Pre-release information: 2020 Opera 3 Payroll Upgrade

This release includes the statutory payroll changes for the 2019-20 year-end and the new 2020-21 tax year.

Product versions

- Opera 3 (2.70) – All variants
- Pegasus Scheduler (2.20.20)

There is no upgrade to Online Filing Manager this year. Users should continue to use Online Filing Manager (4.01) to send RTI submissions to HMRC.

Payroll changes

<u>Statutory Parental Bereavement Pay and Leave</u>

Parents and primary carers who suffer the loss of a child will be entitled to at least two weeks paid parental bereavement leave from April 2020.

<u>Employment Allowance (EA)</u>

From 6 April 2020, the EA will be restricted to only those employers who have incurred a secondary Class 1 NICs liability of less than £100,000 in the tax year immediately prior to the year of claim. As a result of this restriction to the eligibility for the EA, the allowance will, from 6 April 2020, be operated as de minimis State aid.

<u>Holiday pay average</u>

The Government has legislated to increase the holiday pay reference period from 12 to 52 weeks. This change is designed to even out the seasonal variation in pay for many casual workers. Alongside this change, the Government has also clarified that the holiday pay reference period should include as many whole weeks of pay information as are available (if less than 52 weeks). Opera payroll will be enhanced to cater for the changes to holiday pay average calculation. In addition, Opera will be further enhanced to permit the employer to calculate the 'daily average' for holiday pay based on a configurable ‘number of working days in the week’ (currently Opera always assumes the employee works a 5-day week for calculation of the daily average). NOTE: In Opera payroll, these changes will only be applied to the weekly paid employees.

Off-payroll working in the private sector

The off-payroll working rules can apply if a worker provides their services through an intermediary. An intermediary will usually be the worker’s own personal service company (PSC). They could also be a partnership, a managed service company, or an individual.

The rule change ensures that such workers who work in the private sector for medium and large sized organisations, and who would have been an employee if they were providing their services directly to the client, pay broadly the same income tax and National Insurance contributions as employees. These rules are sometimes known as ‘IR35’. The rule already applies within the public sector.

The ‘fee-payer’ (e.g. the private sector client whom the off-payroll worker is working for) will have to deduct income tax and NI contributions from the payment that is due to be paid to the worker. The income tax and NI will then be paid over to HMRC as per other employees. The amount the off-payroll worker is paid will be reduced by the employee’s income tax and NI contributions as deducted by the fee-payer.

Termination, and sporting testimonial, payments

Currently for termination payments, no income tax or NI contributions are applied up to £30,000 (the HMRC threshold for such payments). For any such payment that exceeds £30,000, the amount above the £30,000 is subject to income tax (the employee must pay income tax; however, the excess amount is still not subject to employee or employer NI contributions).

From 6 April 2020 onwards, the government is introducing a Class 1A NICs liability on non-contractual “cash” (or cash equivalent) on termination payments over a £30,000 threshold. For sporting testimonial payments, the threshold is set at £100,000.

These changes mean that in addition to the employee having to pay tax on any excess amount above the associated threshold, the employer will now have to pay Class 1A NI contributions on that excess amount too (at a rate of 13.8%), with such Class 1A contributions having to be included in the employee's RTI Full Payment Submission (FPS) record. NOTE: Class 1A NICs are an employer liability (they are not paid by the employee).

Payrolled company car benefits

HMRC require the date the car was first registered and to record the zero-emission miles before exhaust emissions start. NOTE: the changes only apply where the benefit is being payrolled (the tax implications of the benefit are dealt with through payroll, and not via a P11D).

FPS in place of an EYU

Where an employer is required to make amendments to an employee's payroll figures for the previous tax year, HMRC will continue (during the 2020/21 tax year) running a pilot whereby, instead of an employer being forced to use an Earlier Year Update (EYU) online submission to make such amendments, the employer can instead send a Full Payment Submission (FPS) again for the final period of the last tax year.

Opera payroll will be split into two phases:

- Phase 1 will be delivered as part of this release and will allow for the configurable archiving of employee end-of-year (EOY) summary payroll data and the ability to view and report on that archived data (by use of new *Tax Year History* capability).

- Phase 2, which will be delivered during 2020, will introduce the ability to then revise employee EOY summary data (for a specific prior tax year) and to then be able to submit that revised data via a prior year FPS to HMRC, instead of having to use the EYU to make revisions to an employee's FPS data for a prior tax year.

Statutory rates, bands, etc.

It is anticipated that there will be the usual adjustments to tax and NI bands/rates, statutory payment amounts, auto-enrolment thresholds, etc. The budget for the UK (England and Northern Ireland) has been confirmed for 11th March 2020. The dates for the budgets for Scotland and Wales are yet to be confirmed.

Student loan plan1 thresholds will rise to £19,390 (currently £18,935); Plan 2 loans will rise to £26,575 (currently £25,725); the deduction rate (9%) remains unchanged. The threshold and rate for postgraduate loans both remain unchanged.

SE payroll Update DIP

Specifically, for Opera 3 SQL SE, the payroll Update process has been converted to a Data Intensive Process (DIP), thus allowing the Update to be run server-side and be scheduled to run when required.

Non payroll changes

Making Tax Digital – fraud prevention amendments

Any sites that require Making Tax Digital functionality that have not been upgraded to Opera 3 (2.63.00), will need to be upgraded to this release in readiness for the new Making Tax Digital fraud header amendments. HMRC have still to confirm when they will start to validate VAT Returns with these new amendments.