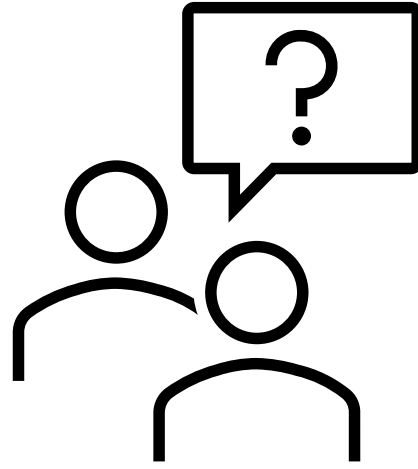


FREEDPORTS EMPLOYER NICS RELIEF

Leonardo Kellaway



QUESTIONS

NICS HOLIDAY FOR VETERANS

Francesco Scarpetta / Steve Mayne

BACKGROUND

- Conservative Party Manifesto commitment
- Announced at Budget 2020
- **Policy aim:** to support veterans as they transition into civilian life. The government has identified employment as a key tenant of that transition so wants to encourage the employment of veterans by reducing the costs
- Employer NICs (13.8% on wages above the Secondary Threshold) is the single biggest cost to employment
- Relief will apply from April 2021, with a three-year sunset clause. No runoff period, relief will stop on 5 April 2024 unless extended by Ministers
- Policy [consultation](#) launched in partnership with the Office Veteran's Affairs on 21 July and closed on 5 October. A technical consultation on the draft clauses was launched on 11 January and closed on 8 March

POLICY DESIGN

- **Qualifying veteran:** an individual that has completed at least one day of basic training in HM Regular Armed Forces. Those serving exclusively in Reserve organisations do not qualify. No restriction on when a veteran left HM Armed Forces
- **Qualifying employments** include any employment not within HM Armed Forces and is not restricted to employments within United Kingdom. No restrictions on the employments that started before April 2021. Relief available on the portion of salary below the Upper Secondary Threshold (currently £50,270), normal NICs rates apply thereafter. Self-employment does not qualify for relief, nor trigger qualifying period
- **Qualifying period** starts on the first day of civilian employment after the veteran left the Forces and ends 12 months after. Subsequent and concurring employments within that period will qualify

Evidencing employment of a qualifying veteran

Evidence that employee is a qualifying veteran:

- veteran's P45 from leaving HM Armed Forces
- discharge papers from HM Armed Forces
- veteran's Identification card (which marks their time in the armed forces)
- letter of employment or contract with HM Armed Forces

Evidence that relief is being claimed within veteran's qualifying period:

- veteran's P45 from leaving HM Armed Forces (showing discharge date)
- P45(s) from previous civilian employment(s) (showing start and end dates)
- employment contract from a previous employment, if applicable (in order to determine the start date)

RETROSPECTIVE
'YEAR 1' SOLUTION
– ACTIONS FROM
APRIL 2022

Three routes will be available for employers to claim veterans relief retrospectively for 21/22 tax year:

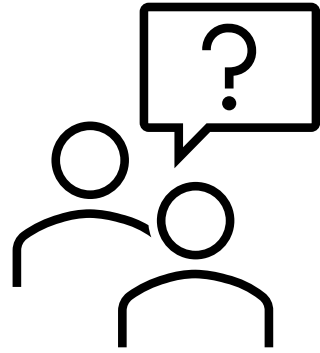
HMRC's Basic PAYE Tool (BPT) – existing users of BPT will be able to re-submit a full year's FPS for their veteran employees in order to claim the relief

Payroll Software – HMRC has requested that payroll software providers develop functionality for employers to retrospectively submit a full year's FPS for their veteran employees

Manual claims process – employers who do not use BPT and cannot retrospectively claim through their payroll software will be able to contact HMRC to retrospectively claim veterans relief. Further information on how employers can do this will be published prior to April 2022, however this process will be similar to existing amendments of returns outside of RTI

FULL RTI SOLUTION FROM APRIL 2022 ONWARDS

- From April 2022 onwards, employers will be able to apply the relief in real time through RTI
- The relief will be delivered by introducing a new veteran's specific NIC category letter V, which mirrors existing NIC category letter A only
- HMRCs Basic PAYE Tool and external payroll software will be updated to support this change
- In rare cases, employers may have a veteran employee which they would normally use a different NIC category letter where there is no veterans equivalent for (B, T, C, W, J, Q). In this instance, they should continue to apply the existing standard category for the tax year (including in their payroll software). Then they should contact HMRC at the end of the tax year to engage in a manual process for adjustment, to enable the relief to be claimed outside of a software solution. It is HMRC's belief that such cases will be minimal, due to the eligibility criteria and likelihood of occurring



QUESTIONS

SOFTWARE DEVELOPER SUPPORT TEAM UPDATE

Paula Wyatt

2022/23 CHANGES

- Freeports Employer NICs Relief (FENR) – Four new NI category letters. SDSt issued guidance 3rd August; further guidance being finalised.
- NICs relief for Employers of Veterans (NHEV) - new NI category for 2022/23 (retrospective claims for 2021/22). SDSt issued guidance on 3rd August; further guidance being finalised.
- Tackling CIS abuse – changes to 2022/23 EPS message for Employers reporting CIS deductions. COTAX UTR now required for non-zero CIS claims, and new error conditions have been introduced
- Health and Social Care Levy (H&SCL)– **We need your help to implement the generic statement on employees payslips for 2022/3** – further guidance will follow.

GUIDANCE FOR DEVELOPERS

- 2022/23 RTI Techpack published. Test services (LTS and TPVS) available from 8 October:
- DPS test service to be updated 13th October to include 2022/23 test data
- EXB Techpack for 2021/22 published,. Test service available from 8th October (roll-forwards from 2020/21). Draft forms and Working Sheets circulated 12th October (deadline for comments 19th Nov)
- Budget announced for 27 October – comms and payroll test data examples will follow once all rates, thresholds etc are known
- Security changes – bulk email issued 5th October regarding minor change to https functionality
- Mandating the (previously optional) reporting of certain pension payments via RTI from April 2022. No spec change, uses existing FPS data items – further comms to follow. Background info at www.gov.uk/government/publications/pensions-tax-reporting-non-taxable-pension-death-payments-using-real-time-information/pensions-tax-reporting-non-taxable-pension-death-payments-using-real-time-information

NEXT STEPS

- Recognition – planning to publish 2022-23 PAYE recognition information to usual timescale (sometime around January 2022).
- Data quality –we plan to restart contact with developers with top causes of errors in submissions from their products, to assist them with reducing errors to the benefit of themselves, their users and HMRC.



QUESTIONS

HEALTH AND SOCIAL CARE LEVY

Paula Wyatt

BACKGROUND

- On 7 September 2021, the Prime Minister announced plans to provide additional funding for health and social care through a new Health and Social Care Levy
- The Health and Social Care Levy Bill was introduced to Parliament on 8 September 2021 and has passed all stages of the House of Commons
- Further details on the plans for health and social care can be found on gov.uk: “Building Back Better: Our Plan for Health and Social Care”
<https://www.gov.uk/government/publications/build-back-better-our-plan-for-health-and-social-care>
- The Government also plans to increase the rates of income tax that apply to income from dividends, to help fund these plans
- The changes will come into effect in two parts:
 - **2022-23:** Temporary NICs rate rise
 - **2023 onwards:** Health and Social Care Levy

HEALTH AND SOCIAL CARE LEVY – YEAR 1

- **NICs contributions will increase by 1.25% for employees, employers and self-employed to support governments [Plan for Health and Social Care](#)**
- **Change impacts employers, employees and self employed from Apr 22**
- **Covers Class 1, Class 1A/1B and Class 4 NICs**
- **Applies to all main and additional rates**
- **Equivalent increase in dividend taxes from Apr 22**

PAYE only

- For 22-23 employers will be asked to include a generic message on payslips to show the reason for the increase
- Final wording will be provided once agreed by Treasury - wording has been developed following feedback from developers on available character limits
- Where developers can include the message centrally we would appreciate you doing so
- Where this isn't possible, but your product has a freetext facility accessible to the user, we are asking for your help encouraging employers and payroll agents to include the message on payslips from Apr 22
- We will issue full guidance to developers shortly

HEALTH AND SOCIAL CARE LEVY – YEAR 2

- The 1.25% Year 1 NICs increase charged in Year 1 will be reverted
- New ringfenced Health and Social Care Levy of 1.25% introduced - will appear as a separate item on payslips
- Applies to Class 1 (employee and employer), Class 1A and 1B and Class 4 (self-employed) NICs. Levy will also be extended to those over State Pension Age who are in work.
- Charged on all income over Primary Threshold. Secondary Threshold/ Lower Profits Limit
- RTI/ EXB data items, calculators and all other documentation will be updated to reflect the change
- We will consult further with the software industry as soon as we have worked through the initial requirements
- In the meantime if you have any questions please sdsteam@hmrc.gov.uk

KEY FACTS

- Levy will not be charged on pension income
- Applies UK wide, people in England, Scotland, Wales and Northern Ireland pay the same
- For Self Employed paying NIC through annual Self Assessment rate increase will be reported through 2022-23 return. From 2023-24 levy will be shown as a separate item (Jan 25 tax return)
- Rate of income tax on dividends will also be increased by 1.25%
- Existing NICs reliefs and allowances will apply to the levy, including Employment Allowance. 40% of employers will not be affected by the levy due to EA
- Companies employing apprentices under 25, all individuals under 21, veterans will not pay the levy providing earnings less than £50,270
- Companies with employees that fall under the new relief for Freeports will not pay the levy providing earnings less than £25,000
- Levy has no impact on contributory benefits or State Pension entitlement
- Does not impact Class 2/3 NIC - these are charged at a standard flat rate per week (£3.05 and £15.40 respectively) rather than as a percentage of earnings. These rates will be uprated in the usual way through the annual NICs re-rating process
- Clear guidance setting out what employers need to do for the transitional arrangements will be published before 6 April 2022.
- Further guidance for the Levy will be published before 6 April 2023



QUESTIONS