ending on that Saturday at, or above, the lower earnings limit for the year in question (£120 for 2020/21)
- £151.20 p.w. or 90% of average if below
- If excluded issue SPBP1 form

## Length of pay and by when

- Pay will be one or two weeks taken together or singly, paid at the flat rate for the year and treated as earnings just like other statutory payments
  - You cannot take single days and there is no KIT day entitlement
  - Entitlement can begin on any day of the week
- The entitlement must be taken within 56 weeks of the date of death/ stillbirth date
  - It can't interrupt any other statutory payment, but it could for example be added onto the end of maternity leave or once SMP is complete from week 40

## Statutory parental bereavement pay

- Amounts of SPBP will be recorded in the FPS
- Recovery of amounts of either 92% or 103% will be via the EPS
- Once an amount has been reported for the year on the EPS it must be continued to be reported
- There will be a new P60 for 2020/21 to include SPBP (already available)

## Guidance and forms

- Main guidance: <https://bit.ly/2VGYoOx>
- Unusual scenarios: <https://bit.ly/2VMiPtk>
- Form for employee claim: <https://bit.ly/2RNpfY5>
- SPBP exclusion form: <https://bit.ly/3bcTclN>

Pensions  
issues



## April 2020: thresholds and triggers

Pay frequency	Lower earnings threshold (LET)	Earnings trigger	Upper earnings threshold (UET)
Annual	£6,240	£10,000	£50,000
Bi-annual	£3,120	£4,998	£25,000
Quarterly	£1,560	£2,499	£12,500
Monthly	£520	£833	£4,167
4-weekly	£480	£768	£3,847
Fortnightly	£240	£384	£1,924
Weekly	£120	£192	£962



## Workers' rights

### Holiday pay April 2020

- Change to 52 weeks averaging in GB took effect on 6.4.20
- If gaps in working so you have to go back earlier than 52 weeks, then 2 years back is the maximum so there may be less than 52 weeks
- First Court of Appeal case last year on voluntary overtime: <http://bit.ly/2NJCFm5>
- New Labour Market Enforcement agency will focus on holiday compliance



Benefits  
and  
expenses

## Benefits in kind 2020/21

- Van benefit charge increases to £3,490
- Car fuel benefit multiplier increases to £24,500
- Van fuel benefit charge increases to £666
- Welfare counselling exemption: extended to include related medical treatment from 6 April 2020 where this is provided to an employee as part of an employer's welfare counselling services
  - Eg CBT
- Homeworking allowance increased to £6 p.w. £26 per month
- Company cars....

## Company cars registered from 6 April 2020

- Move to WLTP testing from NEDC
- After VW scandal
- 50% of drivers will see 10-20% tax uplift as new emission bands will apply based on accessories chosen eg sun roof, A/C
- Bands have been reduced for first two years to offset some of tax hike
- Fully electric cars drop to 0%
- Hybrid electric cars to 50 g/km
  - Need to records mileage on one charge too
- P46(car) also needs to be amended
- P11D will follow suit for 2020/21

## Company cars 2020/21

Actual CO2 emissions	Electric range (miles)	Reg'd pre 6.4.20 % Petrol & RDE2 diesel	Reg'd pre 6.4.20 % diesel	Reg'd from 6.4.20 % Petrol & RDE2 diesel	Reg'd from 6.4.20 diesel	Actual CO2 emissions	Reg'd pre 6.4.20 %Petrol & RDE2 diesel	Reg'd pre 6.4.20 % diesel	Reg'd from 6.4.20 %Petrol & RDE2 diesel	Reg'd from 6.4.20 diesel
0		0	N/A	0	4	100-104	25	29	23	27
1-50	>130	2	6	0	4	105-109	26	30	24	28
1-50	70-129	5	9	3	7	110-114	27	31	25	29
1-50	40-69	8	12	6	10	115-119	28	32	26	30
1-50	30-39	12	16	10	14	120-124	29	33	27	31
1-50	<30	14	18	12	16	125-129	30	34	28	32
51-54		15	19	13	17	130-134	31	35	29	33
55-59		16	20	14	18	135-139	32	36	30	34
60-64		17	21	15	19	140-144	33	37	31	35
65-69		18	22	16	20	145-149	34	37	32	36
70-74		19	23	17	21	150-154	35	37	33	37
75-79		20	24	18	22	155-159	36	37	34	37
80-84		21	25	19	23	160 & above	37	37	35	37
85-89		22	26	20	24	160-164	-	-	36	37
90-94		23	27	21	25	165-169	-	-	37	37
95-99		24	28	22	26	170 & above	-	-	37	37

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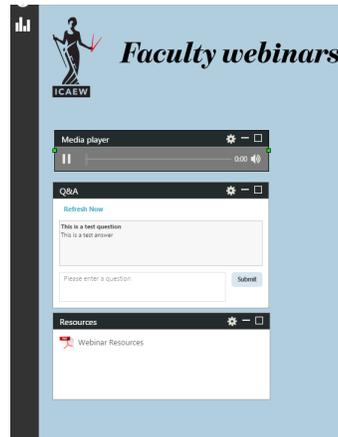


Kate Upcraft  
07748 797478  
[www.kateupcraft.com](http://www.kateupcraft.com)  
[kate@kateupcraft.com](mailto:kate@kateupcraft.com)  
Kate Upcraft Consultancy Ltd



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+44 (0)20 7920 8646

taxfac@icaew.com

icaew.com/taxfac

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