

Payroll Facts

PAYE GUIDE FOR EMPLOYERS

2021 / 2022

PUTTING YOU IN THE
PAYROLL PICTURE

www.hazlewoods.co.uk

HAZLEWOODS

DRIVING LIFELONG PROSPERITY

CONTENTS

TAX	Page
Tax rates	1
Personal allowances	1
Pension allowances	2
Student loan recovery threshold	2
NATIONAL INSURANCE	
National insurance contributions	3
National insurance rates	4
STATUTORY PAYMENTS	
Statutory payments	5
Statutory redundancy	5
CAR AND FUEL RATES	
Company cars and mileage	6
Fuel benefit	7
HMRC's advisory fuel rates	7
Approved mileage rates	7
USEFUL INFORMATION	
National minimum wage (NMW) and national living wage (NLW)	8
Tax codes	8
Childcare vouchers	9
Key payroll dates	9

TAX

Tax rates (rUK and Wales)	2021/22 Taxable income	2020/21 Taxable income
20% basic rate	Up to £37,700	Up to £37,500
40% higher rate	£37,701 - £150,000	£37,501 - £150,000
45% additional rate	Over £150,000	Over £150,000

Scottish tax rates (SRIT)	2021/22 Taxable income	2020/21 Taxable income
19% starter rate	Up to £2,097	Up to £2,085
20% basic rate	£2,098 - £12,726	£2,086 - £12,658
21% intermediate rate	£12,727 - £31,092	£12,659 - £30,930
41% higher rate	£31,093 - £150,000	£30,931 - £150,000
46% top rate	Over £150,000	Over £150,000

Personal allowances	2021/22	2020/21
Personal allowance*	£12,570	£12,500
Blind person's allowance	£2,520	£2,500
Marriage allowance**	£1,260	£1,250
Married couple's allowance for those born before 6 April 1935		
Minimum	£3,530	£3,510
Maximum	£9,125	£9,075

* Personal allowance is restricted by £1 for every £2 of income over £100,000, to a minimum of nil.

** Spouses or civil partners who are both basic rate taxpayers can elect to transfer 10% of their personal allowance between them.

TAX

Pension allowances	2021/22	2020/21
Annual allowance	£40,000	£40,000
Lifetime allowance	£1,073,100	£1,073,100

From April 2020, the annual allowance is reduced by £1 for every £2 of 'adjusted income' (which includes employer pension contributions) above £240,000 to a minimum of £4,000, but only if an individual also has 'threshold income' of over £200,000.

Student loan recovery threshold

An employee commences repayment of their student loan at 9% of their earnings which are subject to national insurance contributions (NICs) and exceed:

Plan 1 – Students who took out their loan before 1 September 2012

per annum	£19,895
per month	£1,657
per week	£382

Plan 4 – Scottish students who were on Plan 1 will be moved to Plan 4

per annum	£25,000
per month	£2,083
per week	£480

Plan 2 – Students who took out their loan on or after 1 September 2012

per annum	£27,295
per month	£2,275
per week	£525

Each pay period is treated in isolation; there are no carried forward debits or credits.

Irish students were not subject to the 2012 change and will remain on plan 1.

An employee commences repayment of their Postgraduate Loan at 6% of their earnings which are subject to NICs and exceed:

Postgraduate loan

per annum	£21,000
per month	£1,750
per week	£404

NATIONAL INSURANCE

Class 1 - Employers and Employees	Weekly	Fortnightly	Four weekly	Monthly	Annual
Lower earnings limit (LEL)	£120	£240	£480	£520	£6,240
Primary threshold (PT)	£184	£368	£736	£797	£9,568
Secondary threshold (ST)	£170	£340	£680	£737	£8,840
Apprentice upper secondary threshold (AUST)	£967	£1,934	£3,868	£4,189	£50,270
Upper secondary threshold (UST) under 21s	£967	£1,934	£3,868	£4,189	£50,270
Upper earnings limit (UEL)	£967	£1,934	£3,868	£4,189	£50,270

Earnings over the LEL qualify an individual for certain state benefits and must be reported under PAYE, but no employer's NICs are payable until earnings exceed the secondary threshold of £170 per week and no employee's NICs are payable until earnings exceed the primary threshold of £184 per week.

NATIONAL INSURANCE

National insurance rates		2021/22	2020/21
Class 1 – Employers*	LEL - ST	0%	0%
	Rate above ST (no upper limit)	13.8%	13.8%
Class 1 – Employees	LEL - PT	0%	0%
	Rate between primary threshold PT and UEL	12%	12%
	Rate above UEL	2%	2%
	Married women and widows rate above threshold, below UEL**	5.85%	5.85%
	Deferred rate	2%	2%
Class 1A (Taxable benefits, Termination payments over £30,000 and Sporting Testimonial Payments over £100,000)		13.8%	13.8%
Class 1B (PAYE settlement agreement)		13.8%	13.8%
Class 2 (Self-employed)	Small earnings exception	£6,515	£6,475
	Flat rate per week	£3.05	£3.05
Class 3 (Voluntary)	Flat rate per week	£15.40	£15.30
Class 4 (Self-employed)	Lower limit	£9,568	£9,500
	Upper limit	£50,270	£50,000
	Rate between limits	9%	9%
	Rate above upper limit	2%	2%
Employment allowance***		£4,000	£4,000

* For apprentices under 25, the AUST was introduced in 2016/17, aligned with the UEL. The employer does not pay NICs on earnings between the ST and the UST.

** Only for women opting in before 1977.

*** Employment allowance eligibility criteria changed from 6 April 2020 – an additional restriction so that only those employers with an Employer NI bill of less than £100,000 in the previous tax year can claim. Employment allowance is now deemed to be State Aid, you must have room for the whole amount in your de minimis threshold. All existing eligibility criteria remains unchanged.

STATUTORY PAYMENTS

Statutory payments	2021/22	2020/21
Qualifying earnings level	£120	£120
Statutory sick pay (SSP)	£96.35	£95.85
Statutory maternity pay (SMP)*	£151.97	£151.20
Statutory paternity pay (SPP)**	£151.97	£151.20
Statutory adoption pay (SAP)*	£151.97	£151.20
Statutory shared parental pay (ShPP)***	£151.97	£151.20
Statutory bereavement leave (SPBP)**	£151.97	£151.20

* First six weeks at 90% of average weekly earnings (AWE) then 33 weeks at 90% of AWE or £151.97 whichever is lower.

** One or two weeks at 90% of AWE or £151.97 whichever is lower.

*** Weekly rate at 90% of AWE or £151.97 whichever is lower for a maximum of 37 weeks

Recoverable amount from HMRC – SMP, SPP, SAP, ShPP and SPBP

92% if your total Class 1 national insurance (both employee and employer contributions) is above £45,000 for the previous tax year, or 103% if your total Class 1 national insurance for the previous tax year is £45,000 or lower.

Statutory redundancy

The maximum week's pay that an employee can receive under the statutory scheme is:

	2021/22	2020/21
England, Wales, Scotland	£544	£538
Northern Ireland	TBA	£560

Ages	Number of weeks' pay
Each complete year of service between 18 and 21	½
Each complete year of service between 22 and 40	1
Each complete year of service over 41	1 ½

Service exceeding 20 years is not counted.

A week's pay is the amount due under the employee's employment contract on the date that the minimum notice of termination of employment was or should have been given.

CAR AND FUEL RATES

Company cars and mileage

The car benefit is calculated by multiplying the list price of the car when new (not the purchase price) by a percentage that is dependent on the level of approved CO₂ emissions of the car.

CO ₂ emissions g/km	Electric range (miles)	% of list price to be taxed - cars registered pre 6 April 2020	% of list price to be taxed - cars registered post 6 April 2020	CO ₂ emissions g/km	% of list price to be taxed - cars registered pre 6 April 2020	% of list price to be taxed - cars registered post 6 April 2020
0	n/a	1	1	100-104	25	24
1-50	>130	2	1	105-109	26	25
1-50	70-129	5	4	110-114	27	26
1-50	40-69	8	7	115-119	28	27
1-50	30-39	12	11	120-124	29	28
1-50	<30	14	13	125-129	30	29
51-54		15	14	130-134	31	30
55-59		16	15	135-139	32	31
60-64		17	16	140-144	33	32
65-69		18	17	145-149	34	33
70-74		19	18	150-154	35	34
75-79		20	19	155-159	36	35
80-84		21	20	160-164	37	36
85-89		22	21	165+	37	37
90-94		23	22			
95-99		24	23			

This percentage is increased by 4% if the car is propelled solely by diesel (up to a maximum of 37%). Cars that meet the real driving emissions step 2 (RDE2) standard or diesel plug-in hybrids are exempt from the diesel supplement.

Fuel scale charges

	2021/22	2020/21
Car fuel benefit charge	£24,600	£24,500
Van fuel benefit charge	£669	£666

For 2021/22 the benefit is £24,600 multiplied by the relevant percentage as shown above (plus 4% diesel supplement where applicable but capped at 37%).

	2021/22	2020/21
Van benefit for vans which emit CO ₂ when driven	£3,500	£3,490
Van benefit for vans which do not emit CO ₂ when driven	N/A	£2,792

HMRC's advisory fuel rates (AFR)

From 1 March 2021	Petrol	LPG	Diesel	Fully Electric Cars
1400cc or less	10p	7p	1600cc or less 9p	4p
1401cc to 2000cc	12p	8p	1601cc to 2000cc 11p	4p
Over 2000cc	18p	12p	Over 2000cc 12p	4p

HMRC's approved tax-free business mileage rates for employees using company cars are reviewed quarterly, with any changes taking effect from 1 March, 1 June, 1 September and 1 December. The rates are the maximum amount that can be paid without a charge to tax and NIC for business miles. If an employee receives less than these rates, then they can claim tax relief on the difference.

For further information and current rates employers are advised to check the following website: <https://www.gov.uk/guidance/advisory-fuel-rates>

Approved mileage rates – for employees using their own vehicle

First 10,000 for tax purposes	45p
Over 10,000 for tax purposes	25p
For NIC purposes – regardless of mileage	45p
Bicycle rate – regardless of mileage	20p
Motorcycle rate – regardless of mileage	24p
Passenger rate – regardless of mileage	5p

USEFUL INFORMATION

National minimum wage (NMW) and national living wage (NLW)

NMW	2021/22	2020/21
Under 18s	£4.62	£4.55
Workers between 18-20	£6.56	£6.45
Workers between 21-24	N/A	£8.20
Workers between 21-22	£8.36	N/A
Apprentice*	£4.30	£4.15
NLW		
Workers aged 25 and over	N/A	£8.72
Workers aged 23 and over	£8.91	N/A

* Apprentices are entitled to apprentice rate if they are aged under 19 or are aged over 19 and in the first year of their apprenticeship.

Tax codes

Code	What it means
L	You are entitled to the standard tax-free personal allowance.
M	Marriage allowance: you have received a transfer of 10% of your partner's personal allowance.
N	Marriage allowance: you have transferred 10% of your personal allowance to your partner.
OT	Your personal allowance has been used up, or you have started a new job and do not have a form P45, or you did not give your new employer the details they need to give you a tax code.
S	Your income or pension is taxed at the Scottish rate of income tax.
C	Your income or pension is taxed at the Welsh rate of income tax.

Code	What it means
T	If there are items HMRC need to review in your tax code.
K	Your total allowances are less than total 'deductions'.
BR	All income is taxed at the basic rate – currently 20%.
DO	All income is taxed at the higher rate of tax – currently 40%.
D1	All income is taxed at the highest rate of tax – currently 45%.
NT	When no tax is to be taken from your income or pension.
SDO	Scottish intermediate rate – currently 21%
SD1	Scottish higher rate – currently 41%
SD2	Scottish top rate – currently 46%

Childcare vouchers

Tax rate	Maximum voucher value per week	Maximum voucher value per month
Basic rate tax payer – 20%	£55	£243
Higher rate tax payer – 40%	£28	£124
Additional rate tax payer – 45%	£25	£110

The Government introduced the tax-free childcare scheme (TFC) in 2017. For further information please go to - <https://www.gov.uk/tax-free-childcare>.

As a result, childcare vouchers schemes were closed to new entrants from 4 October 2018. Existing scheme members can continue to receive childcare vouchers as long as they remain eligible, do not leave the scheme and remain with their current employer.

Employees who joined a childcare voucher scheme on or before 5 April 2011 can receive vouchers worth up to £55 a week free of tax regardless of their tax rate.

Key payroll dates

Annual

1 April: National living wage and national minimum wage legislation becomes effective. The new rates will apply to the first pay reference period that begins on or after 1 April 2021.

6 April: Start of new tax year. New tax/NIC bands and thresholds are effective.

19 April: Year-end processing to be completed.

31 May: Issue of P60s to all eligible employees.

6 July: Return of forms P11D/P11D(b) to HM Revenue & Customs.

19 July (22 for electronic payments): Remittance deadline of Class 1A NICs (P11Ds).

19 October (22 for electronic payments): Remittance deadline of tax and Class 1B NICs (PSAs).

Monthly

On or before each pay date
Full payment summary (FPS) submission due to HMRC.

19th of each month (22nd for electronic payments)
Remittance deadline of PAYE, NICs and CIS to HMRC.

19th of the following tax month
Employer payment summary (EPS) submission due to HMRC to apply a reduction for any statutory payments made or to advise of NIL PAYE liability.

For further information please contact:

Cheltenham: 01242 237661

Staverton: 01242 680000

www.hazlewoods.co.uk

@Hazlewoods

We strongly recommend you take professional advice before making decisions on matters discussed here. No responsibility for any loss to any person acting as a result of the material can be accepted by us. Hazlewoods LLP is a Limited Liability Partnership registered in England and Wales with number OC311817. Registered office: Staverton Court, Staverton, Cheltenham, Gloucestershire, GL51 0UX. A list of LLP partners is available for inspection at each office. Hazlewoods LLP is registered to carry on audit work in the UK and regulated for a range of investment business activities by the Institute of Chartered Accountants in England & Wales.



WE ARE AN INDEPENDENT MEMBER OF
THE GLOBAL ADVISORY
AND ACCOUNTING NETWORK