

#97 HR Newsletter

Nov 2016: Changes to HR

Changes Arising from the Autumn Statement

National Living Wage to rise from £7.20 an hour to £7.50 from April 2017

NB – The Chancellor also stated that the usual October increase will be brought forward to April each year to bring all NMW changes in line, so from April 17 there will also be changes to normal NMW rates.

Total changes from April 2017:

For 25 year olds + – from £7.20 to £7.50 per hour

For 21 to 24 year olds – from £6.95 to £7.05 per hour

For 18 to 20 year olds – from £5.55 to £5.60 per hour

For 16 to 17 year olds – from £4.00 to £4.05 per hour

For apprentices – from £3.40 to £3.50 per hour

Salary sacrifice to be phased out. This is only for the more unusual types of schemes that companies have introduced in order to circumvent taxes. Good news is that the more standard schemes - pensions (including advice provision), childcare vouchers and its replacement scheme, cycle to work and ultra-low emission cars - will all be retained. As these are often the key flexible benefits that employers offer, the impact may be limited. Aside from that, all arrangements in place before April 2017 will be protected for up to a year, and arrangements in place before April 2017 for cars, accommodation and school fees will be protected for up to 4 years.

Self-employed crackdown. Changes to the 'IR35' regime for public sector engagements are going ahead from April 2017. These put the responsibility on the end user (the employing company), rather than the personal service company, for determining whether PAYE applies. It's potentially the first step in changing this whole area and private companies can be expected to be brought in line with this new change soon.

Termination payments. It seems the Government is going ahead with changes previously proposed from April 2018; applying NICs to payments over £30,000 which are currently exempt, and applying tax and NICs to non-contractual PILONs (pay in lieu of notice).

Employee Shareholder Status will be abolished. Rather than helping to achieve a more flexible workforce, the Government felt it was being used as a tax planning mechanism by wealthy individuals. The tax benefit of ESS will be removed for any scheme set up on or after 1st December 2016.

Alignment of national insurance thresholds. Both employees and employers will start paying national insurance (NI) on weekly earnings of more than £157 from April 2017. The current thresholds for 2016-17 stand at £155 per week for employees and £156 for employers. This change aims to simplify the NI payments for employers, but will lead to a marginal increase in employer costs – the Treasury said this will amount to no more than £7.18 per employee per year.