

Employment taxes and employment law – a reminder of some changes from 6 April 2015 and a reminder about the Employment Allowance

A number of changes will be made to the amount of PAYE and National Insurance Contributions (NIC) payable by an employer to HMRC from 6 April 2015 and we are therefore writing to you to let you know what these changes are.

We are also including a summary of Shared Parental Pay and Leave which is introduced for parents of babies due from 5 April 2015.

Employer National Insurance contributions (NIC) for the under 21s

From 6 April 2015 employer Class 1 NIC for those under the age of 21 will be reduced from the normal rate of 13.8% to 0%. For the 0% rate to apply the employee will need to be under 21 when the earnings are paid.

This exemption will not apply to earnings above the Upper Secondary Threshold (UST) in a pay period. This is a new threshold which has been introduced in order to limit the amount of pay covered by the exemption. The weekly UST is £815 for 2015/16 which is equivalent to £42,385 per annum. Employers will be liable to 13.8% NIC beyond this limit.

For 2015/16, the UST is set at the same amount as the Upper Earnings Limit, which is the amount at which employees' NIC fall from 12% to 2%.

The 0% rate only applies to employer Class 1 NIC. If an employee receives certain benefits in kind, an employer may need to pay Class 1A on the taxable value of the benefit. This rate will continue to be 13.8%.

Employees will continue to pay the standard rate of primary Class 1 NIC through their salary. They won't see any reduction in their payments.

NIC for apprentices under 25

A year later, from 6 April 2016 employer NIC for apprentices aged under 25 will also be reduced to 0%. This exemption will not apply to earnings above the Upper Secondary Threshold (UST) in a pay period. The law for the exemption has recently been enacted but a lot of the detail will be introduced by Regulations. In particular there is no detail as to the meaning of apprentice.

NIC Employment Allowance

The Employment Allowance was introduced from 6 April 2014. It is an annual allowance and will therefore be available from April 2015. Up to £2,000 is available to many employers and can be offset against their employer NIC liability.

There are certain employers who cannot claim the allowance but there is a change to the excepted employers from 6 April 2015. In 2014 a person who employed (wholly or partly) an individual for purposes connected with the employer's personal, family or household affairs would not be able to claim the Employment Allowance in respect of the employer NIC due in respect of that individual. This would include nannies, gardeners and care and support workers. From 6 April 2015 the Employment Allowance will be available to reduce the employer NIC in respect of care and support workers.

If notice was given in 2014 to HMRC of the PAYE scheme from which deductions will be made the notice will continue to apply for 2015 and subsequent tax years.

However, please consider whether your circumstances have changed. In particular there are rules to limit the employment allowance to a total of £2,000 where there are 'connected' employers.

For example two companies are connected with each other if one company controls the other company or both companies are under common control of the same person or persons. So, if a controlling shareholder has acquired another company in recent months, this may affect the ability of each company to claim the full Employment Allowance. Please contact us if you are in any doubt about your eligibility.

Shared parental leave and pay

Shared Parental Leave is available to parents whose babies are due on or after 5 April 2015. In the case of adoptions Shared Parental Leave will apply in relation to children matched with a person or placed for adoption on or after 5 April 2015.

Employed mothers will still be entitled to 52 weeks of maternity leave and 39 weeks of Statutory Maternity Pay. However the mother can opt to exchange part of her maternity leave and Statutory Maternity Pay into Shared Parental Leave and Shared Parental Pay.

We have included a summary of the main elements of the scheme as an appendix.

Please contact us if you require any further information or advice.

Appendix – summary of shared parental leave and pay

Shared Parental Leave (SPL) and Shared Parental Pay (ShPP) will be available provided the parents satisfy the eligibility requirements which can be checked on the Acas or GOV.UK websites.

The main elements of the scheme are:

- Mothers must take two weeks (four weeks for manual workers) of compulsory maternity leave.
- Mothers with partners (who must also meet the qualifying conditions) will be able to end the mother's maternity leave and Statutory Maternity Pay and share the untaken balance as SPL and ShPP.
- ShPP is paid at the rate of £139.58 a week or 90% of average weekly earnings, whichever is lower.
- Fathers are still entitled to two weeks Statutory Paternity Pay and leave although the Additional Paternity Pay and leave options will no longer be available.
- It will be up to the parents how they share SPL, they could take it in turns or take time off together, provided they take no more than 52 weeks of this leave in total.

An employee is entitled to submit three separate notices to book leave. Leave must be taken in complete weeks and may be taken either in a continuous period, which an employer cannot refuse, or in a discontinuous period, which the employer can refuse. Acas have produced a good practice guide which can be found at <http://www.acas.org.uk/media/pdf/1/c/Shared-Parental-Leave-a-good-practice-guide-for-employers-and-employees.pdf>