

Employment Allowance April 2014



Some notes from HMRC's Guide for Employers:-

The Employment Allowance is available from 6 April 2014 to reduce your employer Class 1 NICs by up to £2,000 each tax year.

You can claim the Employment Allowance if you are a business that pays employer Class 1 NICs on your employees' or directors' earnings.

You can only claim the £2,000 Employment Allowance against one PAYE scheme - even if your business runs multiple schemes.

How to claim your Employment Allowance

You can use your own 2014 to 2015 payroll software or HM Revenue and Customs' (HMRC's) Basic PAYE Tools for 2014 to 2015 to claim.

When you make your claim, you reduce your employer Class 1 NICs payment by an amount of Employment Allowance equal to your employer Class 1 NICs due, but not more than £2,000 per year.

For example, if your employer Class 1 NICs are £1,200 each month, in April your Employment Allowance used will be £1,200 and in May £800, as the maximum is capped at £2,000.

Exemptions from entitlement to claiming the Employment Allowance for connected companies

If, at the start of the tax year, two (2) or more companies are connected with each other and those companies would otherwise each be entitled to the Employment Allowance, only one of those companies can qualify for the Employment Allowance for that tax year. It is up to the companies concerned to decide which one of them will qualify for the Employment Allowance.

When I make my first payment of PAYE or employer Class 1 NICs can I claim the full Employment Allowance straight away?

Yes - but only if your total employer Class 1 NICs Liability is £2,000 in the first month that you use your allowance. This is because you can **only** use the allowance against your employer Class 1 NICs when the liability arises. The amount of allowance you can claim for each payment period must be the same as your employer Class 1 NICs liability for the same period - subject to the £2,000 Employment Allowance annual maximum.

If you use up your full £2,000 Employment Allowance before the end of the tax year, you must pay any remaining employer Class 1 NICs liability to HMRC.

Example You make your claim for the Employment Allowance in April.

You pay your employees monthly and your total Class 1 NICs liability is £200 (per month).

Because your monthly liability is £200, you will have used your full allowance (£2,000) by month 10 in the tax year. You will need to pay your liability for employers Class 1 NICs for month 11 and 12 to HMRC.