

Clearly an area he felt able to concentrate on, the Chancellor announced (or, more commonly, confirmed) a number of employment tax-related changes in today's Autumn Statement.

Termination Payments

As announced in the last Budget, the Chancellor has confirmed that from April 2018 termination payments over £30,000, which are subject to income tax, will also be subject to employer's National Insurance Contributions (NIC).

However, although it was previously announced that all PILONs will be fully taxable (and "NIC-able") from April 2018, irrespective of whether there is a PILON clause in the contract, the government has adjusted its proposals in this regard following consultation. Rather than the taxable PILON amount including all compensation for any benefits and bonus that would have been received during the unworked notice period, tax will only be applied to the equivalent of the employee's basic pay for the unworked notice period.

Salary Sacrifice

In one of the day's more significant changes, the tax and NIC advantages of salary sacrifice schemes will be removed from April 2017 (i.e. the sacrificed pay will be subject to tax and National Insurance). The arrangements relating to pensions (including advice), childcare, cycle-to-work and ultra-low emission cars are all exempt from the change. All arrangements in place before April 2017 will be protected until April 2018, while any arrangements that were in place before April 2017 for cars, accommodation and school fees will be protected until April 2021.

Personal Allowance and Higher Rate Threshold

The government has reconfirmed its commitment to increasing the Personal Allowance (i.e. the amount of income that can be earned before income tax is payable) to £12,500 and the Higher Rate Threshold (i.e. the threshold at which 40% income tax becomes payable) to £50,000 by 2020-21. For 2017/18, the Personal Allowance will increase from £11,000 to £11,500 and the Higher Rate Threshold will increase from £43,000 to £45,000. From 2020-21, the Personal Allowance will rise in line with the Consumer Prices Index (in the same way as Higher Rate Threshold).

NIC Thresholds

The NIC secondary (i.e. employer) threshold and the NIC primary (i.e. employee) threshold will be aligned from April 2017, meaning that both employees and employers will start paying NICs on weekly earnings above £157. Although it will involve an increase in their liability, the change is intended to simplify the payment of NICs for employers.

National Minimum Wage (NMW)

It is not technically a tax change, but from April 2017 the NMW for those aged 25 and over will increase from £7.20 per hour to £7.50 per hour.

The National Minimum Wage will also increase:

- For 21 to 24 year olds – from £6.95 per hour to £7.05
- For 18 to 20 year olds – from £5.55 per hour to £5.60
- For 16 to 17 year olds – from £4.00 per hour to £4.05
- For apprentices – from £3.40 per hour to £3.50

The government will invest an additional £4.3 million per year to strengthen enforcement of the NMW.

Employee Shareholder Status (ESS)

ESS was introduced in 2013 and gives employees income tax and capital gains tax reliefs in respect of shares acquired by reason of their employment where they give up certain employment rights. The Chancellor announced that ESS will no longer be available for arrangements entered into on or after 1 December 2016. Since there has to be a minimum seven clear days' notice between the individual employee being advised on the implications of employee shareholder status and the issue of the shares, this effectively means that unless employees have already received that advice, no further issues of ESS shares will be possible from today. The tax reliefs applying to ESS shares that have already been issued will be unaffected.

Off-payroll Working Rules

As previously announced, the government will reform the off-payroll working rules in the public sector from April 2017 by moving responsibility for operating them, and paying the correct tax, to the body paying the worker's company. It remains to be seen whether this will be extended to the private sector in the future (i.e. essentially putting the IR35 burden and risk onto the "client").

Legal Support

From April 2017, all employees called to give evidence in court will no longer need to pay tax on legal support from their employer. Currently only those requiring legal support because of allegations against them can use the tax relief.

Simplifying the Pay As You Earn Settlement Agreement (PSA) process

The government has confirmed following consultation that it will simplify the process for applying for and agreeing PSAs with effect from the 2018/19 tax year.

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