

of their leave. They'll be entitled to SPP if they have average earnings at least equal to the NICs Lower Earnings Limit (LEL) - £97 a week or £421 a month for 2010-11.

Your employee should tell you that they'll be taking paternity leave by the 15th week before the date the baby's due, or within seven days of the date the adopter was told they'd been matched with a child. And they must give you 28 days' notice of when they want their SPP to start.

### SPP rates

If your employee is entitled to SPP, you must pay them the lower of:

- £124.88 - from 6 April 2010
- 90 per cent of their average weekly earnings

(See Employer's Help Book E19 (2010) - Statutory Paternity Pay).

### Statutory Adoption Pay (SAP)

This is available to:

- Individuals adopting a child on their own, or
- One member of a couple adopting a child together.

The adopter is allowed to take up to 26 weeks ordinary leave and 26 weeks additional leave but only the first 39 weeks are covered by SAP. The adopter is entitled to 52 weeks statutory adoption leave regardless of any entitlement to SAP. It lasts for up to 39 weeks.

- Lower earnings limits (LEL) for National Insurance purposes is shown as an amount of money. The LEL is the minimum amount of earnings that an employee needs to qualify for benefits. It is also the level that employees Average Weekly Earnings (AVE) must reach in a specific period for them to qualify for SAP. For 2010-11 year the LEL is £97.00.

(See Employer's Help Book E16 (2010) - Statutory Adoption Pay).

### Funding of SMP / SPP / SAP

From 5 April 2010 employers who do not qualify for Small Employer's Relief (SER) can recover 92% of the SMP/SPP/SAP paid to their employees.

Employers who do qualify for SER can recover 100% of the SMP/SPP/SAP paid to their employees plus 4.5 per cent compensation. For the 2010-2011 tax year a 'small employer' is an employer who paid (or was liable to pay) total gross Class 1 NICs of £45,000 or less in the individual employee's qualifying tax year. These are the same thresholds as last year.

### Mileage Payments

The following rates are used to calculate the maximum amount that can be exempted from tax and NICs for business miles travelled in the employee's own vehicle.

#### Motor cars and vans

First 10,000 business miles*	40p per mile
Over 10,000 business miles	25p per mile
Motor cycles	24p per mile
Cycles	20p per mile

\*For National Insurance purposes, the higher rate applies to all miles, not only the first 10,000.

### Additional Passenger Payments

You can also pay up to 5p per mile free of tax and National Insurance contributions for each employee who travels as a passenger and is also on a business journey.

For further information on paying employees for business miles travelled using the employee's own transport, see the CWG2 (2010), Employer Further Guide to PAYE and NICs, under mileage expenses for National Insurance Contributions.

### Dispensations

#### What is a dispensation?

A dispensation is a notice from HM Revenue & Customs (HMRC) that removes the requirement to report expenses and benefits to them at the end of the year on forms P11D or P9D. There is also no need to pay any tax or NICs on items covered by a dispensation.

Once granted, dispensations last indefinitely. But HMRC reviews them regularly (usually at intervals of five years or less) to make sure that the conditions under which they were issued still apply.

#### What items can and can't be covered by a dispensation?

You can apply to HMRC for a dispensation to cover expenses or benefits for which your employee gets a full tax deduction.

This includes many routine business expenses and benefits. The main expenses routinely covered by a dispensation are:

- travel, including subsistence costs associated with business travel
- fuel for company cars
- hire car costs
- telephones
- business entertainment expenses
- credit cards used for business
- fees and subscriptions

#### Systems you must have in place

You must have an independent system in place for checking and authorising expenses claims. At a minimum, this means having someone other than the employee claiming the expenses check that:

- the amount claimed isn't excessive
- the claim doesn't include disallowable items

#### How to apply

To apply for a dispensation you need to supply details of expenses and benefit payments to HMRC. There are two ways to do this, either using the online form, or a paper equivalent. You can apply for a dispensation at any time. In general, dispensations takes effect from the date on which HMRC issues them. However,

they may agree your dispensation can take effect from the beginning of the tax year in which you applied for it.

The easiest way to claim is to use the online form, but you can also apply by post. In either case, HMRC aims to respond within 15 working days.

#### Applying online

It's very important that you have checked which expenses can be included in a dispensation before you start to complete the online application, as you can't save your progress once you've started and return to it at a later time.

<https://online.hmrc.gov.uk/shortforms/form/P11DX>

<http://www.hmrc.gov>

#### Applying by post

To apply by post you must download form P11D(X) Dispensation for expenses payments and benefits in kind, from HMRC's website <http://www.hmrc.gov.uk/forms/p11dx.pdf>

You will need to print it before completing, then send the form to:

The Employer Support Team  
HMRC, Bowback House  
299 Silbury Boulevard  
Milton Keynes  
Buckinghamshire  
MK9 1NG

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## PAYE Changes from 6th April

### Volunteers

There is a saying: "The only certainties in life are death and taxes". To that you can add fines. There are more fines each year. If you do not deduct the right PAYE, the fine is typically the amount of tax you failed to collect, i.e. if you did not deduct £100 then you have to pay the £100 and a fine of £100, total £200. There is now a new fine for failing to pay the minimum wage, so make sure your volunteers are really volunteers and not low paid workers! Round sum expenses of £5 a day could turn them into employees! It is safest to pay the exact expense incurred.

### Working and Child Tax Credits rates

#### Working Tax Credit

The way in which Working Tax Credit is paid to employees has changed from 31 March 2007. HMRC now pays the tax credit directly into claimants' bank account, so the employer does not make these payments.

#### (Contact the Employer Helpline 08457 143 143)

Basic element	£1,920
Couple and lone parent element	£1,890
30 hour element	£790
Disabled worker element	£2,570
Severe disability element	£1,095
50+ Return to work payment (16 – 29 hours)	£1,320
50+ Return to work payment (30+ hours)	£1,965

#### Childcare elements of the Working Tax Credit

Maximum eligible cost for one child	£175 per wk
Maximum eligible cost for	£300 per wk

two or more children	
Percentage of eligible costs covered	80%

#### Child Tax Credit

Family element	£545
Family element, baby addition	£545
Child element	£2,300
Disabled child element	£2,715
Severely disabled child element	£1,095

#### Income thresholds and withdrawal rates

First income threshold	£6,420
First withdrawal rate (per cent)	39%
Second income threshold	£50,000
Second withdrawal rate (per cent)	6.67%
First threshold for those entitled to Child Tax Credit only	£16,190
Income disregard	£25,000

#### Child benefit (from 5 January 2009)/ Guardian's allowance Rates

£ Per week	
Eldest / Only Child	£20.30
Other Children	£13.40
Guardian's Allowance	£14.30

### National Minimum Wage

From 6 April 2010 there are changes to the National Minimum Wage (NMW). A new automatic penalty will be levied on employers where the HMRC compliance officers find arrears of the NMW after 6 April 2009. Penalties will range from £100 to £5,000 and those employers who settle within 14 days of notification will receive a 50% discount of the penalty for prompt payment. The penalty must be paid in addition to any arrears owed to the workers. For the full guidance see [www.berr.gov.uk/files/file47736.pdf](http://www.berr.gov.uk/files/file47736.pdf)

From 1st October 2009

- Main rate for adult aged 22 and over £5.80
- Development Rate for 18 – 21 year old £4.83
- Development rate for 16 – 17 year old £3.57

(For more information call **0845 6000 678** or visit [www.berr.gov.uk](http://www.berr.gov.uk))

## Collection of Student Loans

The Annual Threshold, below which Student Loan repayments are not due, is currently £15,000. (See [Employer's Help Book E17 \(2010\), Collection of Student Loans](#)).

## Income Tax Personal and Age-related Allowances 2010/ 11

Personal allowance (age under 65) (1)	£6,475
Personal allowance (age 65 – 74) (1)(2)	£9,490
Personal allowance (age 75 & over) (1)(2)	£9,640
Blind Person's allowance	£1,890
Married couple's allowance* (born before 6 April 1935 but aged under 75) (2)(3)(4)	Not applicable
Married couple's allowance* (age 75 and over) (2)(3)	£6,965
Married couple's allowance – minimum amount	£2,670
Income limit for age-related allowances	£22,900

(1) From the 2010-11 tax year the Personal Allowance reduces where the income is above £100,000 – by £1 for every £2 of income above the £100,000 limit. This reduction applies irrespective of age.

(2) These allowances reduce where the income is above the income limit – by £1 for every £2 of income above the limit. For the 2008-09 and 2009-10 tax years they will never be less than

the basic Personal Allowance or minimum amount of Married Couple's Allowance. However, from the 2010-11 tax year the Personal Allowance for people aged 65 to 74 and 75 and over can be reduced below the basic Personal Allowance where the income is above £100,000.

(3) Tax relief for the Married Couple's Allowance is given at the rate of 10 per cent.

(4) In the 2009-10 tax year all Married Couple's Allowance claimants in this category will become 75 at some point during the year and will therefore be entitled to the higher amount of the allowance - for those aged 75 and over.

## Pension Schemes Allowances 2010/ 11

Annual Allowance	£255,000
Lifetime Allowance	£1,800,000

## Tax code changes

All tax code changes for 2010/11 will be notified to employers on individuals forms P9 (T).

**Please note that Suffix V tax code is now obsolete and no longer in use. If you are still using this tax for any of your employees, you need to obtain a new one as soon as possible by contacting your local HMRC office immediately and they will send you the correct tax code.**

## Pay As You Earn – Thresholds

The PAYE thresholds (i.e. the level of earnings at which tax becomes payable) are:

- £125 weekly
- £540 monthly
- £6,475 annually

## Income tax: taxable bands: 2010/ 11

Starting rate	10%*	£0 to £2,440
for savings		

Basic rate	20%	£0 to £37,400
Higher rate	40%	£37,401 to £150,000
Additional rate	50%	Over £150,000

\*From 2008-09 there is a 10 per cent starting rate for savings income only. If your non-savings income is above this limit then the 10 per cent starting rate for savings will not apply.

The rates available for dividends for the 2008-09 and 2009-10 tax years are the 10 per cent ordinary rate and the 32.5 per cent dividend upper rate. For the 2010-11 tax year, as well as these rates there is a new dividend additional rate of 42.5 per cent.

Emergency tax code	647L W1/M1
Single Persons Tax Code	647L

## National Insurances Rates 2010/ 11

## Lower Earnings Limit (LEL)

Weekly	£97
Monthly	£421
Annual	£5,044

## Earning Threshold (ET)

Weekly	£110
Monthly	£476
Annual	£5,715

## Upper Accrual Point (UAP)

Weekly	£770
Monthly	£3,337
Annual	£40,040

## Upper Earnings Limit (UEL)

Weekly	£844
Monthly	£3,656
Annual	£43,875
Employers NIC rate	12.8%
Employees NIC rate	11%

## Statutory Sick Pay (SSP)

The SSP rates are for employees with average weekly earnings of £97 or more

- Weekly rates £79.15

## Recovery of SSP

In certain circumstances employers may be able to recover some of the SSP they pay under the Percentage Threshold Scheme.

Employers can get back any SSP they have paid over and above 13% of their NICs liability for the same tax month in which they have paid SSP.

[\(See Employer Help Book E14 \(2010\) - What to do if your employee is sick\)](#)

## Statutory Maternity Pay (SMP)

This is a legal entitlement to a certain amount of pay to help a mother take time off around the time of birth and lasts up to 39 weeks. The SMP pay period may start on any day of the week where the mother continues to work beyond the 11th week, before the week the baby is due.

To work out if your employee is entitled to SMP look at the date the baby is due, not the date the baby is born. She can choose the date she wants her SMP to start. The start date can also be triggered by the birth of the baby or a pregnancy related absence.

## Lower Earnings Limit (LEL)

This is the minimum level of earnings that an employee needs to qualify for some benefits. It is also the minimum level that an employee's Average Weekly Earning (AWE) must reach in a specific period to qualify for SMP.

For 2010-11 the LEL is £97.00 per week.

## New SMP rates from 5 April 2010

Pay period started on or after 5 April 2010, the first Sunday in April:

- First six weeks of payments at 90% of your employee's Average Weekly Earnings, then
- The lower of
  - 90% of your employee's Average Weekly Earnings, or
  - £124.88.

## Maternity Leave

All employed women are legally entitled to a total of 52 weeks Maternity Leave regardless of their length of service. Women do not need to qualify for SMP to be able to take maternity leave.

There are two types of maternity leave:

- Ordinary Maternity Leave (OML) – the first 26 weeks maternity leave.
- Additional Maternity Leave (AML) – the second 26 weeks maternity leave

For more information go to [www.businesslink.gov.uk/workandfamilies](http://www.businesslink.gov.uk/workandfamilies)

For examples, look in the Learning Zone of your Employer CD-Rom.

## New SMP rates

Pay period started on or after 6 April 2010, the first Sunday in April.

- First 6 weeks of payments at 90% of Average Weekly Earnings, then
- The lower of
  - 90% of Average Weekly Earnings or
  - £124.88

[\(See Employer's Help Book E15 \(2010\) - Statutory Maternity Pay\).](#)

## Statutory Paternity Pay (SPP)

Your employee may be entitled to Statutory Paternity Pay (SPP) if their partner has a baby or adopts a child. This replaces their normal earnings and helps them take time off to care for the child or support the mother.

As their employer, whether you have to pay them SPP depends on how long they've

worked for you, how much they earn and when the baby is due or the date of adoption. They'll also have to provide you with a declaration covering family commitment and give you notice of when they want you to start paying their SPP.

Payments of SPP count as earnings. You must deduct tax and National Insurance contributions (NICs) from them in the usual way and you will normally be able to recover some or all of the SPP you pay.

Your employee may be entitled to paternity leave and SPP if they have responsibility for their baby's upbringing and they're either:

- the baby's biological father
- the mother's husband or partner - including a female partner in a same sex couple
- Where a couple adopts a child, the partner, male or female, who's not claiming Statutory Adoption Pay (SAP) may be able to claim SPP.

## Paternity Leave

Your employee is entitled to paternity leave if both of the following apply:

- they've worked for you continuously for at least 26 weeks up to and into the 15th week before the date the baby's due, or the date an adopted child is expected to be placed
- they continue to work for you until the date the baby is born, or the date the adopted child is placed

The date an adopted child is expected to be placed is shown on the matching certificate from the adoption agency.

Your employee is entitled to take one or two weeks' paternity leave within 56 days of the date of the baby's birth or the date an adopted child is placed with the adopter. They can't take odd days off and if they take two weeks they must take them together.

If your employee is entitled to paternity leave they may also be entitled to SPP for the period