EMPLOYMENT TAX CHANGES FROM APRIL 2019

Leaving aside possible Brexit changes in March, there are a number of changes from April 2019 for which employers should prepare.

Payslips

From 6 April 2019, all ‘workers’ will have a statutory entitlement to an itemised payslip – currently this only applies to individuals defined as employees under Employment Rights Act 1996. Any employer that engages workers without a full employment contract should review their systems to ensure that they can provide the appropriate information from 6 April onwards. Read more on the Government’s Good Work Plan.

Take home pay changes

The substantial increases in the personal allowance for 2019/20 and the basic rate band will increase the take home pay of most employees (despite being eroded by higher NIC payments). Most basic rate taxpayers will be around £3 per week better off (£10 per week for higher rate taxpayers entitled to the personal allowance, £5 per week for those not entitled to it).

However, for those making pension contributions at auto-enrolment levels, the rise in contributions will mean that their take home pay falls unless their salaries also increase from April 2019: for example, because of the increase in the minimum wage.

Minimum wage (worker age)	Hourly rate from 1 April 2018	**Hourly rate from 1 April 2019**
Apprentices <19 and/or in first year	£3.70	**£3.90**
Under 18	£4.20	**£4.35**
18-20	£5.90	**£6.15**
21 -24	£7.38	**£7.70**
25 and over	£7.83	**£8.21**
Auto enrolment minimum contributions		
- employer	2%	**3%**
- employee	3%	**5%**

Student Loans thresholds

From 6 April 2019, the Plan 1 threshold increases to £18,935 and the Plan 2 threshold to £25,725 but the rate of deduction for both remains 9%.

‘C’ PAYE codes for the Welsh rate of income tax

Taxpayers living in Wales (regardless of where they work) will have been issued with a tax code with prefix C for 2019/20. For 2019/20, this should make no substantive difference to their take home pay as the Welsh Assembly has decided to mirror UK income tax rates for the year.

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Vehicles

The % charge for calculating a car benefit rises by 3% at all CO2 levels: although the maximum remains 37% of list price, this will apply for cars with CO2 emissions of 165 grams per kilometre or more for 2019/20. Remember that for diesel cars the 4% supplementary charge applies (subject to the overall 37% maximum charge) but a diesel car may be exempt from the charge if it meets Euro standard 6d: for 2019/20, you can notify HMRC that the exemption applies by choosing 'Fuel Type F' when submitting the relevant form P46 (car). If you are payrolling car benefits, enter 'F' in 'Box 177' of the Full Payment Submission.

The multiplier for the car fuel benefit charge will be £24,100. For company vans, the flat rate van benefit charge will be £3,430 and the van fuel benefit charge will be £655 for 2019/20.

Another change in the optional remuneration rules will remove the opportunity to for employers to apportion the car allowance otherwise available to company car drivers across the car, insurance, maintenance, etc costs. Under new rules from 6 April 2019, the value of the company car benefit will be the higher of the 'modified cash equivalent' of the car benefit and the apportioned car allowance otherwise available. Whilst this will simplify the calculation, it will result in more employees experiencing an increase in the car benefit and, therefore, employers will need to communicate with affected employees.

Expenses

From April 2019, employers will no longer have to check receipts when reimbursing employees for subsistence using benchmark scale rates (including overseas scale rates) – although you will still need to be able to prove that the employee's claim to scale rates relates to qualifying business travel. Where bespoke scale rate payments or industry-wide rates are paid, it is still necessary to check receipts.

Life assurance and QROPS contributions by employers – tax exemption widened

Currently contributions to life assurance policies and qualifying recognised overseas pension schemes (QROPS) made by employers will not be a taxable benefit in kind (BIK) where the beneficiary is the employee or certain members of the employee's family or household. Where the beneficiary is not within this definition the amount will be treated as a BIK and subject to tax and NIC.

From 6 April 2019, the tax exemption will be widened so that the provision of death or retirement benefits will not be taxable as long as the beneficiary is either any individual (ie does not have to be a family member) or a registered charity.

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