

Annual Payroll & HR Update 2019



Agenda

Welcome and Introduction

James Pinchbeck, Marketing Partner, Streets Chartered Accountants

Payroll Update

Theresa Waddingham, Senior Payroll Manager, Streets Chartered Accountants

The Productivity Puzzle

Anita Wynne, Director, Beststart Human Resources

Break

Helping to make employing people less taxing

Luke Prout, Tax Partner, Streets Chartered Accountants

Lunch



Payroll – a topical update and refresher

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Agenda

- Budget announcements
- Key changes for 2019/2020
- Personal Tax Account and effect on payroll
- Top 10 Minimum Wage mistakes
- Inhouse vs Outsourcing
- Streets Payroll Bureau



Budget Announcements

- Personal allowance increases from from £11850 to £12500 – tax code changes from 1185L to 1250L
- Welsh Tax codes issued for the first time. Prefix C. Possible future change to tax rates
- Student loan
 - Plan 1 threshold will increase to £18,935
 - Plan 2 threshold will be £25,725
- The DfE has introduced a new loan type from 6 April 2019, Postgraduate Loan (PGL). The threshold for 2019/20 is £21,000. Earnings above £21,000 for PGL will be calculated at 6%



UK (excluding Scotland) Tax Rates 2019/20

Personal Allowance	£240pw/£1042pm/£12,500pa
Basic Rate	20% on annual earnings above personal allowance up to £37,500
Higher Rate	40% on annual earnings from £37,501 to £150,000
Additional Rate	45% on annual earnings above £150,000



Scottish Tax Rates 2019/20

Personal Allowance	£228pw/£988pm/£11850pa
Starter Tax Rate	19% on annual earnings above the personal allowance and up to £2,049
Basic Rate	20% on annual earnings from £2,050 to £12,444
Intermediate Rate	21% on annual earnings from £12,445 to £30,930
Higher Rate	41% on annual earnings from £30,931 to £150,000
Top Tax Rate	46% on annual earnings above £150,000



Student Loans

- Right plan, right time
- Advised online, by post and occasionally by phone
- Should be actioned **as soon as possible**
- Deduction rate is 9%



Student Loans

- Postgraduate loan deductions 6%

What does PGL mean for employers?

- There will be new start and stop notices for PGL – the PGL1 and PGL2
- The starter checklist will be updated to include a section for PGL
- Form P45 will not change. This will still only indicate whether an employee is already repaying a student loan. It will not indicate the employee's plan or loan type. We would encourage you to ask your new employee to complete the new starter checklist to make sure deductions are being taken under the correct plan or loan type
- Form P60 will be updated to include a new box for PGL deductions



Student Loans

Plan	2018/19	2019/20
1	£18,330	£18,935
2	£25,000	£25,725



Class 1 NI Thresholds 2019/20

Lower Earnings Limit (LEL)	£118 pw, £512 pm, £6,136 pa
Primary Threshold (PT)	£166 pw, £719 pm, £8,632 pa
Secondary Threshold	Same as above
Upper Secondary Threshold (under 21) (UST)	£962 pw, £4167 pm, £50,000 pa
Apprentice UST (AUST apprentice under 25)	As above
Upper Earnings Limit (UEL)	Same as UST



Absence Rates/Pensions

- **Statutory Absence Rates**

- SMP, SAP, ShPP and SPP 90% of average weekly earnings or £148.68 whichever is lower
- Recovery remains at 92% or 103% for small employers (total NIC in previous yr below £45k)
- SSP £94.25 per week

- **Workplace Pensions**

- Increases again from 6 April 2019 to 3% employer and 5% employee



National Minimum Wage

- The National Minimum Wage is the minimum pay per hour [almost all workers](#) are entitled to by law. Use the [National Minimum Wage calculator](#) to check if you're paying a worker the National Minimum Wage or if you owe them payments from past years
- The rates below apply from 1 April 2019:

Category of worker	Hourly rate
Aged 25 and above (national living wage rate)	£8.21
Aged 21 to 24 inclusive	£7.70
Aged 18 to 20 inclusive	£6.15
Aged under 18 (but above compulsory school leaving age)	£4.35
Apprentices aged under 19	£3.90
Apprentices aged 19 and over, but in the first year of their apprenticeship	£3.90



National Minimum Wage

Annual salary (based on 37.5 hour week)

- | | |
|--------------------------|------------|
| • Aged 25 and above | £16,009.50 |
| • Aged 21 – 24 inclusive | £15,015.00 |
| • Aged 18 – 20 inclusive | £11,992.50 |
| • Aged under 18 | £8,482.50 |
| • Apprentice | £7,605.00 |



Top 10 mistakes when paying the National Minimum Wage

1. Failure to apply the annual minimum wage rate increase as they go up each year on 1 April
2. Missed birthdays as employees turn 18, 21 or 25 years old and move from one NMW rate to another.
3. Paying the apprentice rate to somebody who isn't actually an apprentice
4. Continuing to pay the apprentice rate for too long
5. Making wage deductions for items or expenses that are connected with the job



Top 10 mistakes when paying the National Minimum Wage

6. Making wage deductions that are deemed to be for the employer's "own use or benefit"
7. Charging a worker more than the stated offset rate for living accommodation, currently £49 a week
8. Not paying for all the time worked such as time spent travelling, training or downtime at the employer's disposal
9. Not paying for additional time worked such as time spent clearing security checks once a worker's shift has finished
10. Including elements of pay that don't count towards minimum wage such as tips and the premium element of pay associated with shift premium



Key Changes for 2019/20

- Two important [changes to the Employment Rights Act 1996](#), affecting pay slip information, will come into force on 6 April:
 - Employers must include the total number of hours worked where the pay varies according the hours worked, for example under variable hours or zero hours contracts
 - Payslips must be given to ‘workers’ and not just employees
- The government’s plans to make any part of a termination payment over the sum of £30,000 subject to employer NICs is due to become law. This change was delayed from April 2018
- The ‘Good work plan’, published in December 2018, makes a commitment to improving the holiday pay arrangements for seasonal workers, who tend to lose out over the way it is currently calculated



Key Changes for 2019/20

- To correct this, the government is lengthening the reference period for determining an average week's pay from 12 weeks to 52 weeks from 6 April 2020
- The entitlement to a statement of 'written particulars' (the basic terms and conditions of an employment) is extended to include workers as well as employees. This will also become a day one right. Currently employers have up to two months to issue the statement to any employee working for them for more than a month
- From **April 2020**, where an individual is engaged by a medium or large-sized business and works through an intermediary, the engaging business will become responsible for assessing the individual's employment status. (Luke will follow with more details on this)



Key Changes for 2019/20

- In October 2017, the government confirmed its backing for a private members' bill, the Parental Bereavement (Leave and Pay) Bill. The Bill, which became the Parental Bereavement (Leave and Pay) Act on 13 September 2018, will entitle employees who lose a child under the age of 18, or suffer a stillbirth from the 24th week of pregnancy, to two weeks' unpaid leave, as a right from day one of their employment
- The leave will be paid at the statutory rate if the employee has 26 weeks' service. The government is aiming for the new law to be in force in 2020
- The Right to Work Checking Service, which is secure and free to use, was launched in April 2018, however until mid-December 2018 employers still needed to request paper documents alongside using the service
- Changes to the online service mean that employers can use it to demonstrate they conducted the necessary right to work checks on migrants and avoid a penalty if they are found to be employing illegal workers



Personal Tax Account and effect on Payroll

Employee can see:

- Estimate of tax due for year
- Check how income is calculated
- Check earnings, tax and NIC that has been submitted by employer
- Claim a tax refund if it is due
- Check and change details relating to company car benefit and private health



Personal Tax Account and effect on Payroll

Issues for employer:

- Mistakes visible to employee as soon as submission is made
- HMRC advising employee what employer needs to do and not always correctly
- Can give rise to conflict between employer and employee
- HMRC adjusting employees tax codes instantly
- More code changes as no time for corrections to be made



Inhouse vs Outsourcing

Some common misconceptions:

- Outsourcing payroll is a complicated process
- Outsourcing payroll is costly
- Outsourcing payroll is not secure
- Outsourcing payroll relinquishes control



Streets Payroll Bureau

- Through Streets Payroll Services we are able to provide support and advice. In particular we are well versed on advising on the setting up and operation of Auto-enrolment workforce pension schemes. We can assess your workforce, apply the necessary deductions and email the pension feed or upload it to the pension provider on your behalf
- We will process the payroll and calculate Statutory Absence payments, process annual pay reviews and bonuses for you based on the information supplied to us
- We will also keep detailed records for PAYE inspection purposes



Benefits of using Streets Payroll Bureau

- Provide either epayslips via a secure portal, or secure pressure sealed payslips
- Advise the amount of PAYE due and when it is to be paid
- Process all starters and leavers and submit the necessary information to HMRC
- Liaise with HMRC on your behalf
- Payment by BAC's through Streets BAC's bureau licence if provided a Service User Number



Benefits of using Streets Payroll Bureau

- Process all RTI submissions as required.
- Provide either eP60's through the secure portal or paper copies.
- Provide reports tailored to your requirements with departmental and cost centres included.
- Unlimited access to a qualified team of payroll specialists by telephone or email



Payroll – a topical update and refresher

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The Productivity Puzzle

Anita Wynne, Director



What is the problem?



Image courtesy of jscreationzs at FreeDigitalPhotos.net



HR. But different.

What can you do?

**Resource
management**

Strategic planning



**Sound financial
management**

Embrace technology

Image courtesy of Renjith Krishnan at FreeDigitalPhotos.net



HR. But different.

Multi-faceted solution



HR. But different.

Establishing standards – taking back control

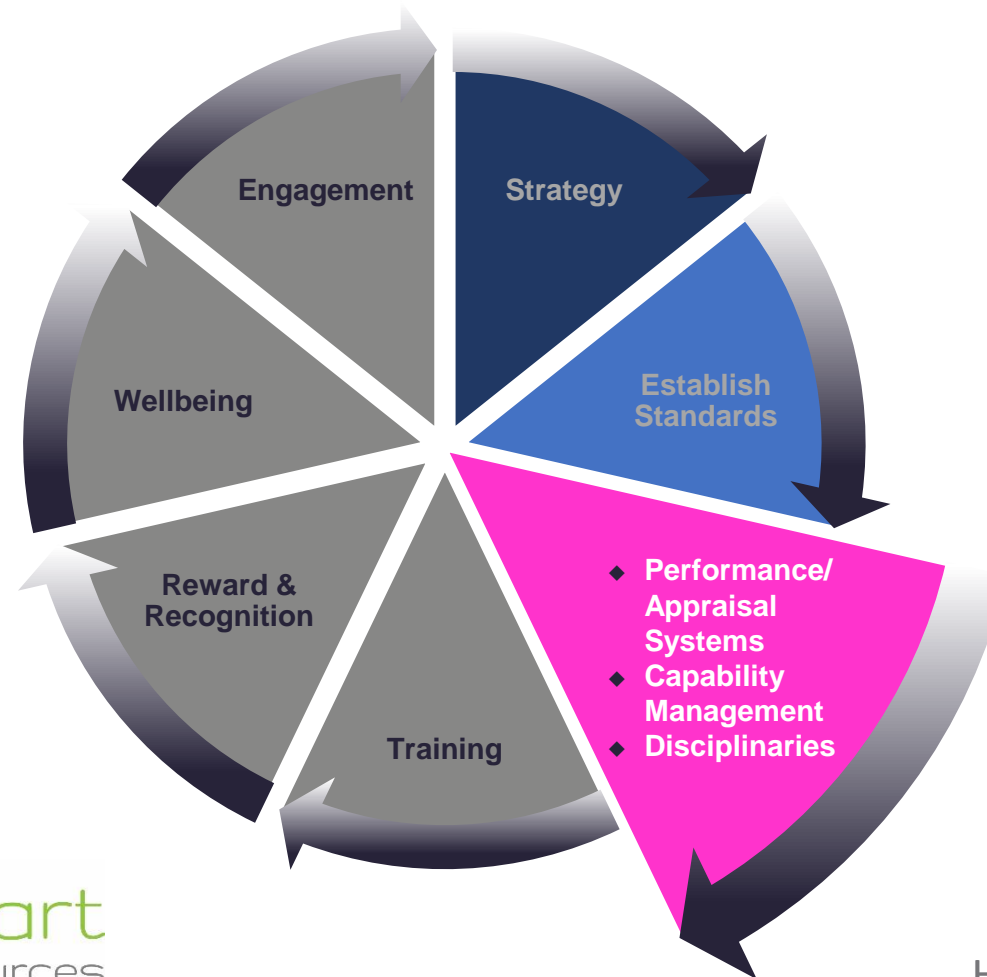


Set expectations

- ◆ The values and behaviours – how we want people to do their job
- ◆ The role of managers – senior and line
 - ◆ What are the expectations?
 - ◆ How will they be measured?
- ◆ The role of all employees
- ◆ Communicate expectations



Performance management – keeping on track



Performance management

- ◆ Focussed feedback
- ◆ More immediate feedback
- ◆ Supportive environment – remove barriers and agree actions



Performance management

- ◆ Minimal targets which are focussed
- ◆ Use technology
- ◆ Employee ownership for the process
- ◆ Simple documentation
- ◆ Training and briefing for those involved



Training and development – grow your people

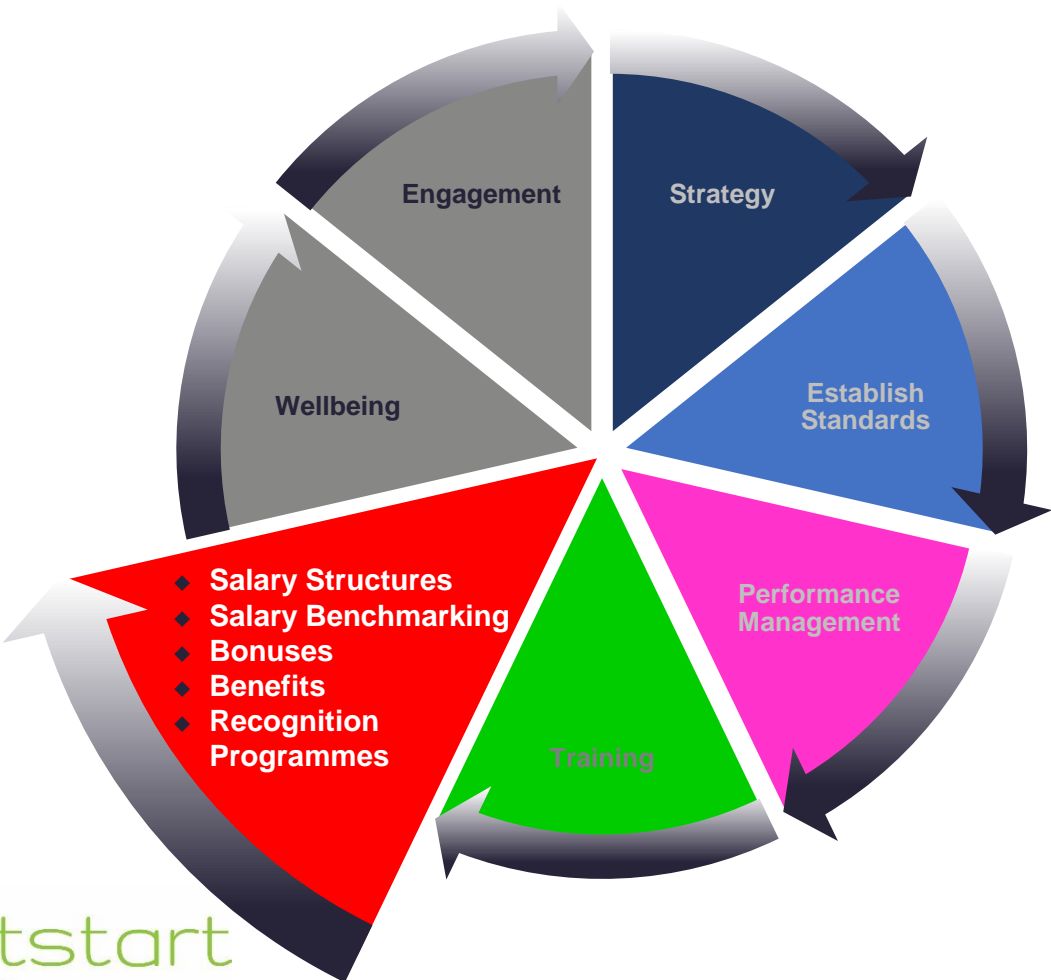


Training and development

- ◆ Line management training
- ◆ On-the-job training
- ◆ Apprenticeships



Reward and recognition – value your people



Reward and recognition

- ◆ What are you paying a salary for?
- ◆ Performance-related or contribution-related pay
- ◆ Benefits
- ◆ Recognition – the small things



Productivity Audit



HR. But different.

Any questions?



HR. But different.



Get in touch

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HR. But different.

Helping to make employing people less taxing

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Agenda

- Employment Status
- Update – Cars
- Inspections



Employment Status

- Status: Employed or Self employed or worker?
- Gig Economy
- Deliveroo, Uber, Hermes, Amazon...
- Pimlico Plumbers (not a tax case!)
- Workers rights – NMW, Holiday...
- A worker can be self employed or employed
- Depends on fact (status tests)



Employment Status

- Control over work
- Right of substitution
- Use of equipment/provision of tools
- Financial risk
- Length of engagement
- Opportunity to profit
- Part and parcel
- Quality over quantity/ matter of fact
- Contracts (picture painting)



Employment Status

- Personal services provided
- Personally ('SE') or through a company ('CO')
- Liability to check status and deduct PAYE/NIC's
 - SE = Engager – Regulation 80
 - CO = Engaged Company – IR35
- Employment Status tool. Use it and retain evidence
- HMRC online



Employment Status

- IR35 – FA2000
- Personal services provided
- Use of a company
- Intermediary Status = Employee
- Deemed Payment calculation
- 5% for goodwill
- PAYE/NIC Ee's & Er's



Employment Status

- Poorly policed
- Thousands do not comply
- Losses revenue
- IT contractors and 'Management Consultants'
- Doctors, lecturers, local government employees...



Employment Status

- From 05 April 2017
- **SE = Engager – Regulation 80**
- **CO = Engager Company – IR35**
- Public sector organisations
- Freedom of information act 2000
- Government departments and their executive agencies
- Many companies owned or controlled by the public sector
- Schools and universities
- Local authorities
- The National Health Service (NHS)



Employment Status

- 05 April 2017
- Blanket approach
- Deducted PAYE despite SE
- Lots of confusion
- Unfairly treated contractors
- Many now employed



Employment Status

- 05 April 2020 – Extended private organisations
- Turnover does not exceed £10.2 million
- Balance sheet total does not exceed £5.1 million
- Not more than 50 employees.
- 2 out of 3 (TBC) above
- Exempted from applying tests
- 95% of engagers will not be required to comply



Update - Cars

CO2 g/km	2014/15 BIK%		2015/16 BIK%		2016/17 BIK%		2017/18 BIK%		2018/19 BIK%		2019/20 BIK%	
	petrol	diesel	petrol	diesel	petrol	diesel	petrol	diesel	petrol	diesel	petrol	diesel
0 (EV)	0	0	5	5	7	10	9	12	13	16	16	19
1-50	5	8	5	8	7	10	9	12	13	16	16	19
51-75	5	8	9	12	11	14	13	16	16	19	19	22
76-94	11	14	13	16	15	18	17	20	19	22	22	25
95-99	12	15	14	17	16	19	18	21	20	23	23	26
100-104	13	16	15	18	17	20	19	22	21	24	24	27
105-109	14	17	16	19	18	21	20	23	22	25	25	28
110-114	15	18	17	20	19	22	21	24	23	26	26	29
115-119	16	19	18	21	20	23	22	25	24	27	27	30
120-124	17	20	19	22	21	24	23	26	25	28	28	31
125-129	18	21	20	23	22	25	24	27	26	29	29	32
130-134	19	22	21	24	23	26	25	28	27	30	30	33
135-139	20	23	22	25	24	27	26	29	28	31	31	34
140-144	21	24	23	26	25	28	27	30	29	32	32	35
145-149	22	25	24	27	26	29	28	31	30	33	33	36
150-154	23	26	25	28	27	30	29	32	31	34	34	37
155-159	24	27	26	29	28	31	30	33	32	35	35	37
160-164	25	28	27	30	29	32	31	34	33	36	36	37
165-169	26	29	28	31	30	33	32	35	34	37	37	37
170-174	27	30	29	32	31	34	33	36	35	37	37	37
175-179	28	31	30	33	32	35	34	37	36	37	37	37
180-184	29	32	31	34	33	36	35	37	37	37	37	37
185-189	30	33	32	35	34	37	36	37	37	37	37	37
190-194	31	34	33	36	35	37	37	37	37	37	37	37
195-199	32	35	34	37	36	37	37	37	37	37	37	37
200-204	33	35	35	37	37	37	37	37	37	37	37	37
205-209	34	35	36	37	37	37	37	37	37	37	37	37
210-214	35	35	37	37	37	37	37	37	37	37	37	37
215-219	35	35	37	37	37	37	37	37	37	37	37	37
220+	35	35	37	37	37	37	37	37	37	37	37	37



Update - Cars

- From 06/04/2019 155 p/km = 37% BIK
- Tax paid on 111% of the list price over 3 years!
- Plan now to ensure you don't fall into a higher bracket!
- Diesel to be phased out by 2040
- What about hybrid or electric cars?



Update - Cars

- Ultra Low Emission Vehicle – (ULEV)
- Fit for purpose – September 2017
- 122,000 Plug in cars
- 4,200 Plug in vans
- 59 Models available
- 13,900 Charge points
- New tax bands introduced from 2020 – range dependent



Update - Cars

CO2 emissions (g/km)	Electric range (miles)	Tax rate (%)
0		2
1-50	> 130	2
1-50	70-129	5
1-50	40-69	8
1-50	30-39	12
1-50	<30	14



Update - Cars

- Nissan Leaf – List price £30,935
- Range 235 miles
- BIK – 2019/20 = 16%
- BIK – 2020/21 = 2%
- 2020/21 - 40% = £247 per year



Update - Cars

- Capital allowances at 100% (< 75g P/km)
- Fuel cost is significantly cheaper
- Free employer fuel!
- Low road tax
- No congestion charges (75g p/km)
- Area of significant investment/growth



Update - Cars

- Capital allowances at 100% (< 75g P/km)
- Fuel cost is significantly cheaper
- Free employer fuel!
- Low road tax
- No congestion charges (75g p/km)
- Area of significant investment/growth
- Charging – Can be free too...



Update - Cars

Provision	Company car made available for private use	Employee's car used for business
Employer allows cars to be recharged from a vehicle charging point at work.	No taxable benefit - electricity does not sit within the meaning of fuel so the Fuel Benefit Charge does not apply.	Taxable benefit based on cost to the employer.
Employer pays for a vehicle charging point to be installed at the employee's home.	No taxable benefit	Taxable benefit based on cost to the employer.
Employer pays for charge card of £100 per year to allow individuals unlimited access to local authority vehicle charging point.	No taxable benefit	Taxable benefit based on cost to the employer.



Inspections

- Letter notifying of visit
- Date and time (right to amend or delay)
- Periods to review
- Payroll records
- Pension details
- Salary sacrifice arrangements
- Employee expenses (including directors)
- Benefits and gifts
- Directors Loan accounts



Inspections

- Let us know!
- We can attend the visit
- Covered by Fee insurance (are you covered?)
- Guide you through the day
- Give them what they ask for (no more!)
- No access to computer systems (even back-ups)
- Right to say no!
- They will look through everything (even if they are not supposed to)
- Ulterior motive?
- Nature of the visit?



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