



Payroll

Specialist Payroll Providers

Newsletter

Winter 2017

Introduction

Welcome to our Winter 2017 Payroll newsletter.

The Autumn Statement delivered by Philip Hammond in November provided, as expected, an increase in the National Living Wage from April 2017. We will look at this in more detail in this issue but the increase is something all employers will have to plan for over the coming months.

In this issue, we look at:

- Rising wage costs for employers
- Apprenticeship Levy – what it means
- Autumn Statement Summary
- Is now a good time to outsource your payroll?
- Auto Enrolment update

We hope you enjoy this edition of our newsletter and, as always, please get in touch if you would like any further information.



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Hawsons are specialist Payroll Providers

At Hawsons our aim is to provide a friendly and personal payroll service that is accurate and will save your company time and money. We have a team of experienced payroll staff who will liaise with your company to ensure that your payroll is completed by the deadline and is compliant with the ever increasing HMRC rules and regulations.

For more information on our payroll expertise, including the services we offer and our experience, please visit: www.hawsons.co.uk/payroll



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Rising wage cost for employers

National Minimum Wage

The government announced increases to the National Minimum Wage which came into effect on 1 October 2016, after accepting recommendations for the new rates from the Low Pay Commission (LPC).

The main National Minimum Wage rate (for 21- 24 year olds) has risen by 3.7% from £6.70 to £6.95 per hour, as the table below shows.

	Current rate	Rate from 1 October
21-24 year olds	£6.70	£6.95
18-20 year olds	£5.30	£5.55
16-17 year olds	£3.87	£4.00
Apprentice rate*	£3.30	£3.40

*This apprentice rate is for apprentices aged 16 to 18 and those aged 19 or over who are in their first year. All other apprentices are entitled to the National Minimum Wage for their age.

The table below shows the historic wage increases for the National Minimum Wage:

Year	21 and over	18-20	Under 18	Apprentice
2015	£6.70	£5.30	£3.87	£3.30
2014	£6.50	£5.13	£3.79	£2.73
2013	£6.31	£5.03	£3.72	£2.68

The National Living Wage

From 1 April 2016, following the introduction of the new National Living Wage, all workers aged 25 and over are legally entitled to at least £7.20 per hour. This was, however, until the Chancellor delivered his Autumn Statement, where he announced that the National Living will increase by a further 30p from April 2017 to £7.50 per hour. The National Living Wage rates are set to increase gradually alongside rises in the National Minimum Wage, and is projected to rise to more than £9 per hour in 2020.

A four-step checklist for employers following the announcements is:

1. Know the correct rate of pay (including the National Living Wage)
2. Find out which staff are eligible which rates
3. Update the company payroll and keep an eye out for future announcements
4. Communicate the changes to staff as soon as possible

Moving forward – more compliance for employers

National Minimum Wage and National Living Wage rates will now change every April, as opposed to every October and April respectively.

This is a positive change, but does mean that the above rates will only be effective up until 31 March 2017.

Following the introduction of the new National Living Wage in April 2016, and the imminent increase of the NLW, this will see be the fifth round of wage increases (in some form) in just two years. It is therefore unsurprising to see that many small (and indeed large) business owners are finding running their payroll an increasingly complex and time-consuming task. The compliance obligation on employers has never been greater and there has never been a better time to consider outsourcing your payroll.

Apprenticeship Levy – what it means

What is the apprenticeship levy?

First of all, only employers with a wage bill in excess of £3m will be affected by the apprenticeship levy. The levy will be set at a rate 0.5% of an employer's pay bill, but each employer will receive an allowance of £15,000 to offset against the levy. Therefore, any employer with a wage bill of £3m or higher must adhere to the new rules, whether apprentices are employed or not. It is expected that only 2% of UK businesses will be affected by this new scheme.

How is this levy paid?

The levy will be paid through the PAYE system alongside tax and NICs (National Insurance Contributions).

Apprenticeship levy update – what's new?

A new apprenticeship levy update has been issued (August 2016), stating that all businesses have until September to feedback on plans before the new rules are formally introduced next year. The government has ignored some businesses groups' advice for a delay to the introduction of the apprenticeship levy – which will be launched in April 2017 – because of the decision to leave the European Union.

Further guidance has now been given, providing additional details on how the apprenticeship levy will affect employers. The apprenticeship levy update proposes that any employer that is too small to fund the levy – roughly around 98% of those in England – will be eligible to receive 90% of training costs funded by the UK government. Along with this, employers and training providers can claim 'extra support' worth £2,000 per trainee that take on young apprentices aged 16 to 18.

Employers with fewer than 50 employees on their books can claim 100% of their training costs to be funded by the government if they take on apprentices or young care leavers. As well as this, there are to be 15 funding bands – with the caps ranging from £1,500 to £27,000 and, as previously stated, the plans will be launched in April 2017. The funding system will not be launched until a month later.

Employers that pay the levy

This section only applies to businesses in England, as separate arrangements will be made in regards to Scotland, Wales and Northern Ireland. The new 'digital apprenticeship service account' will be the platform for employers to access funding from the government for apprenticeships to pay for the training. Not only will this service provide funding, but will also assist employers in finding training providers in order to deliver a successful apprenticeship programme.

Employers that do not pay the levy

From May 2017, when the new funding system is launched, employers can use the registers on the 'digital apprenticeship service' to choose the type of training they wish the apprentice to receive, the training provider and an assessment organisation. Employers that do not pay the levy will not need to use the 'digital apprenticeship service' in order to pay for apprenticeship training and assessment until at least 2018.

The impact across UK sectors

The new apprenticeship levy will apply to all sectors – including the charity sector who will not be exempt from adhering to this new scheme. The British Retail Consortium had called for a delay to the introduction of the apprenticeship levy until at least 2018 which, according to its Chief Executive, Helen Dickinson, would "allow more time to design a truly viable system that delivers high quality training."

The manufacturers' organisation EEF had acknowledged that an increase in funding for topics such as maths, science and engineering would be a welcome change, but also warned that there should be a delay in the levy's introduction.

Scott Sanderson, Partner at Hawsons, commented: "At a time where employers are facing a number of other new obligations and costs, including the new National Living Wage, increases to the National Minimum Wage and auto enrolment, it is understandable that there are concerns with the apprenticeship levy being introduced in the upcoming Spring' time. The latest apprenticeship levy update has reaffirmed the government's commitment to the April 2017 introduction date, employers should now be starting to consider the implications for their business and how they will absorb any additional costs."

Autumn Statement Summary



Philip Hammond delivered his Autumn Statement on Wednesday 23rd November 2016. His speech set out both tax and economic measures the government will implement. In this article, we summarise the key points arising from the Autumn Statement and focus on what the changes may mean for employers with regards to Payroll.

In Summary

- **National Living Wage to rise from £7.20 an hour to £7.50 from April 2017**
- the government reaffirming the objectives to raise the personal allowance to £12,500 and the higher rate threshold to £50,000 by the end of this Parliament
- reduction of the Money Purchase Annual Allowance
- Aggregating of NIC announced
- **tax and National Insurance advantages of salary sacrifice schemes to be removed**
- Confirmation that future budgets will be in Autumn annually going forward
- Confirmation that further rises in the National Minimum Wage and National Living Wage will be aligned to April.

Further draft legislation relating to many of these areas will soon be published and some of the details may change as a result.

You can read our full Autumn Statement 2016 review here: [Autumn Statement 2016 Key Details and Summary](#)

Autumn Statement Payroll impact

Scott Sanderson, Partner at Hawsons, commented: "An increase in the National Living Wage was expected to be announced and the Chancellor Philip Hammond confirmed the uplift of 30p an hour to £7.50 from April 2017. The aligning of the NMW/MLW to April is welcome news for employers, which will assist in budgeting and planning future wage costs."

For more information on the Autumn Statement and how it might affect your business, please contact your local office

Is now a good time to outsource your payroll?



As the tax year draws to a close we ask: what actions could you take to make your life easier from 5 April, taking some of the stress out of running your business and giving you more free time on evenings and weekend? Outsourcing your payroll will not only likely save you time and money, but it's actually probably easier than you think too.

Once you have decided to switch, let us know and we will take care of the rest.

An accurate and efficient payroll service

Many small business owners are finding running their payroll an increasingly complex and time-consuming task, particularly as the compliance obligation on employers has never been greater! Whatever size of business you run, now is a good time to consider outsourcing your payroll.

At Hawsons we provide a friendly and personal service that is accurate and will save your company time and money. We have a dedicated team of experienced staff who will liaise with your company to ensure the payroll is completed by the deadline and is compliant with the ever-increasing rules and regulations, particularly with the onset of auto enrolment.

You can also rest assured that we will take care of your auto enrolment obligations and ensure your staff are paid accurately and on time. Our team act for a large number of clients, ranging from small businesses with only 1 or 2 employees up to large business with more than 300 employees.

Our aim is to replicate the benefits of an in-house payroll services, so you can be sure that:

- We are not a bureau or call centre
- You will have the rigid benefits of an in-house payroll function i.e. flexible and responsive
- You can tailor our service to meet your specific needs and base our pricing structure accordingly
- No hidden costs!
- You will be provided with an integrated and fully comprehensive service
- You will have a dedicated personal contact that is readily available if issues arise

Your next steps – book a free initial meeting

As well as having impacts on cost and time, attending to the payroll in-house can be a heavy burden to carry.

Spending your evenings and weekends worrying about whether the details are right, your business is fully compliant or if you're going to meet the strict deadlines can be extremely stressful. Outsourcing your payroll services to Hawsons can take away the headaches and stress of doing it in-house and give you peace of mind to carry on what you do best – running and growing your business.

Auto Enrolment update

The law on workplace pensions has changed with the onset of auto enrolment. There are hundreds of thousands of smaller companies across the UK approaching their staging date, and between now and Summer 2017 millions of workers will be automatically enrolled into a workplace pension. Auto enrolment is the law and you must act now. As an employer, you're responsible for enrolling all eligible employees into your scheme (and contributing to it), providing they meet certain criteria.

We would advise you start talking to your pension adviser as soon as possible, preferably with more than six months to your staging date, to build a timescale and agenda to make sure it all falls in to place. Those that wait may face bigger costs.

Costs (including fines) will soon build up...

A key point to note here is that pension solutions are not necessarily free and some of the large insurance companies will charge employers a service fee to have their pension scheme. The ability of pension providers to provide solutions is becoming a real issue of capacity and if you delay your auto enrolment preparations you will likely be charged a more expensive service fee. The difference in fees can be quite high.

Watch out for big fines too. The Pension Regulator is clamping down on businesses who fail to comply so any delay is risky. Regardless of their size, firms can be fined £400, with the possibility of further escalating fines.

On the back of The Pensions Regulator fining Swindon Town Football Company £22,900 after it failed to put eligible workers into a pension scheme, this article is a worthwhile reminder of auto enrolment fines.

What auto enrolment fines could you receive?

If your business does not comply with your auto enrolment duties, you are risking fines of at least £400.

Regardless of the size of your business, non-compliance could mean an initial £400 fine, with the possibility of further escalating fines. Escalating auto enrolment fines are daily penalties that are imposed in addition to the initial £400 fixed penalty and could be as much as £50 per employee.

Example

Your business has 10 employees and you miss your staging date. Your auto enrolment fines could be:

- £400 fixed penalty
- £50 x 10 = £500 per day escalating fines

By delaying your staging date by just one week you could face auto enrolment fines of £3,500.

When are auto enrolment fines imposed?

If your business does not satisfy the rules i.e. have a pension scheme in place, have a system to record the relevant information, or you miss your staging date, The Pensions Regulator will send you a statutory notice. In the last quarter of 2015 The Pensions Regulator issued more than 2,500 statutory notices to businesses, over 1,000 fixed penalty notices and 24 escalating penalties.

Preparing for auto enrolment – free workshops

We recommend that you start talking to your pension adviser as soon as possible to build a timescale and agenda to make sure it all falls in to place. It is really important that you seek professional help if you do not understand or you are unsure about your auto enrolment requirements.

We would be happy to help and would like to invite you to attend one of our free auto enrolment workshops with our specialists from Hawsons Wealth Management. We have been working closely with our in-house payroll team to prepare our clients for auto enrolment for the past few years, and have a great deal of experience in this area.

Do not wait until it is too late, or risk you could face considerable auto enrolment fines.



Winter 2017

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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.



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Find out more about our Payroll services.

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