

PAYROLL CHANGES 2025/26

EVERYTHING YOU NEED TO KNOW

WWW.DOWNHAMASSOCIATES.CO.UK

April, 2025

DOWNHAM
ASSOCIATES

Top News

At Downham Associates you can stay ahead of the curve, ensure your payroll is on point with the latest payroll changes 2025/26

Introduction

As the new tax year approaches, businesses across the UK must prepare for significant changes to payroll regulations introduced by HMRC for 2025/26. Understanding these updates is essential for compliance and ensuring accurate and timely payments to your workforce. At Downham Associates, we are dedicated to keeping our clients informed about legislative changes that affect payroll. Here's a detailed overview of what's changing and how it impacts your business.



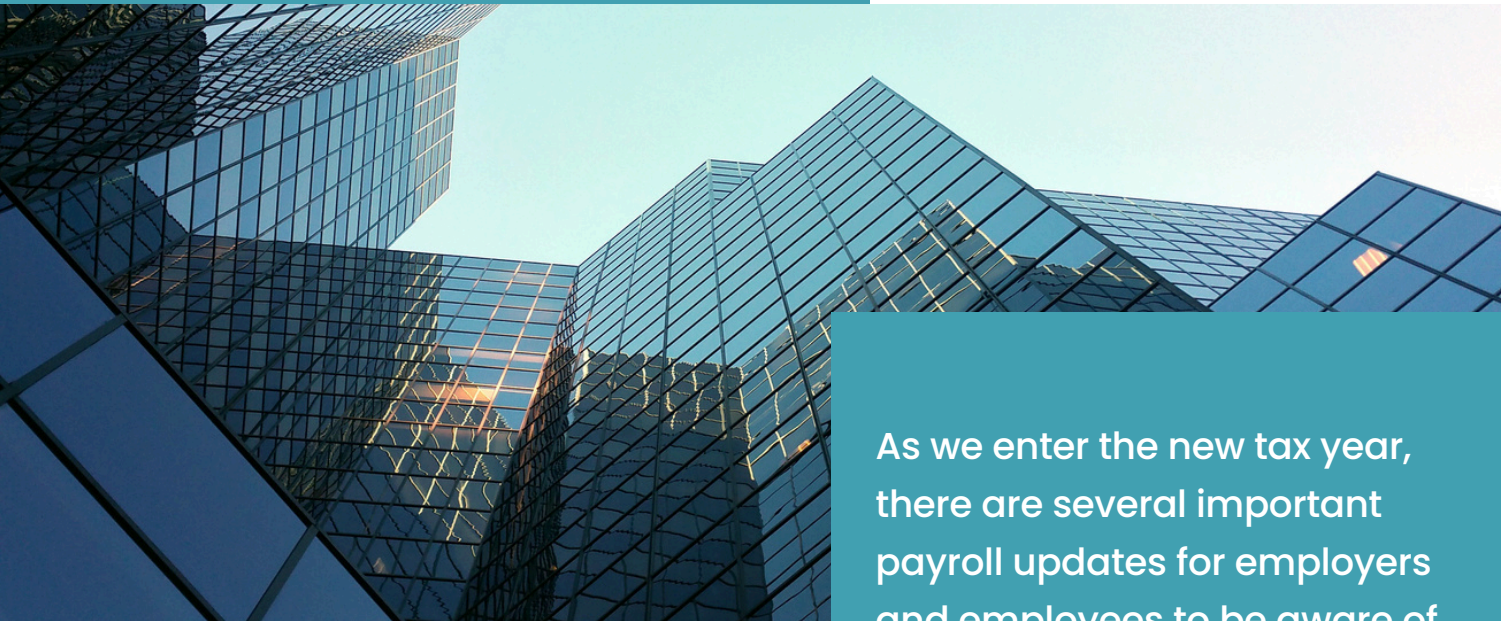
INTRO..

PAYROLL CHANGES 2025/26

DOWNHAM
ASSOCIATES

WWW.DOWNHAMASSOCIATES.CO.UK

April, 2025



As we enter the new tax year, there are several important payroll updates for employers and employees to be aware of. Below is a summary of the key changes set to take effect from April 2025:

National Living Wage & National Minimum Wage Increases

Starting April 2025, the National Living Wage and Minimum Wage will increase:

- National Living Wage for workers 21+ will rise by 6.7%, from £11.44 to £12.21.
- National Minimum Wage for 18-20-year-olds will increase from £8.60 to £10.
- Apprentices and under-18s will see their hourly wage rise from £6.40 to £7.55.



01/07



National Insurance (NI) Changes

From 6 April 2025, there will be significant changes to National Insurance rates and thresholds:

Stay on top of the changes that affect you.

Key Information:

- Employer NICs will rise by 1.2 percentage points, from 13.8% to 15%, which will lead to around 940,000 employers with an increased NIC liability for the 2025/26 tax year.
- The annual threshold at which employers begin to pay NICs will reduce from £9,100 to £5,000.
- The Employment Allowance will increase from £5,000 to £10,500, and the £100,000 threshold will be removed, meaning 865,000 employers will not have to pay NICs at all in 2025/2026.

Example

Current Year (2024/2025): An employer with an employee earning £30,000 pays NICs on earnings above the £9,100 threshold (at 13.8%).

$$\text{NICs liability} = (£30,000 - £9,100) \times 13.8\% = £2,884.20.$$

New Year (2025/2026): The same employer pays NICs on earnings above the reduced £5,000 threshold (at 15%).

$$\text{NICs liability} = (£30,000 - £5,000) \times 15\% = £3,750.$$

This represents an increase of £867.80 in NICs for an employee earning £30,000 in the new tax year

Difference in NICs:

2025/26	2024/25	Difference
£3,750	£2,884.20	£865.80

02/07



Statutory Neonatal Care Pay (SNCP)

Starting 6 April 2025, Statutory Neonatal Care Pay (SNCP) will be introduced to support parents whose babies require neonatal care. This new allowance aims to reduce the burden on parents who may otherwise have to return to work before they are ready or take unpaid leave when their baby is still receiving hospital care.

Key Information:

Eligibility: Parents of babies needing 7+ days of care within 28 days of birth are eligible for up to 12 weeks of leave, including adoptive and surrogacy parents.

Tier 1 Leave: Taken in short blocks during hospital stay or first week after discharge.

Tier 2 Leave: Remaining leave taken in one block until 68 weeks after birth.

For Employers:

- **Administration:** Manage like Statutory Parental Pay. Employers can reclaim costs.
- **Notification:** Parents must notify employers. Tier 1 leave can be taken on short notice.

More Info:

Entitlement: The right to take SNCP is a 'day one' entitlement, available immediately upon starting employment. However, to qualify for paid leave, parents must have been employed for at least 26 weeks and earned at least the lower earnings limit of £125 per week.

What Is Neonatal Care? Neonatal care refers to hospital-based medical care, including palliative or end-of-life care and outreach care provided under a consultant's direction.



Statutory Pay Rates for 2025/2026

Starting 6 April 2025, statutory pay rates will be updated for various leave types:

Key Information:

Statutory Maternity Pay (SMP):

- First 6 weeks: 90% of the employee's average weekly earnings.
- Remaining weeks: £187.18 or 90% of the average weekly earnings, whichever is lower.
- Statutory Sick Pay: Statutory Sick Pay (SSP), the amount you must pay eligible employees when they're off work due to illness, will rise from £116.75 per week to £118.75 per week in April 2025.

Finer Detail.

- Statutory Paternity Pay (SPP)
- Statutory Adoption Pay (SAP)
- Statutory Shared Parental Pay (ShPP)
- Statutory Parental Bereavement Pay (SPBP)
- Statutory Neonatal Care Pay (SNCP)

All of the above will follow the same structure, with a rate of:

£187.18 or 90% of the employee's average weekly earnings, whichever is lower.



Small Employers Relief and Compensation

For employers whose total Class 1 National Insurance contributions (employee and employer) were under £45,000 in the previous tax year, the Small Employers' Relief will be enhanced:

Key Information:

- Employers will be able to recover 100% of statutory payments such as Maternity Pay, Paternity Pay, and Adoption Pay, with an additional 8.5% compensation.
- The £45,000 threshold for qualifying employers remains unchanged.

Find out more:

At Downham Associates we have subject matter experts to make sure you are getting the best advice for you and your business.



Employees personal Tax Free Allowance:

The employee personal tax-free allowance for the 2025/2026 tax year remains unchanged from the previous year. Here's an overview of the key details:

Key Information:

The employee personal tax-free allowance for the 2025/2026 tax year remains £12,570 per year (£1,048 per month, £242 per week).

This will remain frozen until April 2028, with no increases for inflation. The standard tax code is 1257L, though it may vary based on personal circumstances.

Find out more:

At Downham Associates we have subject matter experts to make sure you are getting the best advice for you and your business.



P11d's / Payrolling benefits: Deadline & new from 2026-27:

Starting in the 2026/27 tax year, P11Ds will no longer be issued.

Here's what you need to know about the transition to payrolling employee benefits.

Key Information:

P11Ds report benefits in kind, like company cars or private health insurance. The 2025/26 tax year will be the last for P11Ds, as from April 2026, all benefits will be processed through payroll. If you're still receiving P11Ds, we'll contact you about transitioning to payrolling benefits. For the 2024/25 tax year, P11Ds must be submitted to HMRC by July 6th, and we'll reach out from April to collect the required information.

Looking Ahead:

As the new tax year begins, staying updated on payroll changes is crucial for compliance and smooth operations. If you have questions or need assistance, our team is here to help with the transition.

**Contact our specialist
Payroll team today:**

07/07

Payroll@downhamassociates.co.uk
01254 933933