

# Payroll Data

2017/18



**5four**  
PAYROLL SERVICES

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## Income Tax

|                                      | 2017-18  | 2016-17  |
|--------------------------------------|----------|----------|
| Basic rate band – income up to       | †£33,500 | £32,000  |
| Starting rate for savings income     | *0%      | *0%      |
| Basic rate                           | 20%      | 20%      |
| Dividend ordinary rate               | **7.5%   | **7.5%   |
| Higher rate – income over            | †£33,500 | £32,000  |
| Higher rate                          | 40%      | 40%      |
| Dividend upper rate                  | **32.5%  | **32.5%  |
| Additional rate – income over        | £150,000 | £150,000 |
| Additional rate                      | 45%      | 45%      |
| Dividend additional rate             | **38.1%  | **38.1%  |
| Starting rate limit (savings income) | *£5,000  | *£5,000  |

**†For Scottish taxpayers only the limit is £31,500.**

*\*If an individual's taxable non-savings income exceeds starting rate limit, then starting rate limit for savings will not be available for savings income. £1,000 of savings income for basic rate taxpayers (£500 higher rate) may be tax-free. \*\*The first £5,000 of dividends are tax-free.*

**Personal allowance (PA)** £11,500 £11,000

**Married couple's allowance (MCA) (relief 10%)**

Either partner born before 6 April 1935 \*£8,445 \*£8,355

**Transferable Tax Allowance**

for certain married couples (relief 20%) £1,150 £1,100

*\*Allowances are reduced by £1 for every £2 that adjusted net income exceeds £28,000 (£27,700) to a minimum MCA of £3,260 (£3,220). Where adjusted net income exceeds £100,000, PA is reduced in the same way until it is nil regardless of the individual's date of birth.*

## Pensions

Under the pensions auto-enrolment regime, employers have a duty to automatically enrol all eligible jobholders into a pension scheme from the employer's staging date. The annual earnings trigger for eligible jobholders is £10,000 for 2017-18. Employers may calculate the pension contributions in a number of ways.

Where the employer works out the amount due based on a band of earnings between thresholds (the lower limit is £5,876 and the upper limit is £45,000 for 2017-18), the minimum overall contribution payable will be 8% of the employee's qualifying earnings, of which at least 3% must be paid by the employer. The contribution will be phased in as follows:

|          | Up to<br>5 April 2018 | 6 April 2018 -<br>5 April 2019 | From<br>6 April 2019 |
|----------|-----------------------|--------------------------------|----------------------|
| Employer | 1%                    | 2%                             | 3%                   |
| Employee | 1%                    | 3%                             | 5%                   |

*Please note that employee contributions are gross (including tax retained at source).*

## Approved Mileage Rates

Employees who use their own cars or vans for business purposes may be reimbursed using HMRC's approved mileage allowance payments: 45p per mile for the first 10,000 miles and 25p thereafter.

Income tax and NICs may be due on higher reimbursement rates and tax relief may be available on lower rates.

Advisory fuel rates apply to employees using company cars – contact us for the latest rates.

## Childcare

Employer-supported childcare (ESC), such as childcare vouchers, may be offered in addition to employees' pay or as a reduction in pay (commonly known as salary sacrifice). Under **salary sacrifice** the employee gives up pay, which is taxable and NIC-able, in return for childcare vouchers, which may not be. This may also save NICs for the employer.

For those on low rates of pay these arrangements may not be appropriate. Changes to cash earnings could have an effect on entitlement to tax credits and statutory benefits such as Statutory Sick Pay (SSP), Statutory Maternity Pay (SMP) and Shared Parental Pay because of the way these are calculated. In addition, a salary sacrifice cannot be allowed to reduce a person's hourly pay rate below the national minimum or national living wage.

The new Tax-Free Childcare scheme is being phased in during 2017, starting with parents of the youngest children, and is worth a maximum of £2,000 (£4,000 for a disabled child). The government will 'top up' payments at a rate of 20p for every 80p that working families pay into an online account, subject to certain qualifying conditions. Unlike ESC, the scheme will be available to self-employed parents.

ESC will continue to be open to new joiners until April 2018. Once the new scheme is available existing members will be able to choose if they wish to remain in the existing scheme or switch to the new scheme.

## Student Loan Repayments

| Type of loan | Repayment threshold |
|--------------|---------------------|
| Type 1       | £17,775             |
| Type 2       | £21,000             |

Deductions for student loan repayments are made at a rate of 9% for the proportion of earnings above the relevant threshold.

## National Minimum Wage

|                       | Apprentices* | Age 16-17 | Age 18-20 | Age 21-24 | 25 and over |
|-----------------------|--------------|-----------|-----------|-----------|-------------|
| National Minimum Wage | £3.50        | £4.05     | £5.60     | £7.05     | –           |
| National Living Wage  | –            | –         | –         | –         | £7.50       |

\* under 19, or 19 or over and in the first year of their apprenticeship

## Statutory Redundancy Pay

Employees may be entitled to statutory redundancy payments if they have been continuously employed for at least 2 years.

| Age  | Number of weeks' pay |
|--|----------------------|
| Each complete year of service aged below 22    | ½                    |
| Each complete year of service aged 22-40       | 1                    |
| Each complete year of service aged 41 or above | 1½                   |

A statutory limit of 20 years' service applies. The current statutory maximum pay is £489 per week.

## Selected Rates

### Basic Retirement Pension

|                 |         |
|-----------------|---------|
| – Single person | £122.30 |
| – Couple        | £195.60 |

### New State Pension

£159.55

**Statutory Pay** qualification – average weekly earnings (AWE) £113 or over.

**Sick (SSP)** The standard rate is £89.35 per week for up to 28 weeks.

**Maternity (SMP), Adoption (SAP), Paternity (SPP) and Shared Parental Pay** paid at the lower of £140.98 or 90% of AWE apart from first 6 weeks of SMP and SAP which are paid at 90% of AWE.

**SMP** and **SAP** are payable for up to 39 weeks.

**SPP** is payable for up to 2 weeks.

## National Insurance Contributions

| Class 1   | Employee (primary) | Employer (secondary) |
|---|--------------------|----------------------|
| Payable on weekly earnings of:                      |                    |                      |
| Below £113 (lower earnings limit)                   | Nil                | –                    |
| £113 - £157 (primary threshold)                     | *0%                | –                    |
| Up to £157 (secondary threshold)                    | –                  | Nil                  |
| Above £157  | –                  | 13.8%                |
| £157.01 - £866 (upper earnings limit)               | **12%              | –                    |
| £157.01 - £866 (under 21s and apprentices under 25) | –                  | 0%                   |
| Above £866  | **2%               | –                    |

\*No NICs are actually payable but notional Class 1 NIC is deemed to have been paid; this protects contributory benefit entitlement. \*\*Over State Pension age, the employee contribution is generally nil.

|                                      |                         |
|--------------------------------------|-------------------------|
| <b>Employment Allowance</b>          | up to £3,000 (per year) |
| <b>Class 1A</b> On relevant benefits | 13.8%                   |
| <b>Class 3</b> Voluntary             | £14.25 per week         |

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## Key Dates & Deadlines

Payment of PAYE and Class 1 NICs must clear by 22nd\* of the month following the end of the tax month to which it relates.

Where estimated average monthly PAYE payments are less than £1,500, it may be possible to pay quarterly rather than monthly.

|               |  |
|---------------|--|
| 31 May        | Issue P60s to employees  |
| 6 July        | Forms P11D and P11D(b) – and appropriate copies to employees   |
| 19–22 July    | Payment of 2016-17 Class 1A NICs   |
| 19–22 October | Payment of 2016-17 Class 1B NICs as part of a PAYE settlement agreement                                      |
| 30 December   | Self Assessment Tax Return Online where outstanding tax (subject to cap) to be included in 2018-19 PAYE code |

Under Real Time Information (RTI), most employers need to notify HMRC of payments and deductions made under PAYE *on or before* the time of payment.

*\*or the last bank working day before 22nd unless paying by Faster Payment. Cheques must be received by 19th.*

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## Tax Codes

Tax codes are used to calculate the amount of tax to deduct from an employee's pay or pension. A tax code normally consists of several numbers and a letter, eg 1150L. Multiplying the number by ten will indicate the total amount of income that can be earned before paying tax. The letter shows whether the code includes one of the standard allowances, as follows:

### Code Usage

- L** Those eligible for the standard personal allowance; also used to prefix emergency tax codes
- T** Other calculations are required to work out the personal allowance
- K** When total allowances are less than total deductions
- BR** All income is taxed at the basic rate
- S** Taxed at the Scottish rate of income tax
- N** Taxpayers who are 'transferors' under the Marriage Allowance
- M** Taxpayers who are 'recipients' under the Marriage Allowance
- OT** Personal allowance has been used up or a new employee does not have a P45/tax code
- D0** All income is taxed at the higher rate
- D1** All income is taxed at the additional rate
- NT** No tax is being taken from an income or pension

# Meeting your payroll needs

**Managing the payroll can be a time-consuming task, and many business owners choose to outsource their payroll function.**

Under the **Pay As You Earn (PAYE)** system, employers face a raft of legal obligations related to paying their employees, and complying with the large number of payroll regulations can be challenging.

Monthly penalty charges of between £100 and £400 apply for employers failing to comply with their Real Time Information reporting requirements.

With tax and employment law becoming ever more complicated, we can relieve you of the burden of administering your payroll, helping you to:

- Control costs
- Save valuable time
- Concentrate on running your business

– and all with the added peace of mind that your business is fully compliant with the latest legal requirements.

## How we can help...

Our comprehensive payroll service includes:

- Customised payslips
- Administration of PAYE, national insurance contributions, student loan repayments, statutory sick pay, statutory maternity pay etc
- Provision of regular reports and analysis of staff costs
- Completion of statutory forms to issue to your employees and submit to HM Revenue & Customs
- Construction Industry Scheme returns
- Administration of incentive schemes, bonuses and ex-gratia and termination payments
- Administration of pension schemes
- Pensions auto-enrolment compliance.

**To find out more about how our professional and flexible payroll services could benefit your business, please contact our experienced team today.**