

# Little book of payroll

Annual compliance updates



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## Introduction

This document includes some important information in relation to your payroll service and statutory updates that may impact on your payroll in the 2025/26 tax year. It also includes some information relating to the 2024/25 year-end process.

Please review the information below and if you have any queries, we will be happy to go into more detail via an enquiry with your OSV Payroll Specialist and/or through an OSV support case.

### OSV comment:

Please note all statutory changes are updated by Workday. Customers can run the 'What's New in Workday' Report to view these changes.

## Tax codes & allowances

### Personal Allowance

The Personal Allowance will remain frozen at £12,570 for 6 April 2025. Therefore, the standard tax code will be 1257L. It was announced in the Autumn Statement of 2024 that the Personal Allowance will be frozen until 2028/29 however they are not expected to extend beyond this point.

### Tax codes

There are no uplifts to tax codes for 2024/25.

### Tax rates & thresholds

#### Rest of UK (rUK)

Band name	Percentage rate	Bandwidth
<i>Personal allowance (for most)</i>	<i>No income tax due</i>	<i>Between £0 – £12,570</i>
Basic	20%	£12,571 – £50,270
Higher	40%	£50,271 – £125,140
Additional	45%	Over £125,141

## Scottish Rate of Income Tax (SRIT)

Scottish taxpayers will be those identified with a prefix "S" on their tax code. The tax calculation for Scottish taxpayers will be performed using the SRIT percentage rates and thresholds. The SRIT rates and thresholds for 2025/26 are as follows:

Band name	Percentage rate	Bandwidth
<i>Personal allowance (for most)</i>	<i>No income tax due</i>	<i>Between £0 – £12,570</i>
Starter	19%	£12,571 – £15,397
Basic	20%	£15,398 – £27,491
Intermediate	21%	£27,492 – £43,662
Higher	42%	£43,663 – £75,000
Advanced	45%	£75,001 – £125,140
Top	48%	Over £125,140

No tax is charged on earnings up to the Personal Allowance, or the adjusted tax-free allowance indicated by the person's tax code.

## Welsh Rate of Income Tax (WRIT)

Welsh taxpayers will be those identified with a prefix "C" on their tax code. The tax calculation for Welsh taxpayers will be performed using the WRIT percentage rates and thresholds.

Rates will remain the same as those of the Rest of the UK (rUK) for 2025/26.

### OSV comment:

#### P60s

(Excluding Net Pay Service), your OSV Payroll Specialist will be in contact via an additional OSV case in relation to P60s after the completion of the March 2025 payroll processing. Please note P60s will be produced and will be available within Workday after this date. If you have a P60 print service with us, please update the case accordingly with your shipping requirements.

#### P45 Production

Payroll best practice would be to make P45s available to employees on the conclusion of each month's payroll completion, including the processing of off-cycles within each tax period (6th to the 5th).

# National Insurance

## National Insurance Contributions

The Class 1 NIC Threshold for 2025/26 are as follows:

NIC Thresholds	Weekly	Monthly	Annual
Lower Earnings Limit (LEL)	£125	£542	£6,500
Primary Threshold (PT)	£242	£1,048	£12,570
Secondary Threshold (ST)	£96	£417	£5,000
Upper Earnings Limit (UEL)	£967	£4,189	£50,270
Upper Secondary Threshold (UST) and Apprentice Upper Secondary Threshold (AUST)	£967	£4,189	£50,270
Freeport and Investment Zone Upper Secondary Threshold (FUST/ IZUST)	£481	£2,083	£25,000
Veterans Upper Secondary Threshold (VUST)	£967	£4,189	£50,270

## Reduction in the main rate of Class 1 NICs Secondary Threshold, the secondary Class 1 NICs rate, & Employment Allowance

In the Autumn 2024 Budget the Chancellor announced a reduction in the secondary threshold of Class 1 NICs from £9,100 to £5,000 effective from April 2025.

The Secondary Rate will also be increased by 1.2% moving to 15% from 13.8% in previous years.

According to the Government around 1.2 million employers are set to be affected from this change. With around 250,000 employers seeing a decrease and around 940,000 seeing an increase in their Secondary Class 1 NICs Liability. Around 820,000 will see no change.

With the change also comes an increase to the annual Employment Allowance to protect the smallest businesses by providing relief on the employer Secondary Class 1 NICs liability. The allowance will be increased from £5,000 per annum to £10,500 per annum.

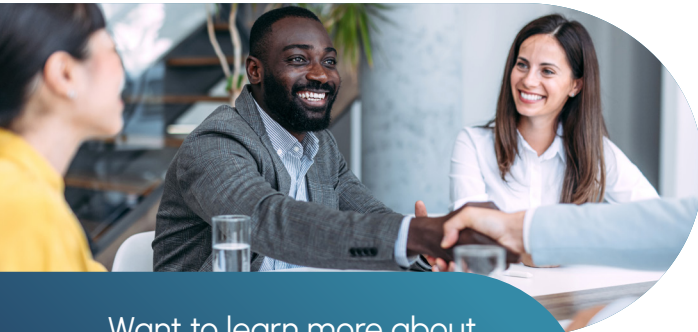
HMRC will be removing the condition that the Class 1 NICs for the prior year is £100,000 or less, opening up eligibility to more businesses and charities to claim, however all other eligibility will still need to be met.

## Veterans National Insurance

In April 2021, HMRC introduced a zero rate of employers Class 1 National Insurance contributions on the earning of a qualifying veteran and allows Secondary Class 1 Employer NICs relief on the wages of veterans for the first 12 months of their civilian employment on earnings up to the Upper threshold known as VUST.

The employers NICs relief will continue to be available from April 2025, to employers of qualifying veterans.

Category Letter V (and the Veterans Upper Secondary Threshold) remains in force and available for use in payroll during 2025-2026.



Want to learn more about  
our payroll services?

**Contact us**



## Freeports and Investment Zones Employee NICs Relief

Freeport tax reliefs have been extended from five to ten years, so are now available until September 2031. Employers based within and employing people working within the Freeport geographic area can apply a zero-secondary rate of employer NICs for those employees' earnings above the secondary threshold up to and including the Freeport Upper Secondary Threshold (FUST).

The Government has confirmed that 12 new investment zones will be launched across the UK. Similar to Freeports, a reduction in the rate of employer NICs will be available for all Investment Zone tax site-based businesses (where eligibility criteria are met). The relief means that it will be possible to apply a zero secondary rate of employer NICs for employees earning above the secondary threshold of £9,100 per annum up to and including the new investment zones upper secondary threshold of £25,000 per annum.

Not one, but four, new Investment Zone NIC category letters are to be introduced:

- **N** – standard category letter
- **E** – married women and widows entitled to pay reduced NICs
- **K** – employees above state pension age
- **D** – employees who defer paying 10%, only paying 2% as they are paying it in another job

The new category letters reflect existing NIC category letters of A, B, C, and J.

### OSV comment:

You can find the link to the government's document with more detailed mapping of the eight Freeports sites [here](#). We would request if you could review these sites to determine if you have any office located within the regions. If so, and if there are mass National Insurance Category update required, please let the UK Payroll Services team know, who can offer support.

Further information on Investment Zones can be found [here](#) and [here](#).

## Statutory payment rates

With effect from 6 April 2025, the increases in statutory payments are as follows:

### SMP/SAP/SPP/SHPP/SPBP/SNCP

- **Weekly rate** £187.18
- **Daily rate** £26.74

With effect from 6 April 2025 the weekly rate of SSP has been increased to £118.75.

### Introduction of Statutory Neonatal Care Pay

Effective 6 April 2025 a new statutory leave type and payment will be introduced. Statutory Neonatal Care Pay (SNCP) will be available from day one for any child born after 6 April 2025. A total of 12 weeks leave for parents whose baby enters neonatal care up to 28 days after birth.

Neonatal leave is a day one right for employees however to receive statutory payment the employee requires 26 weeks' service and notice to the employer.



#### OSV comment:

Workday has released a new feature that enables you to process SNCP. This is mandatory as it is a statutory requirement, the only prerequisite is configuring the leave type in absence management. Please find steps from Workday Community [here](#) on how to configure this.



# National Minimum Wage & National Living Wages

The National Minimum Wage (NMW) and National Living Wage (NLW) rates effective from 1 April 2025 are as follows:

- **Aged 21 & over** (National Living Wage Rate) £12.21
- **Aged 18 – 20** £10.00
- **Under 18** £7.55
- **Apprentice rate** £7.55
- **Accommodation offset** £10.66

## OSV comment:

The increases related to these new rates

Aged 21 & over (National Living Wage Rate)	£0.77	6.7%
Aged 18 – 20	£1.40	16.3%
Under 18	£1.15	18%
Apprentice rate	£1.15	18%
Accommodation offset	£0.67	6.7%



## Student loans

From 6 April 2025, the repayment thresholds for student loans and postgraduate loans will be as follows:

- **Plan 1** £26,065
- **Plan 2** £28,470
- **Plan 4** £32,745
- **Postgraduate loans** £21,000

A new Plan 5 has been announced with a threshold of £25,000. However, this is for all students in England commencing further education from September 2023, so we don't expect to see any come through to payroll in the near future.



## Expenses & benefits

### PIIDs

The deadline for the completion and submission of forms P11D and P11D(b) is 6 July 2025.

#### OSV comment:

If you currently contract with us to produce your P11Ds, we will be in contact with you via an OSVS case in early April to ascertain your requirements in this regard.

### Payrolling benefits

Most benefits can now be taxed through your payroll instead of your employees' tax code, however if you provide the following benefits you must still report these on form P11D:



Employer-provided living accommodation



Beneficial loans (free or low-interest loans)

If you wish to begin payrolling benefits from the 2025/26 tax year you will need to register with HMRC by 5 April 2025.



HMRC no longer accept informal arrangements, and all submissions must now be made electronically.

Following registration, HMRC request that you provide the following information to your employees each year by 1 June. Your employees will need this information if they are required to complete a Self-Assessment Tax return.

- Details of the benefits you have included in the payroll.
- The cash equivalent of each benefit you have included in the payroll.
- The amount you have included in the payroll for optional remuneration (OpRA).
- Details of any benefits you have not included in the payroll and will require reporting via a P11D return.

Please note that even if you decide to include your benefits for employees in the payroll you will still need to calculate the Class 1A National Insurance contributions due on these benefits and submit to HMRC by 6 July each year on form P11D(b). You are still required to complete and submit form P11D for any expenses and benefits that have not been payrolled. The deadline for payment of Class 1A National Insurance contributions if paying electronically is 22 July each year for the previous tax year (19 July if payment is made by cheque).

#### **OSV comment:**

HMRC have recently announced that from April 2026 it will be compulsory to report and pay Income Tax and Class 1A National Insurance Contributions (NICs) on benefits in kind via payroll.

The Government has said **here** that this will help to simplify this part of the tax system for some 3 million tax-payers and reduce their need to contact HMRC

HMRC will work with industry experts to produce guidance, which will be made available in advance of 2026.



## PAYE Settlement Agreements (PSA)

If you wish to apply for a PAYE Settlement Agreement you should do this by 5 July following the end of the tax year. An application for a PSA can be completed online through your HMRC account. Once a PSA has been agreed there is no requirement on employers to renew this annually, as long as it does not change, the agreement remains in place.

If you have a PAYE Settlement Agreement, payment for tax and Class 1B National Insurance must reach HMRC by 22 October 2024 (19 October 2024 if you pay by cheque).

### OSV comment:

Please note, OSV **does not** provide a PSA service.

## Auto enrolment

The earnings trigger and Qualifying Earnings Bands (QEB) for Auto enrolment in 2025/26 remain the same as follows:

NIC Thresholds	Weekly	Monthly	Annual
QEB Lower Limit	£120	£520	£6,240
QEB Upper Limit	£967	£4,189	£50,270
Earnings Trigger	£192	£833	£10,000

The statutory minimum auto enrolment contributions from 6 April 2025 remain the same as follows:

- **Employer minimum** 3%
- **Total minimum** 8%

### OSV comment:

Changes to AE are on the horizon. The Pensions (Extension of Automatic Enrolment) Act 2023 gave the Secretary of State the power to:

- Reduce the lower age limit for auto-enrolment
- Remove the Lower Earnings Limit for qualifying earnings, meaning auto-enrolment contributions are made from the first pound of earnings

The Government has said, *"We will consult on the detailed implementation at the earliest opportunity and report to Parliament before using the powers in the Act."*

However, it seems unlikely that we will see these changes in time for 2025/26.

## Important dates to remember

### 19 of every month

Last day for payment to HMRC for PAYE/NIC if payment by cheque.

### 22 of every month

Last day for payment to HMRC for PAYE/NIC for electronic payment methods.

### 31 May

Last day for employers to provide form P60 to each employee who works for them at 5 April.

### 5 July

Last day for agreeing PAYE Settlement Agreement (PSA) with HMRC for previous tax year.

### 6 July

Last day for submission of Expenses and Benefits forms P11D and P11D(b) to HMRC. Last day for employers to provide relevant employees with a copy of form P11D.

### 19 July

Last day for payment to HMRC for Class 1A NICs if payment by cheque.

### 22 July

Last day for payment to HMRC for Class 1A NICs for electronic payment methods.

### 19 October

Last day for payment to HMRC for tax and Class 1B NICs due on PAYE Settlement Agreements if payment by cheque.

### 22 October

Last day for payment to HMRC for tax and Class 1B NICs due on PAYE Settlement Agreements for electronic payment methods.



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