



# PAYROLL NEWSLETTER

## April 2016



**Julie Perrin**  
Payroll Manager

Annual salary divided by 52 weeks divided by number of hours worked per week.

As we are now in a new tax year and there is so much going on in the wonderful world of payroll, I thought that I would treat you to an extra payroll newsletter!

Firstly, and most importantly, may I introduce Hayley Prince, the newest member to our expanding team.



Now onto the technical stuff:-

### Living Wage

From April 2016 the Government has introduced the Living Wage. This means that anybody 25 and over has to be paid at a rate of £7.20 per hour. If you need to check if your salaried employees in this age bracket are being paid correctly then the formula is:-

Annual salary divided by 52 weeks divided by number of hours worked per week.

**New National Living Wage**  
From April 2016 the new National Living wage will be £7.20 an hour for over 25s

### Penalties for non-payment of the National Minimum Wage

From 1 April 2016, the penalties that can be charged for non-payment of both the National Minimum Wage and the Living Wage have increased. Employers paying below the necessary levels have previously been fined 100% of the underpayment for each worker. This has now doubled to 200% of the underpayment. If any underpayment of wages is settled within 14 days, then the penalty is reduced by 50%. The maximum penalty that can be issued for underpayments is limited to £20,000 per employee.

### Table D NIC

If you are currently operating a contracted out pension scheme then the way your salary is treated for National Insurance purposes changes from 6 April 2016. This will result in both the employee and employer paying more National Insurance contributions. Examples of employees that will be affected by this change are members of both teachers and NHS pensions, to name but two.

### Employment Allowance

There are two major changes to the rules regarding employment allowance for 2016/17, one good and one not so good for employers. The amount of employment allowance that you can claim against your employers NIC bill is increased from £2000 to £3000.

Now for the bad bit! If your payroll is made up of only one paid director then you will no longer be able to claim any employment allowance.

Companies with more than one director are not excluded from claiming the employment allowance, provided the additional director(s) is paid enough to have an employer's NIC liability.

If you have previously claimed the allowance but are no longer eligible then you need to send an EPS to HMRC unticking the employment allowance box.

### Student Loans

From April 2016 there are now two tiers for student loan repayments.

The first is for loans that were taken out prior to 1 September 2012. The annual repayment threshold for this tier from April 2016 is £17495. If your loan was taken out on or after 1 September 2012 then the annual repayment threshold is £21000. In both cases the percentage deduction above the thresholds is 9%. If you have





Continued from overleaf

a new employee who produces a P45 from a previous employer you would automatically default them to Tier 1. If this is not correct HMRC would advise and you then just change your payroll software to Tier 2. I believe that the starter checklists are to be updated with two different tick boxes to cover both options.

**Abolition of National Insurance contributions for apprentices under 25**

Also from April 2016, if you take on an apprentice, working under a government recognised scheme, who is under the age of 25 and has a written agreement showing amongst other things a start and end date of the placement, businesses



will no longer have to pay employers NIC on earnings up to the Upper Earnings Threshold, which for 2016-17 is £3583 per month. If you are processing a payroll and have this situation, then you will operate table letter H when setting up the employee's national insurance record.

**Personal Allowance**

The annual personal allowance increases by £400. Therefore the standard tax code changes from 1060L to 1100L.

**Auto Enrolment**



Just a reminder, that if your staging date for Auto Enrolment is on the horizon, we are here to guide you though the minefield. We are still running our **free presentations**

on this topic.

**If you are interested in attending please contact either:**

- Julie** ([JPerrin@EdmundCarr.com](mailto:JPerrin@EdmundCarr.com))
  - Sarah** ([SLock@EdmundCarr.com](mailto:SLock@EdmundCarr.com)) or
  - Hayley** ([HPrince@EdmundCarr.com](mailto:HPrince@EdmundCarr.com))
- and they will advise of availability.**

**Fees**

With the introduction of RTI and Automatic Enrolment, the costs from our payroll software providers have increased significantly over the last couple of years. Unfortunately it has reached a stage where we have to pass on an element of this by way of a small increase in our fees. This will commence in the first quarter of the 2016/17 tax year. If you have any queries regarding this please contact the partner who is responsible for your affairs.



**Sarah Lock**



**Chris Child**



**Amanda Dodd**

**Disclaimer**

This newsletter is intended to give general guidance only and no liability can be accepted for any action taken based on the information given.

**Edmund Carr LLP**  
**April 2016**  
[www.edmundcarr.com](http://www.edmundcarr.com)

**email: [advice@edmundcarr.com](mailto:advice@edmundcarr.com)**

**If you think this information might be useful to a friend or colleague, please pass it on.**

**Registered Auditors and Chartered Tax Advisers**  
Edmund Carr LLP, 146 New London Road, Chelmsford, Essex, CM2 0AW, UK  
+44 0 1245 261818 [www.EdmundCarr.com](http://www.EdmundCarr.com)



David C Drain  
Francis V Whitbread  
Colin A Barker

Eric D Williams  
Ray Grace  
Thomas C York ACCA

Stewart P Martin  
Debbie J Wakefield

Registered Office: 146 New London Road, Chelmsford, Essex, CM2 0AW  
Registered in England & Wales - Partnership Number OC332965  
Registered to carry on audit work in the UK and Ireland and regulated for a range of investment business activities by the Institute of Chartered Accountants in England and Wales.

