PAYadvice.UK

Legislation Update 2021:

- UK
- Guernsey
- Jersey
- Isle of Man

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PAYadvice

Contents

Version history 3
Introduction 4
The United Kingdom 4
Budget 4
Income Tax 4
The whole of the United Kingdom 4
Tax rates and Bands 5
Rest of the United Kingdom (rUK: England and Northern Ireland with no prefix) 5
Scotland (prefix S) 6
National Insurance 7
Statutory Payments 8
Family related leave 8
Sickness 8
Pensions and Auto-Enrolment 9
State Pension age 9
Pension Auto-Enrolment (from 6th April 2021) 9
Student Loans 10
National Minimum Wage and National Living Wage 10
Living Wage and London Living Wage (Living Wage Foundation) 11
Guernsey 11
Guernsey Class 1 11
Jersey 12
Jersey Social Security 12
Isle of Man 13
Income Tax 13
Personal Allowance 13

Tax rates and Bands 13

National Insurance..... 13

Version history

Version	Date	Author/Compiler	Commentary
V21.0	7th January 2021	P Simon Parsons (PSP)	Original Version Pre UK Westminster budget announcements Pre-Scottish Parliament Financial Statement
V21.0a	10th January 2021	PSP	Minor adjustments to table and text along with a correction to the prior year NI weekly PT value
V21.0b	15th January 2021	PSP	HMRC notified corrections to the daily SSP rates applied
V21.1	23rd January 2021	PSP	Pension AE values have been confirmed
V21.2	28th January 2021	PSP	Confirmed Income Tax bands for: the rest of the UK, Scotland & Wales - effective 6th April 2021
V21.3	16th February 2021	PSP	Isle of Man budget updates

Disclaimer:

The information provided does not constitute personal financial or personal taxation advice. The views expressed are the opinions of their author/compiler based on information and facts applicable at the time of publication. Some views will be expressed in relation to future legislation which may still be subject to parliamentary approval and subject to change.

Introduction

Welcome to the PAYadvice.UK Legislation Update 2021 for payroll. This is compiled to be an aid to professionals and software developers when considering statutory change to payroll calculations.

This guide covers information as it relates to:

- *The United Kingdom (whose tax year commences on 6th April 2021)*
  - *England*
  - *Northern Ireland*
  - *Scotland*
  - *Wales*
- *The Channel Islands (whose tax year commences on 1st January 2021)*
  - *Guernsey*
  - *Jersey*
- *The Isle of Man (whose tax year commences on 6th April 2021)*

Further resources can be found at PAYadvice.UK and at the resources in preparation for the 2021/2022 tax year which can be located at: https://payadvice.uk/preparations-for-tax-year-2021-2022/

The United Kingdom

Budget

The date for the 2021 budget has been set as Wednesday 3rd March 2021.

Income Tax

The whole of the United Kingdom

Income Tax allowances, rates and thresholds have been confirmed and are effective from 6th April 2021.

The following values are set by the United Kingdom government and are not devolved:

	2020/2021	**2021/2022**
Personal Allowance	£ 12,500	**£ 12,570**
Standard emergency tax code	1250L	**1257L**

General tax code uplifts are instructed by authority of form P9X

Tax Code suffix	2020/2021	2021/2022
L	+0	**+7**
M	+0	**+8**
N	+0	**+6**
All others	Notified by issue of form P9/P6	

Tax rates and Bands

Please note: Once all rate and thresholds have been approved by respective administration, HMRC may need to carry out a later recoding exercise to include any relevant changes.

Rest of the United Kingdom (rUK: England and Northern Ireland with no prefix)

Tax calculations for 6th April 2021 onwards include the changes to allowances and Income Tax thresholds that have been announced by the UK Government at Spending Review 2020. The remaining rates and thresholds will be calculated using 2020-2021 information for 6th April 2021.

Income Tax rates and thresholds are subject to confirmation at the Budget which is planned for 3rd March 2021.

	2020/2021		2021/2022	
Basic Rate	20%	£ 1 – £ 37,500	**20%**	**£ 1 - £ 37,700**
Higher Rate	40%	£ 37,501 - £ 150,000	**40%**	**£ 37,701 - £ 150,000**
Additional Rate	45%	Over £ 150,000	**45%**	**Over £ 150,000**

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Scotland (prefix S)

The Scottish Parliament have proposed changes for the 2021/2022 tax year. The collection of tax is undertaken by the HMRC who have confirmed that the following are effective from the 6th April 2021

	(1)2020/2021		2021/2022	
Starter Rate	19% (10%+9%)	£ 1 - £ 2,085	**19% (10%+9%)**	**£ 1 - £ 2,097**
Basic Rate	20% (10%+10%)	£ 2,086 - £ 12,658	**20% (10%+10%)**	**£ 2,098 - £ 12,726**
Intermediate Rate	21% (10%+11%)	£ 12,659 - £ 30,930	**21% (10%+11%)**	**£ 12,727 - £ 31,092**
Higher Rate	41% (30%+11%)	£ 30,931 - £ 150,000	**41% (30%+11%)**	**£ 31,093 - £ 150,000**
Additional Rate	46% (35%+11%)	Over £ 150,000	**46% (35%+11%)**	**Over £ 150,000**

(1)The application date for the 2020/2021 tax year was set as Monday 11th May 2020. Until that point the rates and threshold for 2019/2020 tax year continued to be used.

Wales (prefix C)

The Welsh Assembly December 2020 pre-budget has indicated an intention to not vary the Welsh income tax rates from those of the rest of the UK.

The relevant banding confirmation potentially awaits the United Kingdom Westminster budget on 3rd March 2021 as the tax band decision are not devolved to the Welsh Assembly.

	2020/2021		2021/2022	
Basic Rate	20% (10%+10%)	£ 1 – £ 37,500	**20% (10%+10%)**	**£ 1 - £ 37,700**
Higher Rate	40% (30%+10%)	£ 37,501 - £ 150,000	**40% (30%+10%)**	**£ 37,701 - £ 150,000**
Additional Rate	45% (35%+10%)	Over £ 150,000	**45% (35%+10%)**	**Over £ 150,000**

Please note: Once all rate and thresholds have been approved by respective administration, HMRC may need to carry out a later recoding exercise to include any relevant changes.

National Insurance

The following thresholds and limits apply for payments from 6th April 2021 for the 2021/2022 tax year (Prior year 2020/2021 values are shown in brackets if different):

Threshold/limit	Weekly	2 Weekly	4 Weekly	Monthly	Annual
Lower Earnings Limit (LEL)	**£ 120**	**£ 240**	**£ 480**	**£ 520**	**£ 6,240**
Primary Threshold (PT)	**£ 184** (£ 183)	**£ 368** (£ 366)	**£ 736** (£ 731)	**£ 797** (£ 792)	**£ 9.568** (£ 9,500)
Secondary Threshold (ST)	**£ 170** (£ 169)	**£ 340** (£ 338)	**£ 680** (£ 676)	**£ 737** (£ 732)	**£ 8,840** (£ 8,788)
Upper Secondary Threshold (UST)	**£ 967** (£ 962)	**£ 1,934** (£ 1,924)	**£ 3,867** (£ 3,847)	**£ 4,189** (£ 4,167)	**£ 50,270** (£ 50,000)
Apprentice Upper Secondary Threshold (AUST)					
Upper Earnings Limit (UEL)					

Please note that due to different rounding rules in relation to Tax law versus NI law, the PT/ST/AUST/UST/UEL for 2/4 weekly is not necessarily a multiple of the weekly value. However, and for this tax year, the LEL & ST are coincidently multiples of the weekly values. The PT and ST continue to not be aligned.

The following National Insurance Contribution rates apply for payment due from 6th April 2021:

<table>
<tr><th></th><th colspan="5">Primary Contributions (employee)</th><th colspan="3">Secondary Contributions (Employer)</th></tr>
<tr><th></th><th>A/H/M</th><th>B</th><th>C</th><th>J/Z</th><th>X</th><th>A/B/C/J</th><th>H/M/Z</th><th>X</th></tr>
<tr><td>Below LEL</td><td colspan="8">Nil</td></tr>
<tr><td>LEL to PT</td><td colspan="2">0%</td><td rowspan="2">Nil</td><td>0%</td><td rowspan="2">Nil</td><td colspan="3" rowspan="2">N/A</td></tr>
<tr><td>PT to UEL/UST/AUST</td><td>12%</td><td>5.85%</td><td>2%</td></tr>
<tr><td>LEL to ST</td><td colspan="5" rowspan="2">N/A</td><td>0%</td><td rowspan="2">0%</td><td rowspan="3">Nil</td></tr>
<tr><td>ST to UEL/UST/AUST</td><td rowspan="2">13.8%</td></tr>
<tr><td>Above UEL/UST/AUST</td><td colspan="2">2%</td><td>Nil</td><td>2%</td><td>Nil</td><td>13.8%</td></tr>
</table>

Statutory Payments

Family related leave

Statutory Parental Payments:

- Statutory Maternity Pay (SMP)
- Statutory Adoption Pay (SAP)
- Shared Parental Pay (ShPP)
- Statutory Paternity Pay (SPP)
- Statutory Parental Bereavement Pay (SPBP)

The Statutory Payment threshold and rates change for weeks of statutory payment due on or after Sunday 4th April 2021.

Rates	2020/2021 (for whole weeks commencing from 5th April 2020)	**2021/2022 (for whole weeks commencing from 4th April 2021)**
Earnings threshold	£ 120.00 per week	**£ 120.00 per week**
Standard rate for SMP, ShPP, SPP, SAP, SPBP	£ 151.20 per week or 90% of average weekly earnings (whichever is the lower)	**£ 151.97 per week or 90% of average weekly earnings (whichever is the lower)**
Higher rate for SMP/SAP	90% of average weekly earnings	**90% of average weekly earnings**

The **Small Employers Compensation Rate** remains at 3% (on payments made on or after 6th April 2011). The Small Employers Relief (SER) Threshold is £45,000.

Sickness

Statutory Sick Pay (changes on 6th April 2021)

Rates	2020/2021	**2021/2022**
Earnings threshold	£ 120.00 per week	**£ 120.00 per week**
Standard rate	£ 95.85 per week	**£ 96.35 per week**

The same weekly SSP rate applies to all employees. However, the amount you must actually pay an employee for each day they're off work due to illness (the daily rate) depends on the number of 'qualifying days' they work each week.

Unrounded daily rates	Number of qualifying days in week	1 day to pay	2 days to pay	3 days to pay	4 days to pay	5 days to pay	6 days to pay	7 days to pay
£ 13.7642	7	£ 13.77	£ 27.53	£ 41.30	£ 55.06	£ 68.83	£ 82.59	£ 96.35
£ 16.0583	6	£ 16.06	£ 32.12	£ 48.18	£ 64.24	£ 80.33	£ 96.35	
£ 19.2700	5	£ 19.27	£ 38.54	£ 57.81	£ 77.08	£ 96.53		
£ 24.0875	4	£ 24.09	£ 48.18	£ 72.27	£ 96.35			
£ 32.1166	3	£ 32.12	£ 64.24	£ 96.35				
£ 48.1750	2	£ 48.18	£ 96.35					
£ 96.35	1	£ 96.35						

Pensions and Auto-Enrolment

State Pension age

The State Pension age between Males and Females are now aligned for new retirees. The gov.uk service offers tools for calculating state pension age: https://www.gov.uk/calculate-state-pension

Pension Auto-Enrolment (from 6th April 2021)

The Department for Work and Pension and The Pensions Regulator (TPR) have confirmed the pension earnings levels and triggers in relation to 'Pay Reference Periods' (PRP) which start on or after 6th April 2021:

Annual values	PRP starting from 6th April 2020	PRP starting from 6th April 2021
Lower level of qualifying earnings	£ 6,240	**£ 6,240**
Earnings trigger for automatic enrolment	£ 10,000	**£ 10,000**
Upper level of qualifying earnings	£ 50,000	**£ 50,270**

Please note that for payments made in the new tax year where the Pay Reference Period commences prior to 6th April 2021 (such as 1st April 2021), then the 2020/2021 levels and triggers apply and not the new year values. As an option employer may apply the tax period as the Pay Reference Period (PRP).

Student Loans

The annual thresholds for student and postgraduate loan borrowers are revised annually on 6th April.

The thresholds are the annual amounts that can be earned before any student loan or postgraduate loan deduction is applied (on a pro-ration basis for the tax period). It is possible to have both student loan and postgraduate loan to be deducted at the same time.

Loan Type	2020/2021		2021/2022	
	Annual Threshold	Rate	Annual Threshold	Rate
Plan 1	£ 19,390	9%	**£ 19,895**	**9%**
Plan 2	£ 26,575	9%	**£ 27,295**	**9%**
Postgraduate	£ 21,000	6%	**£ 21,000**	**6%**
Plan 4 (Scotland)	Not applicable as Plan 1 applied		**£ 25,000**	**9%**

National Minimum Wage and National Living Wage

On the 25th November 2020, the UK government approved the Low Pay Commission recommendation for the uplifting of minimum pay rates within the United Kingdom – these **new minimum rates apply for pay periods commencing on or after 1st April 2021**. They also announced the qualifying age for National Living Wage would be reduced to 23 years and over.

National Minimum Wage (NMW) and National Living Wage (NLW)	For pay periods starting 1st April 2020	**For pay periods starting 1st April 2021**
National Living Wage (ages 25 and over)	£ 8.72	**N/A**
National Living Wage (ages 23 and over)	N/A	**£ 8.91 (+2.2%)**
21-24 year old rate	£ 8.20	**N/A**
21-22 year old rate	N/A	**£ 8.36 (+2.0%)**
18-20 year old rate	£ 6.45	**£ 6.56 (+1.7%)**
16-17 year old rate	£ 4.55	**£ 4.62 (+1.5%)**
Apprentice rate (1st year only)	£ 4.15	**£ 4.30 (+3.6%)**
Accommodation Offset	£ 8.20	**£ 8.36 (+2.0%)**

National Minimum pay is not about the employee hourly pay rate, but about the hourly rate received after any relevant reductions, and deductions for the benefit of the employer. Important factors are the accurate recording of working time as defined by NMW law and the treatment of certain working expenses, such as 'uniform'. Timing of work and payment is also critical. Some amounts of pay do not count towards NMW pay such as the premium element of overtime. Absence is not counted as working time. It is possible for

employees with hourly pay rates above perceived minimums are actually paid below National Minimum Wage.

Living Wage and London Living Wage (Living Wage Foundation)

The real Living Wage is the only UK wage rate that is voluntarily paid by 7,000 UK businesses who believe their staff deserve a wage which meets every-day needs - like the weekly shop, or a surprise trip to the dentist.

The Living Wage is announced annually in November by the Living Wage Foundation, A Citizens UK initiative.

	Announced Monday 11th November 2019	**Announced Monday 9th November 2020**
Living Wage	£ 9.30	**£ 9.50**
London Living Wage	£ 10.75	**£ 10.85**

Living Wage employers have a period of six months from the announcement to implement the Living Wage within their business and retain the use of the Living Wage accreditation.

It is still possible for an employer who pays the Living Wage to be in breach of the government National Minimum Wage laws as the basis of qualifying and payment are different. Living Wage is about the rate of pay paid, whereas the National Minimum Wage and National Living Wage are about the pay received across the amount of time worked.

Guernsey

The States of Guernsey tax year commences annually on 1st January.

Guernsey Class 1

Earnings Levels	2020		**2021**	
	Weekly	Monthly	**Weekly**	**Monthly**
Lower Earnings Limits	£ 144	£ 624	**£ 148**	**£ 641.33**
Upper Earnings Limit - employee	£ 2,880	£ 12,480	**£ 2,955**	**£ 12,805**
Upper Earnings Limit - employer	£ 2,880	£ 12,480	**£ 2,955**	**£ 12,805**

Percentage Contribution Rates	1st Jan 2020	1st Jan 2021
Employee (full rate)	6.6%	
Employee (pensionable age)	Nil	
Employer	6.6%	

https://gov.gg/SScontributions
https://gov.gg/employers

Jersey

The States of Jersey tax year commences annually on 1st January.

Jersey Social Security

Monthly Earnings Limit	Amount per month	
	1st Jan 2020	1st Jan 2021
Lower Earnings Monthly Limit (LEL)	£ 968	**£ 980**
Standard Earnings Monthly Limit (SEL)	£ 4,558	**£ 4,610**
Upper Earnings Monthly Limit (UEL)	£ 20,800	**£ 21,030**

Percentage Contribution Rates	1st Jan 2020	1st Oct 2020	1st Jan 2021	1st Jul 2021
Employee (up to SEL)	6.0%	4.0%		6.0%
Employer (up to SEL)	6.5%			
Employer (SEL-UEL)	2.5%			

https://www.gov.je/Working/Contributions/Employers/Pages/index.aspx

Isle of Man

The Isle of Man tax year commences annually on 6th April. The budget speech was made on 16th February 2021.

https://www.gov.im/categories/tax-vat-and-your-money/income-tax-and-national-insurance/
https://www.gov.im/categories/tax-vat-and-your-money/income-tax-and-national-insurance/tax-practitioners-and-technical-information/rates-and-allowances/

Income Tax

Personal Allowance

Following the Isle of Man Budget 2021, the personal allowances for the 2021/2022 tax year remain unchanged:

Personal Allowances	2020/2021	***2021/2022***
Single Person	£ 14,250	**£ 14,250**
Jointly Assessed Couple	£ 28,500	**£ 28,500**
Additional Personal Allowance	£ 6,400	**£ 6,400**
Blind Persons	£ 2,900	**£ 2,900**
Disabled Persons		

Tax rates and Bands

The following tax rates and bands for 2021/2022 have been confirmed as applicable from 6th April 2021.

	2020/2021			***2021/2022***		
	Rate	Single	Joint	**Rate**	**Single**	**Joint**
Standard Rate	10%	£ 1 – £ 6,500	£ 1 - £ 13,000	**10%**	**£ 1 – £ 6,500**	**£ 1 - £ 13,000**
Higher Rate	20%	Over £ 6,500	Over £ 13,000	**20%**	**Over £ 6,500**	**Over £ 13,000**
Non-Resident Rate		All earnings			***All earnings***	

National Insurance

In the Isle of Man budget 2021 information, it is stated that the LEL (marked with * below) 'that these figures will not be announced until after the UK Budget and will be subject to approval by the Tynwald in March'. The Upper Accrual Point is no longer applicable. The UK values for the Lower Earnings Limits has not been changed.

The following thresholds and limits apply for payments from 6th April 2021 for the 2021/2022 tax year (Prior year 2020/2021 values in brackets where different):

Threshold/limit	Weekly	Monthly	Annual
Lower Earnings Limit (LEL)	***tbc** (£ 120)	***tbc** (£ 520)	***tbc** (£ 6,240)
Earnings Threshold (ET)	**£ 138**	**£ 598**	**£ 7,176**
Upper Accrual Point (UAP)	**N/A** (£ 770)	**N/A** (£ 3,337)	**N/A** (£ 40,044)
Upper Earnings Limit (UEL)	**£ 823**	**£ 3,567**	**£ 42,796**

The following National Insurance Contribution rates apply for payment due from 6th April 2021:

<table>
<tr><th></th><th colspan="4">Primary Contributions (employee)</th><th rowspan="2">Secondary Contributions (Employer)</th></tr>
<tr><th></th><th>A</th><th>B</th><th>C</th><th>J</th></tr>
<tr><td>Below LEL</td><td colspan="5">Nil</td></tr>
<tr><td>LEL to ET</td><td colspan="2">0%</td><td rowspan="3">Nil</td><td colspan="2">0%</td></tr>
<tr><td>ET to UEL</td><td>11%</td><td>4.85%</td><td rowspan="2">1%</td><td rowspan="2">12.8%</td></tr>
<tr><td>Above UEL</td><td colspan="2">1%</td></tr>
</table>

https://www.gov.im/categories/tax-vat-and-your-money/income-tax-and-national-insurance/national-insurance-contributions/

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