

Bulletin

Statutory changes for the 2017/2018 tax year Effective 6 April 2017

Apprenticeship Levy

New from April 2017, employers will have to pay the Apprenticeship Levy each month if they satisfy the following conditions:

- > Have an annual pay bill of more than £3 million
- > Are connected to other companies/charities for Employment Allowance purposes which in total have an annual pay bill of more than £3 million

Your annual pay bill is defined as all payments made to employees that are subject to Class 1 employer National Insurance Contributions, e.g. salary, bonuses, overtime. You must include **all** earnings subject to Class 1 National Insurance Contributions, including below the Lower Earnings Level.

All employers receive an Apprenticeship Levy allowance of £15,000 per year to offset against the levy payable. The calculation of the levy for an employer with an annual pay bill of £5,500,000 would be as follows:

- > Levy sum = £5,500,000 x 0.5% = £27,500
- > Subtract levy allowance: £27,500 – £15,000 = £12,500 annual levy payable

If you are an employer with multiple companies / PAYE schemes in a group the Apprenticeship Levy allowance can be allocated between the connected companies. Employers can decide how to split the allowance but will need to report how they have allocated the allowance the first time payment is made to HMRC and then this cannot be changed during the tax year.

The Apprenticeship Levy is charged at 0.5% of your annual pay bill and should be calculated cumulatively over the year.

Once the levy has been declared to HMRC, levy paying employers in England will receive funds in a new digital apprenticeship service account which can be used to pay for apprenticeships. If the employer is not liable to pay the levy, they will still receive a government contribution towards apprenticeships.

For further information please visit:
<https://www.gov.uk/guidance/pay-apprenticeship-levy>

Employment Allowance

The Employment Allowance remains at £3,000 for employers. There are no changes to the eligibility criteria to claim the allowance.

Income Tax

The annual personal allowance increases from £11,000 to £11,500. This gives a monthly tax free amount of £958.33.

The tax bands for 2017/18 are as follows

Basic rate	0 – £33,500	20%
Higher rate	£33,500 to £150,000	40%
Additional rate	more than £150,000	45%

National Insurance Rates

The employee's rate of National Insurance remains unchanged at 12%. The weekly NI free amount for employees increases to £157. The earnings over the upper earnings limit of £45,000 remains at 2%.

Employers National Insurance remains unchanged at 13.8%. The weekly NI free amount for employers increases to £157.

National Minimum / Living Wage

The National Minimum Wage will now increase every April starting in April 2017. The rates from April 2017 are as follows:

16 to 17 years old	from £4.00 to £4.05
18 to 20 years old	from £5.55 to £5.60
21 to 24 years old	from £6.95 to £7.05

From April 2017, the National Living Wage for those over the age of 25 increases from £7.20 to £7.50 per hour.

The rate for apprentices aged 16 to 18 and those aged 19 or over who are in the first year of their apprenticeship increases from £3.40 to £3.50.

Salary Sacrifice Schemes

Currently, employees can forgo a portion of their salary in return for certain benefits so the employee reduces their tax liability by paying for these benefits before tax is taken and employers save paying National Insurance Contributions on the reduced wages.

From April 2017, the tax rules around salary sacrifice schemes are changing so in certain cases employees will lose the tax advantage detailed above. The result of this change is employees will pay more tax. The most common arrangements for pensions, pensions advice, childcare, cycle to work and ultra-low emission cars will be exempt.

All arrangements in place before 6 April 2017 will be protected for up to a year or when they renew or are modified. Arrangements for company cars, accommodation and school fees will be protected for up to 4 years.

The main benefits which will be affected by this change include work-related training, health screening, mobile phones, accommodation and gym membership as well as new arrangements for company cars and school fees. An employer which offers these as a salary sacrifice will need to be familiar with how this change will impact on their employees.

For further information please visit:
<https://www.gov.uk/government/publications/income-tax-limitation-of-salary-sacrifice/income-tax-limitation-of-salary-sacrifice>

Student Loan Deductions

The threshold before deductions for Plan 1 student loans increases from £17,495 to £17,775. The repayment rate remains at 9%.

There are no changes to the threshold or repayment rate for Plan 2 student loans so these remain as £21,000 and 9% respectively.

For further information please visit:
<https://www.gov.uk/repaying-your-student-loan/overview>

Scottish Income Tax

From April 2017, the Scottish Parliament will have the power to set the income tax rates and bands payable by Scottish taxpayers. These rates will then be set annually by the Scottish Parliament.

There are no changes to the Scottish Rate of Income Tax as these have been frozen at 20%, 40% and 45%. However, the threshold for the higher rate of income tax has been frozen at £43,000 for Scottish taxpayers* whilst the threshold for the rest of the UK has increased as above.

HMRC will determine whether an employee is a Scottish taxpayer based on where the employee's main place of residence is.

**The Scottish budget is still progressing through the Scottish Parliament.*

Statutory Maternity Pay, Paternity Pay, Adoption Pay and Shared Parental Pay

The first six weeks of maternity pay remains at 90% of an employee's average weekly earnings. The rate for the next 33 weeks increases to £140.98 a week. If an employee's average weekly earnings are lower than the statutory amount they will receive the lower amount for 39 weeks. There is no change to the amount of SMP/SPP that can be reclaimed. This remains at 92% unless you qualify for Small Employers Relief.

Small Employers Relief remains unchanged at 103%. The threshold for Small Employer relief remains unchanged at £45,000.

Paternity and Adoption pay increases to £140.98 per week or 90% of average weekly earnings if less.

Shared Parental Pay increases to £140.98 per week or 90% of the employee's average weekly earnings if this is lower. Parents will be able to share up to 50 weeks leave of which 37 weeks are paid at £140.98.

The threshold to qualify for SMP, SPP, SAP and ShPP has increased to £113.

Statutory Sick Pay

SSP increases to £89.35 per week. The threshold to qualify for SSP has increased to £113.

Statutory Redundancy Pay

The weekly statutory amount is currently £479 per week. The new rate for 2017/2018 is due to be released by HMRC in April, and this will be published on our website.

Points to note

Tronc scheme and auto enrolment qualifying earnings

There is a grey area, with no clear guidance from The Pension Regulator. If the tronc is paid through a separate PAYE scheme and is controlled by a troncmaster, Pay Check has treated these earnings as non-qualifying earnings. However, we ask all clients to check with The Pension Regulator that their arrangements satisfy this requirement.

Termination Payments from April 2018

From April 2018, termination payments over £30,000 which are currently subject to Income Tax only will in addition be subject to National Insurance contributions.