



**Payroll Update: 23<sup>rd</sup> November 2023**

Following the Autumn Statement by The Chancellor of the Exchequer, Jeremy Hunt, yesterday, below is an update of the main payroll related news:

- **National Insurance** - Employee's Class 1 National Insurance will be reduced from 12% to 10%, with effect from January 2024. This only applies to National Insurance due between the Lower Earnings Limit and Upper Earnings Limit, Employee's National Insurance is still due at 2% on all earnings above the Upper Earnings Limit.  
Employer's National Insurance remains at 13.8%.  
The Lower Earnings limit will remain at £6,396 per year (£123 per week / £533 per month), and the Primary Threshold (the point where employees begin to pay NI) remains at £12,570 per annum (£242 per week / £1,048 per month).
- **National Insurance for Veterans** – An extension was announced to the rules for Employer's National Insurance for veterans. Businesses who employ veterans will not have to pay Employer's National Insurance on any earnings for veterans, up to the Upper Earnings Limit of £50,270 per year. This will now be extended to apply for the 2024-2025 Tax Year.
- **National Minimum Wage** –The adult National Minimum wage will increase from £10.42 to £11.44 per hour, for pay reference periods starting 1<sup>st</sup> April 2024.  
Also, with effect from the same date, the adult Minimum Wage will apply to all employees over 21 years of age (currently 23 years of age).

The new minimum wage rates will be as follows:

	<b>NMW rate from 1 April 2024</b>	<b>Increase in pence</b>	<b>Percentage increase</b>
National Living Wage (21 and over)	£11.44	£1.02	9.8%
18-20 Year Old Rate	£8.60	£1.11	14.8%
16-17 Year Old Rate	£6.40	£1.12	21.2%
Apprentice Rate	£6.40	£1.12	21.2%

- **Self-Employment –**

- Class 2 National Insurance will be abolished from April 2024, and Class 4 National Insurance will reduce from 9% to 8%

**Other changes – (Not from the Autumn Statement)**

- **Holiday Pay** – Changes to the holiday pay calculation rules were announced earlier this month, to take effect from leave years starting on or after 1<sup>st</sup> April 2024.

This relates to the current 52 week average holiday pay calculations for employees who are not on set hours and their working hours vary, and part year workers.

For employees whose hour vary, employers may be able to revert back to the ‘rolled up’ 12.07% calculation. Rolled up holiday pay was outlawed in 2006 by the European Court of Justice due to it potentially encouraging employees not to take time off, as they were being paid holiday pay on top of their earnings each month.

HMRC are still in the process of updating their guidance around this.

- **National Insurance on Car Allowances** – There has been a recent court case *Laing O’Rourke Services Ltd and The Commissioners for HMRC and Willmott Dixon Holdings Ltd [2023]* (which HMRC lost) around applying National Insurance on Car Allowances paid to employees.

Mileage payments for business use of the car can be made free of tax and NIC, up to certain limits. As a result of this case, National Insurance may not be due on some, or all of the Car Allowances made to employees, if the Car Allowance meets the definition of RME (Relevant Motoring Expenditure).

National Insurance paid historically may be able to be refunded.

There is a link to further information here:

[Relevant Motoring Expenditure \(RME\) HMRC Update | CIPP](#)

HMRC are still in the process of updating their guidance around this.