



Where sharp minds meet



Employer Matters Newsletter

March 2017

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Welcome to the Spring edition of our Employer Matters Newsletter

While just a few months have passed since the last edition of our newsletter, much has taken place within the UK's economic and political landscape.

We watched Chancellor Philip Hammond present his first and last Spring Budget to the House of Commons on Wednesday 8 March. He reported on an economy that has continued to confound the commentators with robust growth, putting in place key measures which we report on in our dedicated Budget article below.

As the end of the tax year fast approaches and new legislation comes into play in April, we have ensured our newsletter includes an update on the changes that will impact on you as an Employer. We are pleased to provide further details on the Apprenticeship Levy and how best to prepare for its arrival. We also look at the new legislation around Gender Pay reporting and what employers need to do to comply with the new rules. You'll also find a handy list of key dates to watch out for in 2017/2018.

Finally, I am pleased to share with you the opportunity to win a free PAYE/NIC health check for your organisation. For a chance to win, all you need to do is complete a very brief survey in our latest 'Have your Say' section.

As always, we are here to help and hope you find the articles in our newsletter informative and useful.

Richard Britten, Head of Employer Solutions

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Johnston Carmichael PAYE / NIC Health Check

The results of our 'Have your say' survey on the Top 5 Employer Challenges in our January newsletter suggested that many of our clients worry about keeping up with legislation when it comes to running their payroll and associated tasks.

The legislation around employment taxes and related matters is incredibly complex and changes occur at least annually if not more often. The Office of Tax Simplification ("OTS") is seeking to simplify many of the processes employers are required to undertake but even changes brought in by the OTS require employers to be aware of key dates and provide the necessary updates and training to their payroll staff. While many employers will seek to be compliant with the changing legislation, there will be times when unintentional mistakes are made.

Here at Johnston Carmichael we recognise that keeping up with payroll legislation can be challenging for our clients. We have developed a tool to interrogate an employer's systems and highlight any areas of risk or non-compliance. This tool, the PAYE/NIC Health Check, is utilised by our Employer Solutions specialists who will visit the client's premises to meet with the Finance Director, Financial Controller or Payroll Manager as appropriate to document the current systems that are in place. After the meeting, the Employer Solutions specialist will prepare a report which will identify any weaknesses in the current systems with suggestions on how to resolve problems or strengthen processes. Where non-compliance is identified, Johnston Carmichael can assist in making the necessary disclosures to HM Revenue & Customs and ensuring systems are then developed to safeguard against non-compliance going forward.

The PAYE/NIC Health Check is tailored to each individual client and will take between 2 hours to a day to complete depending on the size and complexity of the employer. As well as providing a check on existing systems, it provides clients the opportunity to clarify their understanding of PAYE and NIC matters.

If you feel your business would benefit from a PAYE/NIC Health Check, please contact one of the Employer Solutions team who will be happy to discuss your needs.

Or, take part in our brief survey in the Have Your Say section of this newsletter for your chance to win a free Health Check.

Have your say - Payroll

Complete our very brief Payroll survey for your chance to win a free PAYE/ NIC Health Check, where one of our specialists will conduct a full review of your payroll systems to identify any areas of risk or non-compliance.

[Click here](#) to complete the survey.

Terms & Conditions

Johnston Carmichael will notify the winner on or before Friday 28 April 2017

No cash alternative will be offered

The winner's name will be selected at random

The winner's name will be posted on our social media platforms

Payroll Benefits Changes - Are you registered?

Time is running out for employers to prepare for HMRC's Payrolling Benefits in Kind (PBIK) scheme, which has been designed to simplify how employee benefits are processed.

The scheme will ensure an employee pays the correct amount of tax, at the correct time through their employment income, rather than wait for it to catch up after the end of the tax year.

Employers who register with HMRC to use Payrolling Benefits in Kind will identify the type of benefits and employees who are to be included in the process, meaning they do not have to report these on a P11D form. This reduces the administrative burden on employers and ensures that employees are appropriately taxed.

To make use of the streamlined system, employers must register by 5 April 2017, for the upcoming tax year.

Benefits in kind are benefits that employees receive that do not come in the form of payment, including gym memberships, company cars and private medical insurance. Employers will be able to choose which benefits to payroll.



UK Budget – what you need to know...



Here's our overview of the Spring Budget changes that will impact on Employers.

Corporation Tax and Research & Development (R&D)

The reduction in Corporation Tax rates from the current 20% down to 17% by 2020, was previously announced and the Chancellor made no changes to that approach.

His commitment to improving the availability of tax credits for R&D was underlined by a proposal to reduce the administrative burden facing businesses in claiming the enhanced tax relief on qualifying expenditure. On top of this, unincorporated businesses with turnover below the VAT threshold will enjoy a stay of execution on the need to file quarterly reports as he delivers on previous promises to Make Tax Digital (MTD).

Making Tax Digital

The Government has partially listened to our concerns about MTD and announced a 1-year delay for businesses with a turnover up to the VAT registration threshold, (currently £83,000, £85,000

from 1 April 2017 and possibly higher from 1 April 2018 when MTD comes in). This means that quarterly reporting to HMRC of profits under MTD will be required from April 2018 where turnover exceeds the VAT threshold and from April 2019 for those with turnover between £10k and the VAT threshold.

National Insurance Contributions

Looking at National Insurance, the Chancellor's intention was to increase the main rate of Class 4 National Insurance Contributions for the self-employed from 9% to 10% in April 2018 and again to 11% in April 2019. However, in a u-turn, the Chancellor announced on Wednesday 15 March that there would be no increase in the main rate of Class 4 National Insurance Contributions.

The 2% rate of Class 4 National Insurance will also remain for earnings above the Upper Profits Limit (currently £43,000 but increasing to £45,000 from April 2018). The increase in the Upper Profits Limit will still mean that some self-employed

workers will pay more Class 4 National Insurance than previously as the 9% rate will continue to apply up to the Upper Profits Limit.

Dividend Allowance

Owner managed businesses operating as limited companies will also see a change to their ability to extract profits in a tax-efficient way, through a reduction in the dividend allowance – cash they can take out at the 0% tax rate – from £5,000 to £2,000 from April 2018.

National Living Wage

The Chancellor also reiterated the Government's ongoing commitment to increasing the National Living Wage for over-25s – from £7.20 to £7.50 per hour from April 2017. This will bring an expected benefit to working families but ultimately increased costs for businesses.

Apprenticeship Levy

He also made reference to the apprenticeship levy coming into force in April which will see employers with a payroll bill above £3 million bearing a further cost to their bottom line. Read more about the Apprenticeship Levy in our Article on page 7.

Benefits in Kind

Following the changes announced previously on salary sacrifice schemes, the Chancellor has turned his attention to benefits in kind more generally. A consultation will be published on treatment of employer-provided living accommodation, such as a security guard who resides onsite or tied-cottages for agricultural workers, with a view to bringing it up to date. The Government has also indicated they will review how employers are currently treating benefits in kind and tax rules for expenses and we await further information.



Apprenticeship Levy – Are you ready?



As the end of the tax year fast approaches, so does the implementation date for the new Apprenticeship Levy. As mentioned in our January edition of Employer Matters, the 0.5% levy on salary payments eligible for Class 1 National Insurance will affect employers with payroll costs above £3 million from 6 April 2017, regardless of whether the employer has taken on any apprentices.

Whilst employers in England will be able to access levy funds through an online account with the Digital Apprenticeship Service to meet the costs of new apprentices, the new levy will be essentially be an additional tax cost to businesses elsewhere in the UK as the devolved administrations have existing apprenticeship programmes.

How will the levy work?

The levy payments will be calculated on a monthly basis throughout the tax year at

the 0.5% charge on all payroll costs. Each employer is entitled to claim a £15,000 allowance each year, hence why the levy only affects employers with payroll costs above £3 million. This allowance operates on a monthly basis at £1,250 per month.

As such, employers with payroll below £3 million per year may end up paying the levy if the cumulative payroll costs total more than £250,000 per month in the early months of the tax year. Whilst amounts may be refundable in subsequent months, this may have a bearing on the cash flow of the business.

Employers with multiple businesses or charities may have to share the £15,000 allowance between connected businesses where they are linked for Employment Allowance purposes. It is up to the businesses/charities involved to agree how the allowance is shared between them.

Is it all bad news?

Whilst the special rules for England do not apply elsewhere in the UK, this does not mean that affected employers cannot use this as an opportunity to apply for funding for apprenticeships in their business.

Apprentices on a qualifying programme who are aged under 25 of course attract an Employer's Class 1 National Insurance liability of 0% on earnings up to the Upper Earnings Limit (currently £43,000 per year and increasing to £45,000 from April 2017).

Regardless of the size of your organisation, our Employer Solutions team is there to help you manage the process of the introduction of the new Apprenticeship Levy. For advice, please contact one of the team.

Gender Pay Gap – New reporting rules



Are you an employer with more than 250 employees? If so, then new gender pay reporting legislation requires you to publish statutory calculations showing how large the pay gap is between your male and female employees.

The results must be published annually on both your website and a government site, meaning that the gender pay gap information will be publicly available to customers, employees and potential future recruits.

Regulations for the private and voluntary sectors have now been approved and will commence from April 2017, from which point you will have up to 12 months to publish this information. Public sector regulations are subject to the approval of Parliament but are expected to follow the same timescale.

The key points of the legislation are:-

- An employer must comply with the regulations for any year where they have a 'headcount' of 250 or more employees on 5 April

- A wider definition of who counts as an employee is used (from the Equality Act 2010) which means that workers are included, as well as some self-employed people. Agency workers are included, but counted by the agency providing them.
- Regulations apply to the private and voluntary sectors but the government is aiming to include the public sector by April 2017 too.
- Gender pay reporting is a different requirement to carrying out an equal pay audit.

There are six calculations to carry out, and the results must be published on the employer's website and a government website within 12 months. They must be confirmed by an appropriate person, such as a chief executive.

Employers have the option to provide a narrative with their calculations which should generally explain the reasons for the results and give details about actions that are being taken to reduce or eliminate the gender pay gap.

There are six calculations which require to be published showing:-

1. average gender pay gap as a mean average
2. average gender pay gap as a median average
3. average bonus gender pay gap as a mean average
4. average bonus gender pay gap as a median average
5. proportion of males receiving a bonus payment and proportion of females receiving a bonus payment
6. proportion of males and females when divided into four groups ordered from lowest to highest pay.

Further detailed guidance and information is available [here](#).

We appreciate that this will be an additional and time consuming administrative burden for employers and are here to help. If you require our assistance to collate and analyse the required figures, please do not hesitate to contact us to discuss further.

Forthcoming key dates for employers

As we near the end of the current tax year, here's a handy list of key dates that Employers should be aware of in 2017/2018.

Key Dates	
5 April 2017	End of tax year 2016/17 Deadline for submitting form P46 (Car) for employees whose car/fuel benefits changed during the quarter to 5 April 2017 (electronic forms)
6 April 2017	Beginning of tax year 2017/18 Update payroll software for the new tax year - ensure current version of the Scottish tax rates and bands are applied. Update employee payroll records identifying correct tax codes to use in the new tax year
19 April 2017	Deadline for postal payments of month 12 Employer's PAYE and Class 1 National Insurance (NIC) Final Full Payment Submission due to HMRC for 2016/17
22 April 2017	Deadline for electronic payment of Month 12 Employer's PAYE and Class 1 NIC
3 May 2017	Deadline for submitting form P46 (Car) for employees whose car/fuel benefits changed during the quarter to 5 April 2017 (printed forms)
19 May 2017	Deadline for postal payments of Month 1 Employer's PAYE and Class 1 NIC
22 May 2017	Deadline for electronic payment of Month 1 PAYE and NIC
31 May 2017	Final date for issuing form P60s to employees for 2016/17
1 June 2017	New Advisory Fuel Rates for company car users - updated quarterly
19 June 2017	Deadline for postal payments of Month 2 PAYE and NIC
22 June 2017	Deadline for electronic payment of Month 2 PAYE and NIC
6 July 2017	Submit form P11D(b) reporting expenses and benefits provided to employees to HMRC Final deadline for applying for a PAYE Settlement Agreement for 2016/17
19 July 2017	Deadline for postal payments to reach HMRC for Class 1A NIC
22 July 2017	Deadline for electronic payments to reach HMRC for Class 1A NIC
31 July 2017	Calculation of tax and Class 1B National Insurance for PAYE Settlement Agreements to be submitted to HMRC

Contact us

If you would like further clarification on any of the issues raised in this newsletter, or would like to discuss how they may impact your business or organisation then please contact Richard Britten, Head of Employer Solutions, or one of our specialists below.



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