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Devolution and Brexit – the impact on payroll

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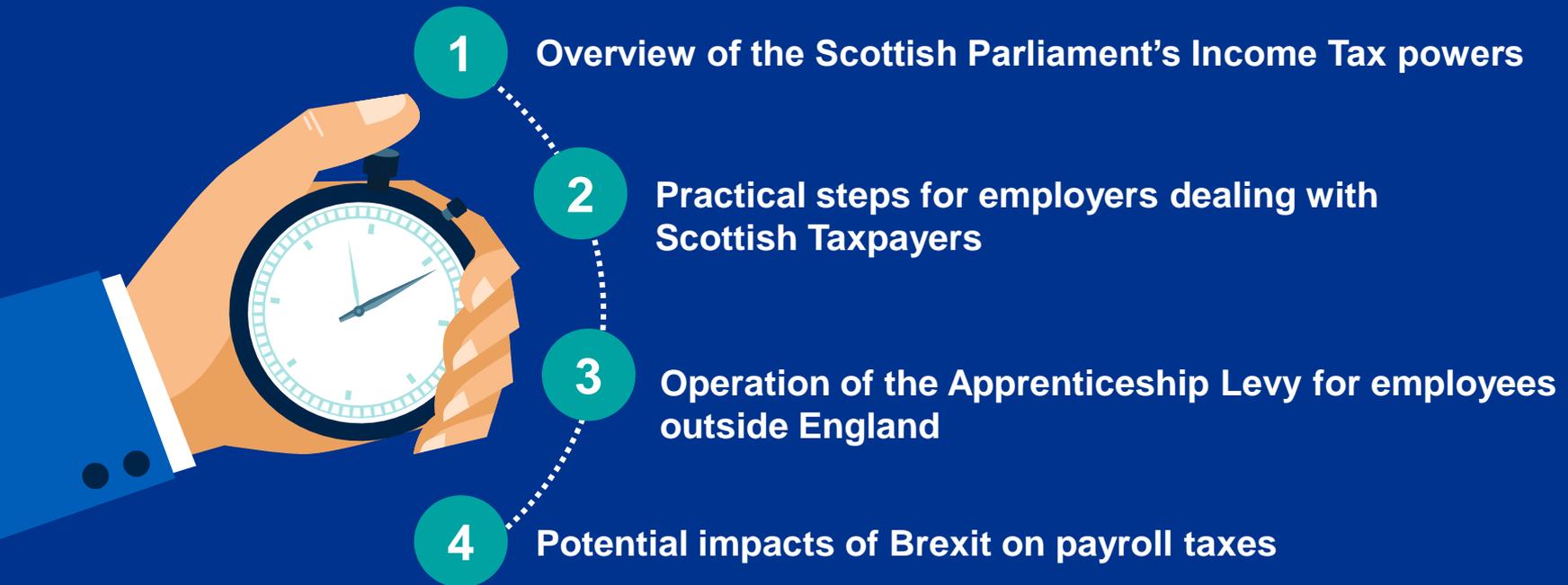


Devolution, Brexit and the impact on payroll

CIPP conference

October 2017

Agenda





Overview of the Scottish Parliament's Income Tax powers

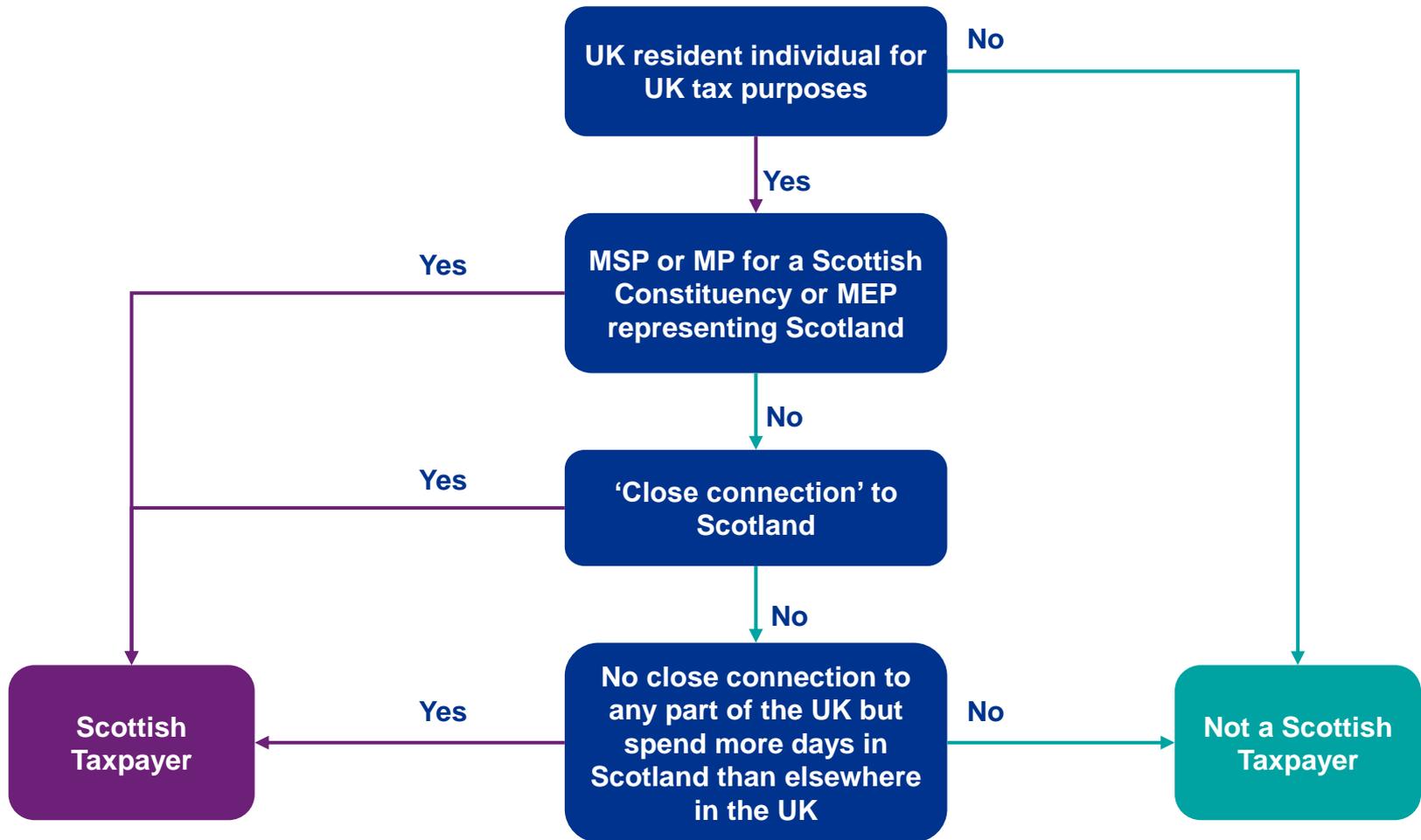
Income tax for Scottish Taxpayers



- Income tax remains under the care and management of HMRC
- From **6 April 2016** the UK basic, higher and additional rates (i.e. the main rates) of income tax ceased to apply to the **non-savings income** of ‘Scottish Taxpayers’
- From **6 April 2017**, the Scottish Government has power to vary income tax rates and bands
- The non-savings income of ‘Scottish Taxpayers’ is instead subject to the Scottish basic, higher and additional rates.
- However, UK wide income tax rates continue to apply to:
 - savings income; and
 - dividend income
- For 2017/18 the income tax rates applying to non-savings income for Scottish Taxpayers are:

Bands	Scottish taxpayers	Other UK taxpayers	Rates
Personal allowance	£11,500	£11,500	
Basic	£0 - £31,500	£0 - £33,500	20%
Higher	£31,501 - £150,000	£33,501 - £150,000	40%
Additional	>£150,000	>£150,000	45%

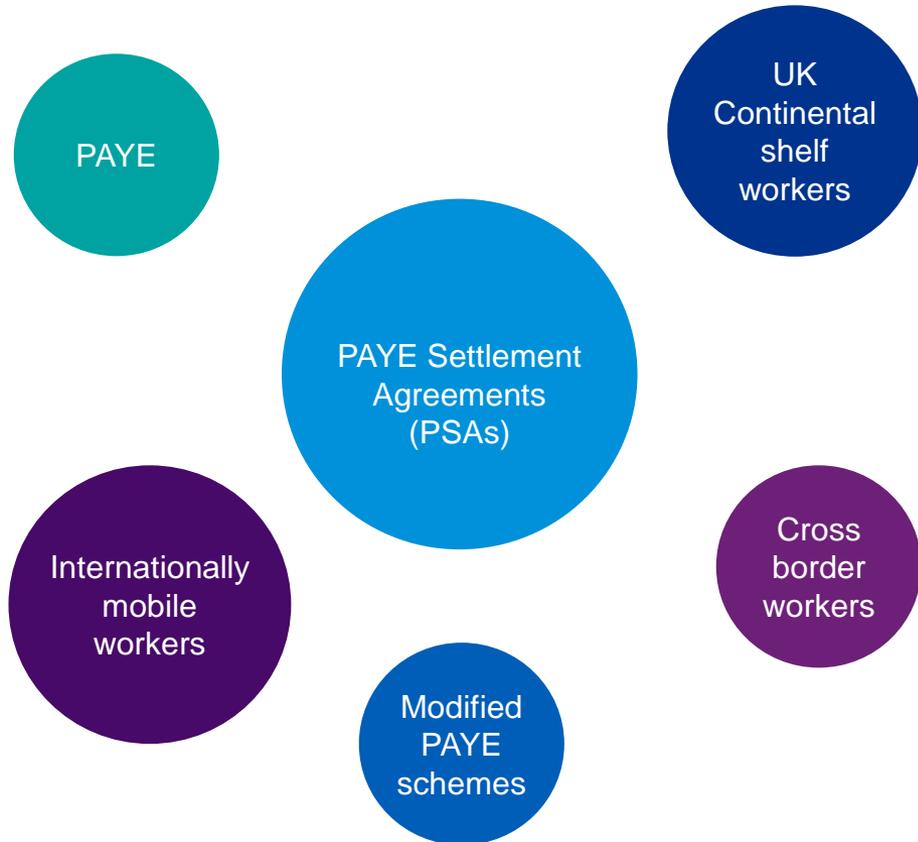
Who is a 'Scottish Taxpayer'? - Overview





Practical steps for employers dealing with Scottish Rate of Income Tax

What do employers need to consider?



Income Tax in Wales



- From **6 April 2019**, the National Assembly for Wales will be able to vary the rates of income tax payable by Welsh taxpayers
- “Welsh Taxpayers” will be defined using similar rules to Scottish Taxpayers
- Income tax remains under care and management of HMRC
- The non-savings income of Welsh Taxpayers will be subject to the Welsh basic, higher and additional rates.
- UK wide income tax rates will continue to apply to savings and dividend income
- The Welsh Assembly will have no powers to vary the level of income tax bands or allowances
- There is no statutory restriction on the level at which “Welsh Rates of Income Tax” WRIT may be set
- Different WRIT can be set for the basic, higher and additional rates of income tax
- The Welsh Government has committed not to increase income tax rates in Wales for the duration of the current Assembly, which is due to continue until May 2021.

Illustrative calculation of Welsh rates of income tax

Income Tax Band	UK main rate (%)	Deduct 10pp	Add WRIT (pp)	Welsh main rates (%)
Basic	20	(10)	5	15
Higher	40	(10)	5	35
Additional	45	(10)	15	50

Income Tax in Northern Ireland



- The Northern Ireland Assembly currently has no income tax raising powers nor the ability to alter income tax rates and bands



Operation of the Apprenticeship Levy for employees outside England

Apprenticeship Levy (AL)

- Effective from 6 April 2017
- Payable by employers with an annual “Pay Bill” in excess of £3m, at a rate of 0.5%
- Collected via Real Time Information (RTI)
- Payment conditions are the same throughout the UK
- Different rules on how AL can be spent in each of the UK nations:
 - England
 - Levy payers can use their levy contributions to fund apprenticeship training (individuals working in England for 50% or more of their time)
 - Digital voucher system
 - Scotland, Wales and Northern Ireland
 - Skills training is a devolved matter
 - AL revenue paid direct to UK Government.
 - Devolved administrations have no visibility of AL paid in respect of employees living in their jurisdictions
 - No online accounts or digital voucher systems
 - Employers unable to use AL contribution to pay for apprenticeship training



Apprenticeship Levy

- How do employers know how the funding will be split?
 - HMRC calculation of the “English fraction”
 - Employers can use funds to purchase apprenticeship training for workers who “usually work” in England





Potential impacts of Brexit on payroll taxes

Brexit

- Immigration
- Social security
 - Changes in approach to issuing certificates of coverage from some European social security authorities
- Employment law changes?
- Impact on people strategy?





Thank you



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