

Employment Allowance

What is the employment allowance?

With effect from 6 April 2014, employers can now reduce their Class 1 National Insurance Contributions (NIC) by up to a maximum of £2,000 per tax year.

The £2,000 entitlement;

- Can only be set against employers NIC
- Cannot be set against employees NIC
- Cannot be set against Class 1A or Class 1B employers NIC.

Are all companies eligible for the employment allowance?

There are a small number of exceptions but generally all businesses and charities (including community amateur sports clubs) that pay NICs on employees and directors earnings will be entitled to claim the Employment Allowance.

Excluded employers include;

- Those who employ individuals for personal, household or domestic work e.g. nannies, au pairs, cleaners

- Those that undertake activities of a public nature (unless they have charitable status) e.g. NHS services, General Practitioner services, prison services, collecting debt for a government department.
- Those that are a public authority.

Are there any restrictions?

Where two or more companies that would otherwise qualify for the Employment Allowance are connected with each other, then only one of these companies can claim the allowance in that particular tax year. The onus will be on the companies concerned to decide which company will claim the Employment Allowance.

The same principle applies to owners of more than one unincorporated business.

How do you determine if your company is connected or not?

The rules are similar to the “associated companies” legislation for corporation tax purposes but basically two companies are deemed connected if;

- One company controls the other

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- Both companies are controlled by the same person or persons.

The term “control” is described as where an individual has or is entitled to acquire the greater part of the share capital or voting rights in a company or the greater part of the income or assets in the event of a winding up.

Further information can be found at the Gov.uk website - see Employment Allowance

How to claim the Employment Allowance

The Employment allowance can be claimed through the appropriate payroll software by reducing your Employers Class 1 NIC liability and making the submission under Real Time Information.

It is not mandatory for the Employer to claim the Employment Allowance at the start of the tax year. Instead, an employer can opt for a later start date to make their claim. This may be relevant for those employers where cash flow fluctuates significantly during the course of the year.

Is Goodman Jones ready for the Employment Allowance?

As a client you will be pleased to know that our payroll software has been updated to reflect the new legislation.

A member of our payroll team will be contacting you shortly to confirm the start date for claiming the Employment Allowance, although in the majority of cases we anticipate that this will be in April.

For clients that fall under the “connected companies” definition, please note that the onus is on you to provide us with the details of the company that will be claiming the allowance.

If you have any questions regarding the Employment Allowance, please contact a member of the payroll department or e-mail paye@goodmanjones.com

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