MARCH 2021

PAYROLL ON POINT

Welcome to the Spring edition of Payroll on Point.

This newsletter is designed to help you keep up to date with legislative changes, new developments and key dates in the future.

We hope you will find Payroll on Point informative and if you have any questions on the topics raised please don't hesitate to get in touch.

NATIONAL MINIMUM WAGE

The Government is again increasing the National Minimum and National Living Wage rates on 1 April 2021. Please note the adjustment in Age Categories with the age of National Living Wage rate being lowered to 23 from 25.

Year	Aged 25 & over	Aged 21 to 24	Aged 18 to 20	Aged under 18	Apprentice
April 2020 (current)	£8.72	£8.20	£6.45	£4.55	£4.15

Year	Aged 23 & over	Aged 21 to 22	Aged 18 to 20	Aged 16 to 17	Apprentice
April 2021	£8.91	£8.36	£6.56	£4.62	£4.30

A new rate applies when the next pay reference period begins on or after the date a rate increase begins, or, an employee reaches a new age bracket.

The apprentice rate applies to apprentices under the age of 19 or those on the first year of their apprenticeship, only. Those who fall outside this criteria must receive the rate applicable to their age group.

As an employer, it's your responsibility to ensure your employees are paid in accordance with the guidelines provided as BDO will not make automatic changes to staff members' salaries to accommodate these changes.

Therefore you must advise us of any changes to rates of pay, or annual salary, effective from April 2021.

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STATUTORY SICK PAY (SSP)

Revised rates of SSP are payable from the first day of the new tax year (6th April 2021).

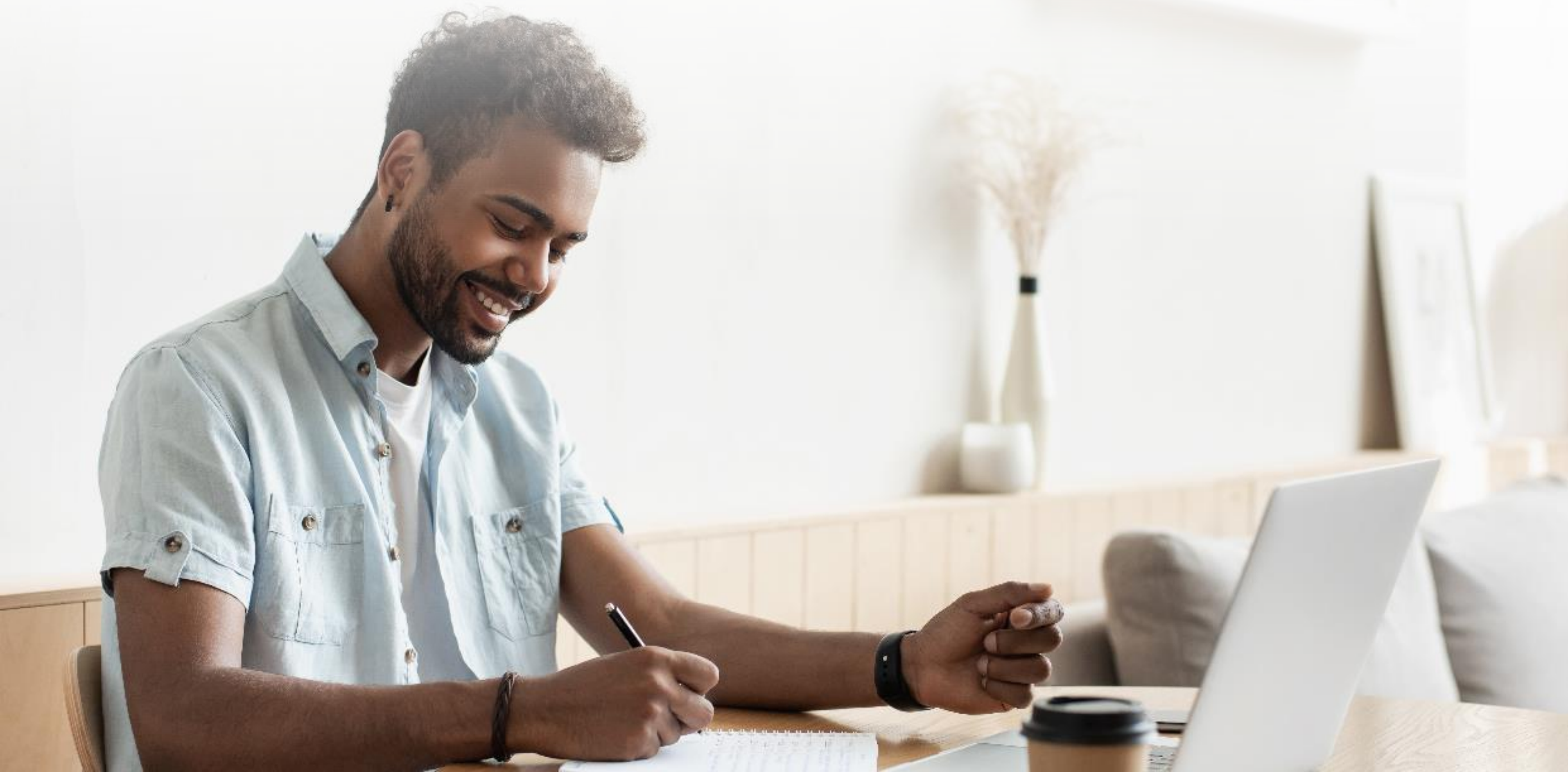
The changes detailed below apply to the average weekly earnings (AWE) at or above the Lower Earnings Limit which is £120 per week in 2021/22:

Unrounded daily rates	Number of Qualifying Days in week	1 day to pay	2 days to pay	3 days to pay	4 days to pay	5 days to pay	6 days to pay	7 days to pay
£13.7642	7	£13.77	£27.53	£41.30	£55.06	£68.83	£82.59	£96.35
£16.0583	6	£16.06	£32.12	£48.18	£64.24	£80.30	£96.35	
£19.2700	5	£19.27	£38.54	£57.81	£77.08	£96.35		
£24.0875	4	£24.09	£48.18	£72.27	£96.35			
£33.1166	3	£32.12	£64.24	£96.35				
£48.1750	2	£48.18	£96.35					
£96.35	1	£96.35						

STATUTORY MATERNITY, PATERNITY, SHARED PAYMENTS (SMP, SAP, SPP AND SHPP)

Whilst SSP is always payable from the first day of the new tax year, other statutory payments apply from the week that commences the first Sunday in April (April 4th 2021):

Rates effective from week starting on or after Sunday	4th April 2021
Earnings Threshold (LEL)	£120
SMP/SAP weekly rate for first six weeks	90% of average weekly earnings (AEW)
▶ SMP weekly rate for up to next 33 weeks ▶ SAP weekly rate for up to next 33 weeks ▶ SPP weekly rate ▶ ShPP weekly rate.	£151.97 or 90% of employees AEW whichever is lower
SMP, SAP, SPP and ShPP optional daily rate	£21.71
Percentage of payment recoverable	92%
Percentage of payment recoverable if NI liability below £45,000 in 20/21	103%



PENSION CONTRIBUTIONS

The minimum contribution levels will not be changing from April 2021. Therefore the following rates will still apply:

Based on Qualifying Earnings

Minimum Contribution	Employee	Employer	Total
April 2021	5%	3%	8%

Qualifying Earnings thresholds will remain in line with the National Insurance thresholds from April 2021 (£6,240 – £50,000).

Based on Basic Pay

Minimum Contribution	Employee	Employer	Total
April 2021	5%	4%	9%

Based on Basic Pay
(Providing Basic Pay is at least 85% of total earnings)

Minimum Contribution	Employee	Employer	Total
April 2021	5%	3%	8%

Based on Total Pay

Minimum Contribution	Employee	Employer	Total
April 2021	4%	3%	7%

PENSION RE-ENROLMENT

Since the staggered introduction of Automatic Enrolment, the Pensions Regulator requires all employers to complete a re-declaration to confirm that the re-enrolment process has been complied with.

Pension re-enrolment occurs every three years starting from the original staging date. Employers are sent a reminder of this declaration in advance of their re-enrolment date from the Pensions Regulator. Failure to complete could result in being fined. More information on re-enrolment can be found here.

Whilst BDO is happy to assist with any questions or queries relating to re-enrolment, we are unable to offer assistance with the completion of the declaration. Ultimately it is the responsibility of the employer to ensure that the legislation is being complied with.

EMPLOYMENT ALLOWANCE

From 6th April 2020, HMRC introduced a cap on employment allowance eligibility which will remain unchanged from April 2021. Employers can only claim the allowance if the Employer Class 1 National Insurance bill was below £100,000 in the previous tax year (20/21).

For connected employers, the total Employers Class 1 NI liability for all entities added together must be below £100,000 in the previous year to be eligible to claim Employment Allowance.

For the purpose of Employment Allowance, Companies are connected if the following applies:

- A company has control of another company
- They are under the control of the same person or people, for example companies linked in a group.

If connected employers have a liability under £100,000 for the previous year, you should decide on the ONE payroll on which the claim will be made.

This does not affect any payroll that was previously ineligible to claim Employment Allowance.

Unlike previous years, the Employment Allowance claim does not roll forward each year and will need to be reclaimed at the start of each tax year (if eligible). BDO payroll specialists will send a prompt to their clients for confirmation of the Employment Allowance Status.

It is the responsibility of the employer to inform BDO correctly how to operate the Employment Allowance through payroll from April 2021 based on the guidelines provided.

EXTENSION OF CORONAVIRUS JOB RETENTION SCHEME (CJRS)

During the Chancellor's Budget on 3rd March 2021, it was announced that the CJRS would be extended to 30th September 2021. The scheme will continue unchanged until 30th June 2021 with the Government covering 80% of employee wages for the hours they are unable to work due to the Coronavirus Pandemic. Employers will only be liable to cover secondary National Insurance contributions and employer pension contributions.

From 1st to 31st July, Government funding will reduce to 70%, with employers covering the additional 10%, and in August and September, the Government will reduce this again to cover 60%, and employers to cover the other 20%.

To continue to support our clients fully moving forward and to provide them with a deeper analysis of all of the elements within the budget, we have developed our Budget Hub for you to reference. Please find a the link to this hub here.

The information provided on the hub will prove extremely helpful to our clients, particularly around the CJRS and changes for employers from July 2021, but please do not hesitate to contact your payroll specialist if you require any further assistance.

SCOTTISH STUDENT LOAN TYPE

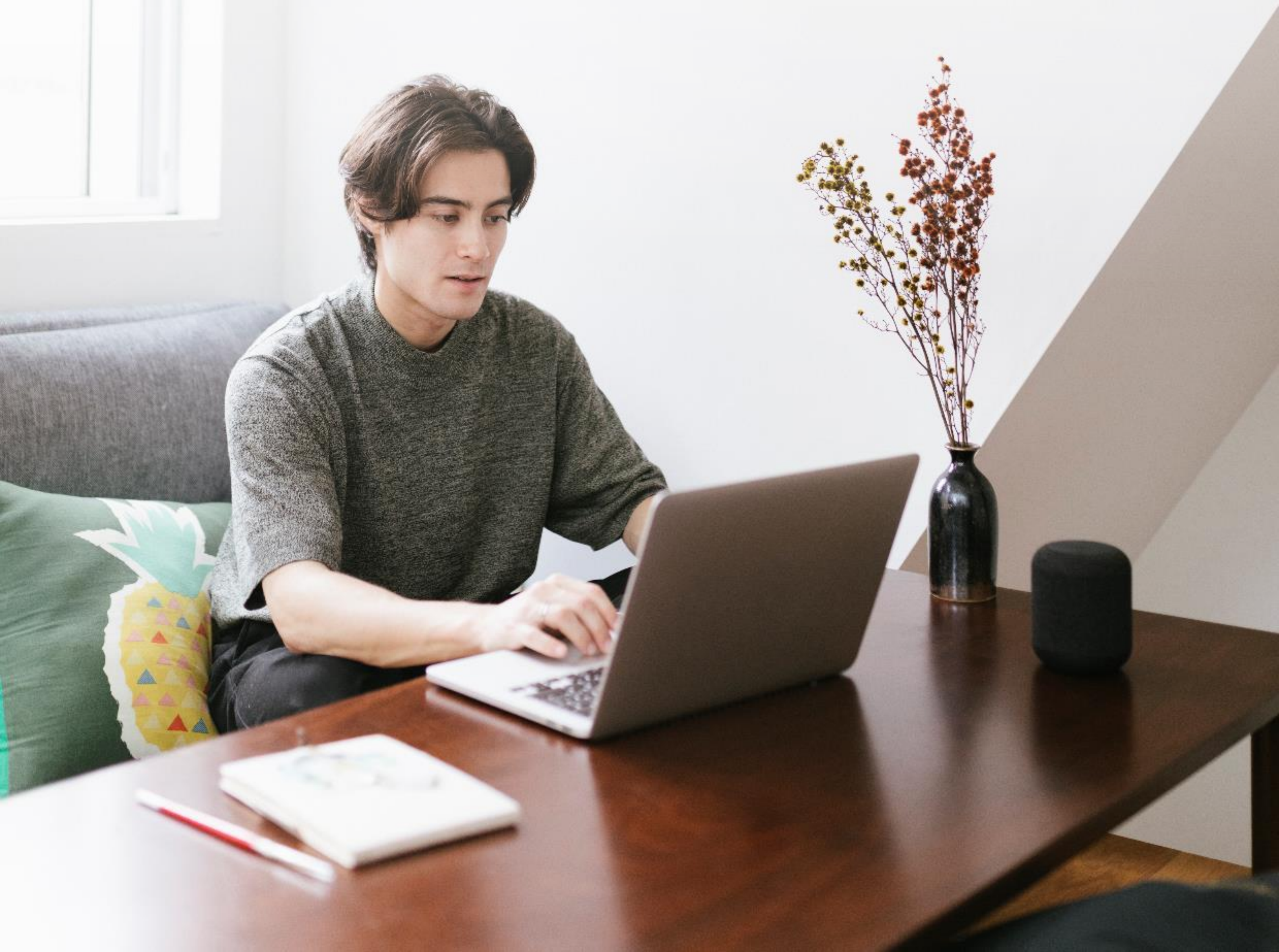
Back in 2018, the Scottish First Minister announced that Scotland will raise its Student Loan earnings threshold to £25,000 from April 2021. The new threshold will apply to new and existing borrowers and will align with the arrangements in place with England and Wales reducing the repayment period to 30 years.

Therefore, from April 2021, any employee who has drawn a Student Loan from Scotland will repay their loan under a new Plan Type 4. Existing loans that need to be moved to the Plan Type 4 will be communicated with employers via the SL1 (Student Loan Start Notice) notification process.

It has been confirmed that all notifications should be with employers (or agents) in sufficient time for April payroll processes.

Any SL1s that are sent directly to employers (rather than to BDO as agents) must be sent to your payroll specialist as soon as possible to ensure this is included in the April 2021 payroll.

BDO standard new starter forms will be updated to incorporate the new Loan Type. Alternatively employers can use the updated Starter checklist which can be found here.



INTERNATIONAL REMOTE WORKING

The initial response

The COVID-19 pandemic has caused a shift in the working patterns of employees. The resulting displacement of workers arising from border restrictions and personal choice has resulted in employees performing work duties in a country different from their normal place of work.

In March 2020 it seemed that this would be a temporary consequence of the pandemic that would be short-lived enough that the resulting compliance risks would be minimal. With a vast network of Double Taxation Agreements reducing the risk of double taxation, and countries including France, Luxembourg and Belgium quickly introducing concessions for income tax purposes, the early indications were that there would be no significant challenge from short lived international remote working arrangements.

Similarly to the income tax position, early in the pandemic certain countries such as Belgium and Germany announced relaxations to their social security compliance such that if individuals were continuing to contribute to their home country social security system, the temporary period spent in their territory would not be counted for the purpose of determining whether there would be a social security liability in their state. This reinforced the relatively relaxed initial attitude to individuals working remotely outside of their home country.

A changed approach

Almost a year on, many employees continue to work remotely, with some employees becoming stranded in host countries or in countries that they may have returned to in order to be with family during the pandemic.

The treaty protection that was available in a lot of circumstances, where individuals had moved to another country for a period of less than 183 days in a specified 365 day period, has now long since expired and treaty tax residence positions may have shifted for individuals.

Employers are now working to determine the potential risks to their business created by long periods of international remote working arrangements and some are also now clarifying the individual implications for their employees.

These risks include, but are not limited to the following:

- **INCOME TAX** – Treaty exemption is likely to have been exhausted in many locations and income tax is likely to be payable in the overseas jurisdiction
- **SOCIAL SECURITY** – A determination needs to be made as to which social security system an individual (and by extension an employer) is liable for contributions. Individuals may have triggered overseas social security contributions or at the very least it may be necessary to obtain an A1 certificate or Certificate of Coverage to demonstrate continuing liability to social security in their home location
- **PAYROLL** – If an employee has triggered an overseas liability, be it income tax, social security or otherwise, there may be compliance obligations for the employer including the requirement to operate a foreign payroll and submit tax withholding to the overseas revenue authorities. Employer withholding rules do not always align with the tax rules applicable to individuals and consequently employers must pay particular attention to their potential obligations, irrespective of an individual’s tax position
- **PERMANENT ESTABLISHMENT** – By the nature of their duties and the rules of the host jurisdiction an employee could inadvertently create a Permanent Establishment (i.e. a taxable presence for corporate income tax purposes) in the overseas location, triggering potential further compliance issues for the employer.

Understanding the risks and acting to ensure that obligations are met is vital for employers. Under the Corporate Criminal Offence legislation (from September 2017) UK businesses can be considered to commit a criminal offence if they have not taken reasonable steps to ensure that overseas tax liabilities are met.

THE FUTURE

Early indications are that a return to rigid office working across all industries is unlikely. Some business leaders have commented that they do expect a return to office working but others have already advocated more freedom of choice going forwards. Attitudes to remote working may be swayed by the culture of the business and the war for talent, with those offering greater flexibility considered to be at an advantage in the future recruitment market.

Whatever the stance of a business towards international remote working, it is advisable that they formalise a robust internal policy to guide them with their approach to sanctioning continuing or approving future international remote working requests. This will help ensure that the business can be pro-active in checking on the implications of any potential decisions and that unintended compliance consequences are avoided.

For help and support please contact your local experts:

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OFF-PAYROLL WORKING (IR35)

As widely anticipated, no further delay was announced in the introduction of the changes to the off-payroll working rules, commonly referred to as 'IR35', and they will take effect very shortly. Medium and large businesses in all sectors, and Charities, will potentially be impacted.

The 'End User' will have to consider whether any workers engaged that are not employees and operate via personal service companies ('PSCs') whether directly or through a third party e.g. an Agency, have employee status for tax purposes. If that's the conclusion reached, then it will be necessary to operate PAYE/NIC on any payments made directly to a PSC from 6th April 2021. It is also a requirement to advise the PSC/worker involved of this decision and how it was reached.

If a payment is made to a PSC indirectly via an agency, then it too must be advised of the decision and importantly the requirement to operate PAYE/NIC passes down the payment chain. It will also be important for the engager to be able to demonstrate reasonable care has been taken in this process. The public sector has been assessing PSCs in this way and operating PAYE/NIC where required since April 2017 but it will now also need to meet the advisory requirements.

So what does it all mean?

The change implements a fundamental shift in compliance responsibility from the shareholders/directors of PSCs to the 60,000 medium and large businesses that the Government estimates will engage them. If the workers are within IR35 this represents a potential cost increase for the business that engages them of 13.8% (Employers NICs). This is a minimum as Apprenticeship Levy at 0.5% can also apply.

In turn, this will also mean a PAYE/NIC withholding from the payment received by the PSC where formerly gross payment would have been made, so an immediate 32%/42%/47% cash flow impact for the worker.

In turn this may mean that PSCs try to increase their fees to accommodate this where market conditions allow. Latest Government figures suggest 180,000 PSCs will be impacted and this measure will generate revenue of £3.8bn by April 2026.

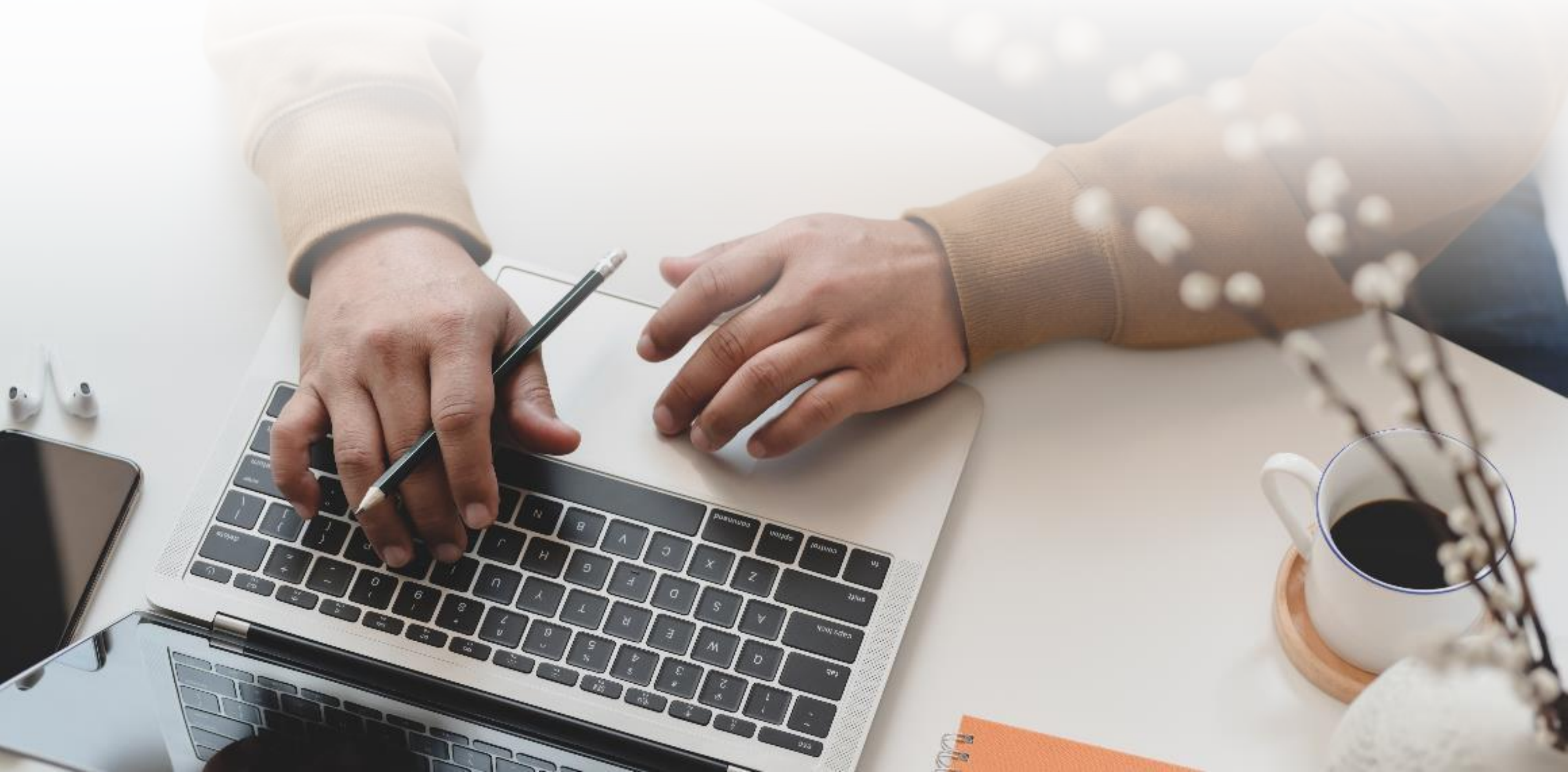
What do I need to do?

If off-payroll working will remain fundamental to your business model, then it's first important to understand whether you are in the medium or large category, if not the current rules remain, and compliance remains an issue for the PSC. If that's not the case then you must identify, assess and then manage your off-payroll population so you can apply the new legislation.

The bigger picture

This change has also brought other forms of off-payroll labour into the spotlight such as offshore PSCs and workers treated as self-employed, which whilst outside of the IR35 changes, can bring their own PAYE/NIC risks. All of which can also impact compliance with the Corporate Criminal Offence legislation and for Senior Accounting Officer rules where applicable.

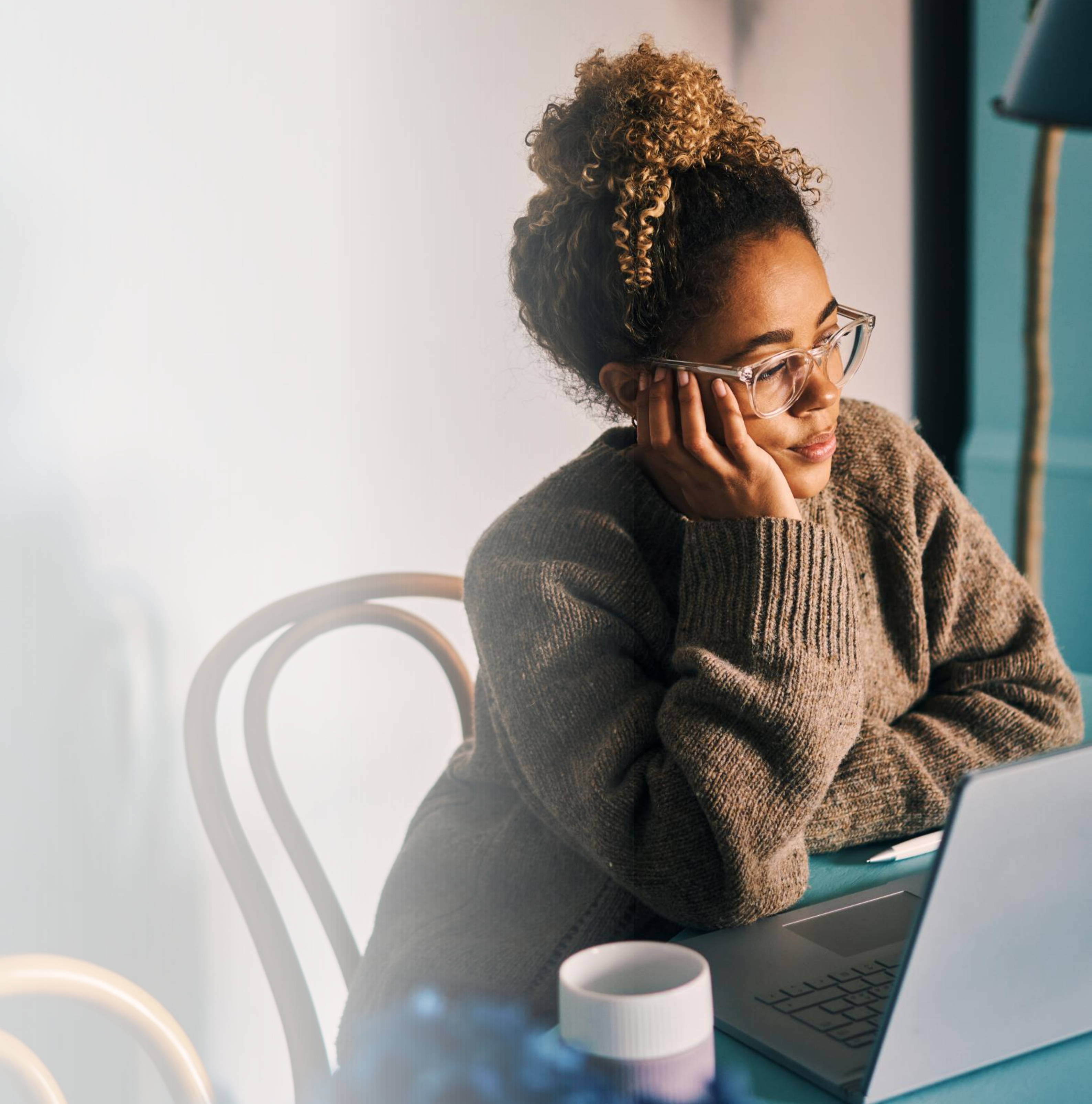
BDO also anticipates that this, along with recent legal decisions impacting the gig economy, may see businesses re-evaluate how they fulfil their requirements to maintain a flexible workforce in a compliant manner and balance this with the commercial impacts of using off-payroll working.



HOW TO AVOID THE COMMON PRODUCTIVITY PITFALLS FACING FINANCE TEAMS TODAY

Maximising the productivity and value your finance function provides to the business can be a constant challenge for finance leaders and their teams, so if you've often felt you're trying to fight against a rising tide – know that you're not alone.

Linked below are the top five productivity pitfalls that slow many finance and accounting departments — and our thoughts on how to unblock them are here.



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