

PAYROLL UPDATE

As we approach the 2025-26 tax year, we have put together a summary of some of the key changes that will impact both you and your employees.



Tax.

The tax-free personal allowance for 2025-26 remains at \pounds 12,570.

National Insurance.

From 6 April 2025, employer National Insurance will increase from 13.8% to 15%.

The Secondary Threshold (where employer National Insurance becomes due) will decrease from £9,100 per year to £5,000.

This blog post provides more detailed information.

We will apply these changes automatically to your payroll.

Employment allowance.

From April 2025

- The maximum Employment Allowance will increase from £5,000 to £10,500.
- The restriction that applied where employers who have incurred secondary Class 1 National Insurance liability of more than £100,000 in the tax year prior to the claim, has been removed.

There are no changes to the connected company, single director or where 50% of the work is in public sector rules.

We will apply for this on behalf of our clients, where we believe is appropriate.

Please keep a copy of the confirmation from HM Revenue and Customs, we do not require a copy.



National Minimum Wage / National Living Wage.

The rates from April 2025 are as follows:

21 and over	18 to 20	Under 18	Apprentice
£12.21	£10.00	£7.55	£7.55
6.7% increase	16.3% increase	18% increase	18% increase

The new rates will apply to the first pay reference period (not pay day) starting **after 1** April.

Please review your pay rates and notify us of any changes prior to the appropriate pay run.

Reminder: a salary sacrifice arrangement must not reduce an employee's earnings below the National Minimum Wage.

Student Loan Recovery.

The threshold rates for 2025-26 are:

Loan Type	Threshold (annual)
Plan 1	£24,990
Plan 2	£28,470
Postgraduate loan	£21,000
Plan 4	£32,745





Statutory Neonatal Leave and Pay.

Leave (SNCL)

- Day one statutory right for babies born on or after 6 April 2025
- A week of leave accrues for every 7 continuous days a neonate is admitted to neonatal care, up to 12 weeks.
- Must be taken within 68 weeks from when the child is born.

Pay (SNCP)

- Must have worked for employer for a minimum of 26 weeks
- Average earnings must be at least £125 per week
- Employers can reclaim a proportion of SNCP in line with other statutory payments

Employers should ensure they have updated their policies within the handbook or contract of employment.

Statutory Payments.

New rates for 2025-26:

- Statutory Maternity Pay and Adoption Pay – 6 weeks at 90% average weekly earnings (AWE) followed by 33 weeks at lower of AWE or £187.18
- Statutory Paternity Pay Up to 2 weeks at the lower of 90% AWE or £187.18
- Statutory Shared Parental Pay Up to 37 weeks at the lower of 90% AWE or £187.18
- Statutory Parental Bereavement Pay – Up to 2 weeks at the lower of 90% AWE or £187.18



- Statutory Neonatal Pay up to 12 weeks at the lower of 90% AWE or £187.18
- Statutory Sick Pay Up to 28 weeks at £118.75
- From 6 April 2025, the Small Employers Relief (available to those with NI for the prior year under £45,000) increases from 103% to 108.5%.



Holiday entitlement reminder.

A change to the calculation of holiday pay/entitlement for leave years starting on or after 1 April 2024 for part year and irregular workers has been confirmed. There are no changes for full time or full year workers.

The two different methods available for leave years starting on or after 1 April 2024 are:

1. Accruing a "bank"	2. Rolled-up holiday pay
 Calculate 12.07% of hours worked at the end of each pay period to accrue "bank of leave" Employee requests time off Leave is paid when taken using 52-week reference period 37 hours worked x 12.07% = 4 hours (rounded down from 4.4659) accrued 	 Calculate 12.07% of the total pay received each pay period Display as a separate line on the payslip Must be paid each period No payment made at the time of taking leave £250 Basic Pay + £50 Overtime = £300 x 12.07% = £36.21 to be included in the pay period

Automatic Enrolment pension.

The earnings trigger remains at £10,000, with the minimum employer contribution of 3% and employee 5% on Qualifying Earnings (QE).QE bands are not being increased in line with National Insurance and will remain as earnings between £520 and £4,189 per month.





Real Time Information (RTI) submissions.

It is a requirement that RTI submissions are made to HMRC on or before pay day. Failure to make submissions on time will result in penalties automatically being issued by HMRC.

Please therefore ensure your full and final pay instructions are with us at least two working days before you need to send instructions to the bank.

Every effort is made to return your completed pay run as soon as possible but we cannot guarantee this will be on the same day.

Starter checklist.

Please ensure all new employees complete a **Starter Checklist**. These are updated annually and can be found at <u>https://www.gov.uk/government/publications/paye-</u><u>starter-checklist</u> Providing us with a completed checklist allows us to apply the most appropriate tax code available and reduce the risk of over and underpayments of tax.

Payrolling benefits.

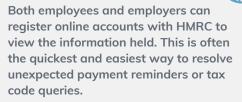
HMRC needs to be advised of the employer's intention to payroll benefits before the start of the tax year.

HMRC have announced that reporting and paying income tax and Class 1A National Insurance Contributions (NICs) on benefits in kind through payroll will become mandatory **from April 2026.** Employers should contact their usual contact to discuss what this may mean for them.

Paying PAYE.

PAYE payments are due to HMRC on 22nd of the next tax month (or 19th if paying by cheque).

Reminder





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