

Statutory Payroll Changes for 2011/2012

Income Tax effective 6 April 2011

The annual personal allowance increases from £6,475 to £7,475. This gives a monthly tax free amount of £623.

From 6th April 2011 40% tax will be payable on income over £42,475, based on standard tax allowances of £7,475. In 2010/11 40% tax was paid on income of £43,875, therefore for 2011/12 more employees are likely to be affected by the 40% tax bracket.

From April, for new employees who do not provide a P45 or P46, 0T Y will be the correct tax code to apply as opposed to BR. 0T Y is also applicable for payments after leaving.

The 0T Y tax code will deduct tax at the appropriate tax rates of 20%, 40% and 50% depending on the level of earnings. This will avoid employees underpaying their tax when commencing employment, or on payments after leaving.

The Tax Bands for 2011/12 are as follows:

Basic Rate	£0.00—£35,000.00	20%
Higher Rate	£35,001.00—£150,000.00	40%
Additional Rate—more than	£150,000.00	50%

National Insurance Rates effective 6 April 2011

The employees rate of National Insurance increases from 11% to 12%. The monthly NI free amount for employees increases from £476 to £602.

Earnings over the upper earnings limit of £42,475 increase from 1% to 2%.

Employers National Insurance also increases from 12.8% to 13.8%. The monthly NI free amount for employers increases from £476 to £589.

Below are two examples of how the changes will impact a basic rate and higher rate tax payer.

Based on an Annual Salary of £35,000		
	2011/2012	2010/2011
Pay for Month	2,916.67	2,916.67
Tax Due	458.75	475.72
EE NIC Due	277.72	268.40
Net Pay	2,180.20	2,172.85
ER NIC Due	321.22	312.32
Net Difference	£7.35	

Based on Annual Salary of £70,000		
	2011/2012	2010/2011
Pay for Month	5,833.33	5,833.33
Tax Due	1,500.83	1,494.17
EE NIC Due	398.42	377.63
Net Pay	3,934.08	3,967.53
ER NIC Due	723.58	685.65
Net Difference	-£33.45	

Statutory Maternity Pay, Paternity Pay and Adoption Pay effective 3 April 2011

The first six weeks of maternity pay remains at 90% of an employee's average weekly earnings. The next 33 weeks are payable at the new rate of £128.73 a week (currently £124.88 a week). If an employee's average weekly earnings are lower than the statutory amount they will receive the lower amount for 39 weeks. There is no change to the amount of SMP/SPP that can be reclaimed. This remains at 92% unless you qualify for Small Employers Relief.

Small Employers Relief has been reduced from 104.5% to 103% from 6 April 2011.

Paternity and Adoption pay increases from £124.88 to £128.73 per week or 90% of average weekly earnings if less for 2 weeks.

From 3 April, Additional Statutory Paternity Leave is available for fathers for a maximum of 26 weeks and 13 weeks Additional Statutory Paternity Pay where the partner has returned to work before the end of her maternity leave. The leave can be taken between 20 weeks and one year after the child is born. For further information please go to the HMRC website - <http://www.hmrc.gov.uk/news/additonal-paternity-leave-pay.htm>

Statutory Sick Pay effective 6 April 2011

SSP increases from £79.15 per week to £81.60 per week.

Childcare Vouchers Change

From the 6th April 2011, new joiners to the Childcare Voucher scheme will no longer automatically receive up to £55 per week exempt from tax and NI.

Employees paying higher (40%) or additional (50%) rates of tax will only receive the same tax savings as those paying basic (20%) rate of tax.

This does not affect existing employees, who had already joined the Childcare Voucher scheme on or before the 5th April 2011. Their tax exemption will stay the same regardless of their tax band.

To find out who is affected by this change an annual estimated earnings assessment will need to be done. The Employer needs to carry this out when an employee first requests to join the Childcare Voucher scheme on or after the 6th April 2011 and again on an annual basis (every April) to ensure the correct value of Childcare Vouchers are being applied. The estimated earnings assessment should include the below, payable in the relevant tax year:

- Contractual wages
- Taxable benefits in kind (benefits made available to the employee)
- Guaranteed bonuses
- London Weighting or other regional allowances
- Shift Allowances

Items not to be included are:

- Potential bonuses
- Overtime payments
- Benefits that are exempt from tax such as pension contributions, GAYE, SAYE and cycle to work scheme

Earnings should be post any salary sacrifice deductions. You should also use their relevant tax code.

This assessment will fix the level of Childcare Vouchers. This will stay in place until the next assessment is due which will be the following April.

An Earnings Assessment is only carried out once in a tax year.

For more information please go to <http://www.hmrc.gov.uk/payex/a-z/c/childcare.htm>

Changes to Tax Relief on Pension Contributions effective 6 April 2011

The "annual allowance" is the maximum amount of pension saving an individual can have each year **that attracts tax relief**. An individual can save as much as they like into a pension but if the pension saving is more than the annual allowance the individual incurs a tax charge. The annual allowance for the current year is £255,000 but this reduces to £50,000 for 2011/12.

If the pension saving is more than £50,000 a tax charge will arise. However, if the individual's pension savings were less than £50,000 for earlier years they can carry forward unused allowances from those years and so reduce any tax charge.

The individual is responsible for checking how much pension saving they have made and whether they are due to pay the annual allowance tax charge. The tax charge is collected through their Self Assessment Tax Return – so this is a personal tax matter.

Statutory Redundancy Pay effective 1 February 2011

The weekly statutory amount has increased from £380.00 to £400.00.

Tax Free Incentive for Online Filing

These have now finished and no further incentives will be recovered on the 2010/2011 year end returns.