

We can advise on any payroll issues you may encounter.

There are a number of upcoming payroll changes that may affect you and your business. In this document, we highlight the key issues that you should be aware of.

NATIONAL LIVING WAGE

From 1 April 2016 a new mandatory national living wage will be introduced for workers aged 25 and over, at a rate of £7.20 per hour. The current national minimum wage rate of £6.70 will continue to apply to workers aged 21 to 24 with the rates for 18 to 20 year olds, 16 to 17 year olds and the apprentice rate, remaining unchanged.

NICS FOR APPRENTICES AGED UNDER 25

With effect from 6 April 2016, if you employ an apprentice under the age of 25 you may not need to pay employer Class 1 National Insurance Contributions (NICs) on their earnings below £43,000 per year (£827 per week). In order to qualify, the apprentice must be following an approved UK government statutory apprenticeship framework and the employer must retain evidence that they meet the criteria. This can consist of either a written agreement between the employer, the apprentice and the training provider or alternatively, in England and Wales, evidence that the apprenticeship receives government funding.

EMPLOYMENT ALLOWANCE

The Employment Allowance has been increased to £3,000 from April 2016. This means that eligible employers can reduce their NICs bill by up to £3,000 in the tax year.

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However, eligibility for the Employment Allowance has been further restricted so that limited companies with a single director and no other employees, will not be able to benefit from the allowance from 6 April 2016.

STARTER CHECKLIST FORM

The form P46 for new employees without a form P45 has now been replaced by the starter checklist. This should be completed before the first payday in order that the employee is set up with the correct tax code. Employees aged 16 years and over who do not have a national insurance number should apply for one as soon as possible, in order to avoid problems with auto-enrolment.

REAL TIME INFORMATION AND THE IMPORTANCE OF REPORTING HOURS WORKED

With the further roll out of the Universal Credits benefit system, HMRC have issued a reminder of the importance of including the number of normal hours worked on each submission. For employees with regular working hours the band that they fall into must be included on their payroll record. This may be:

Band A – up to 15.99 hours

Band B – 16 to 23.99 hours

Band C – 24 to 29.99 hours

Band D – 30 hours or more

Band E – Other (for employees with irregular working patterns)



The employer must check that a job applicant is allowed to work in the United Kingdom, before they employ them.



EMPLOYER OBLIGATIONS

Before an applicant is hired, the employer must:

- check that the applicant is allowed to work in the United Kingdom;
- see the applicant's original documents;
- check that the documents are valid, with the applicant present; and
- keep copies of the documents along with a record of the date the check was made.

AUTO-ENROLMENT PENSIONS

The Pensions Regulator has provided further clarification on the obligations of different categories of employers, which we have broken down below.

One director payrolls

You do not have any auto-enrolment duties if you are the sole director of your company and have no other employees, however, the Pensions Regulator must be informed that you are not an employer for the purposes of auto-enrolment.

Payrolls with more than one director and no other employees

The company will not have any auto-enrolment duties if none or only one director has a contract of employment. If at least two directors have employment contracts the company will have auto-enrolment duties for any director who has an employment contract. If there is no written contract of employment or other evidence of an intention to create an employer/worker relationship, the Pensions Regulator will not argue that an implied contract of employment exists. If you do not have any auto-enrolment duties the Pensions Regulator must be informed that you are not an employer for the purposes of auto-enrolment.

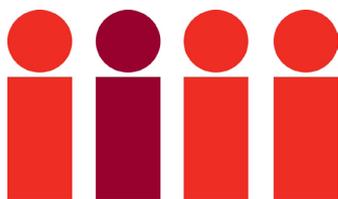
Payrolls with no employees eligible for auto-enrolment

If you do not have any employees aged between 22 years old and the state pension age, earning £833 per month (£192 per week) or more, you are classed as an 'employer who does not have to provide a pension scheme now, but still has duties'. Therefore, if you choose not to set up a pension scheme, you will still need to provide letters for your staff, informing them that they have not been enrolled onto a scheme but that they can ask to join one. The workforce will need to be assessed each time the payroll is run, to check whether anyone has become eligible for auto-enrolment and the declaration of compliance must be completed.

If any of your employees ask to join a scheme or become eligible for auto-enrolment, you will need to provide a pension scheme at that point. If the employee earns more than £486 per month (£112 per week), you must make contributions to the scheme. At present, the minimum contribution rate is 1% from the employer and 1% from the employee (including tax relief), based on a band of earnings between £486 per month (£112 per week) and £3,532 per month (£815 per week). If the employee earns less than £486 per month (£112 per week), you can choose whether or not you wish to contribute.

THE NEXT STEP

We are able to support you with a full range of services, including advising on any payroll issues that you may encounter. For further information please contact your usual UHY partner or read more about us on our website at: www.uhy-uk.com.



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