

Changes to Payroll and Pensions from 1 April 2019

National Minimum Wage

From 1 April 2019 the minimum rate you must pay your employees rises.

	25 & over	21 to 24	18 to 20	Under 18	Apprentice
Current	£7.83	£7.38	£5.90	£4.20	£3.70
Apr-19	£8.21	£7.70	£6.15	£4.35	£3.90

The new rate will apply to the next pay reference period that begins after the date. This year the 1 April is a Monday so if your pay reference period starts on a Monday, the wage increases will start from tax week 1. If you pay a week in arrears, the wage increases will start from tax week 2.

Pension Contributions

The minimum contributions that need to be deducted and paid over to your auto enrolment pension scheme increase from 6 April 2019.

		Qualifying earnings	Minimum Contributions	Tier 1	Tier 2	Tier 3
Current	Minimum Employer Contribution	2%	Employees	3%	3%	3%
	Total minimum Contribution	5%	Employer	3%	2%	2%
06-Apr	Minimum Employer Contribution	3%	Employees	5%	5%	4%
	Total minimum Contribution	8%	Employer	4%	3%	3%

(Tier 1 – From basic pay from £1, Tier 2 – Total Pensionable earning must be at least 85% of total earnings, Tier 3 – All earnings)

New Payslip Legislation

From 6 April 2019 there is a requirement to provide itemised payslips to all workers. At present this only applies to employees. You can find further guidance on workers and employees at: www.gov.uk/employment-status/worker

From April, additional information must be shown on a payslip for any worker whose pay varies depending on the number of hours they work.

This new legislation will not affect workers who are salaried. However, any additional payments such as overtime or bonuses should be itemised.

If employees are paid by the hour or rate, then all payments should be itemised separately. You need to show the rate of pay plus the variable (i.e. number of hours).

You should ensure any software you are using is compliant from 6 April 2019.

Post Graduate Loans

From 6 April there will be three types of student Loan. Plan 1, Plan 2 and Post Graduate Loan (PGL).

Although you cannot have a Plan 1 and a Plan 2 together (Plan 1 always takes precedent) you could have a Plan 1 and PGL or a Plan 2 and PGL.

Because of this, there is an update to the starter checklist : [See Checklist here.](#)

NOTE – You should always ask your employees to complete the new starter checklist EVEN if they supply a P45. Do not use the old P46 form or the old 2018-19 starter checklist from April 6 2019.

Termination Payments

From 6 April 2020, Class 1A employer national insurance contributions will be due on termination payments over £30,000. This was originally due to commence in April 19, but has been postponed. This will be introduced to simplify the tax and national insurance rules surrounding termination payments. From April 2018 any payments made in lieu of notice (PILON) should be taxed as earnings regardless of whether they were contractual or not.

Notice payments should be calculated using the post-employment notice pay (PENP) formula.

Broadly - HMRC want you to determine what you would have paid in tax and NI if the employee had not left and apply it to any termination payments.

The formula you should use is **(BP x D / P) – T**

BP = the employees basic pay for the last pay period before notice was given. (This excludes bonuses, overtime and benefits in kind)

D = the number of days in the period which includes the last working day to the notice period expiry date

P = the number of days in the last pay period

T = the amounts paid on termination (other than holiday pay and termination bonuses) that are already taxable as earnings

Example:

You dismiss a worker who earns £3,000 a month and has a 4-month notice period. You agree a termination package of £18K. This amount does not include any redundancy. Leave Date 30 Nov.

The PENP is $(3,000 \times 121 / 30) = £12,100 - £18,000$

£12,100 is subject to tax and nics and £5,900 is tax free.

Optional Remunerations Arrangements (OpRA)

Be careful you are not already falling foul of the new legislation which came in April 2017. For example:

If you have provided mobile phones to all your employees there is currently no benefit in kind charge. However, if you give just one of your employees the option to use their own phone and receive a cash allowance towards the cost, you have now deemed to have entered into an Optional Remuneration Arrangement and you will have to assess all the phones you provided because they are now classed as a benefit. You would need to determine the difference between the benefit offered and the cash equivalent.

www.gov.uk/government/publications/optional-remuneration-arrangements

Here to help



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If you require any additional information or support please contact us:

- Email payroll@wrightvigar.co.uk
- Call Carolyn or a member of The Payroll Team on 01522 531341