



Employment essentials

Tax facts guide

Understand tax legislation and know the current rates for 2022/23.

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The Forum of Private Business is one of the UK’s leading membership organisations, providing help and support to Britain’s small and medium-sized businesses.

We’ve provided businesses with essential guidance and an active voice in local and national government for **over 40 years**. Our membership is made up of businesses from every sector.

National Insurance 2022/2023

You can only make National Insurance deductions on earnings above the Lower Earnings Limit (LEL).

Class 1 National Insurance thresholds

Pay Frequency	Lower Earnings Limit (LEL)	Primary Earnings Threshold (PT)	Secondary Earnings Limit (SL)	Upper Earnings Limit (UEL)
Weekly	£123	£190	£175	£967
Monthly	£533	£823	£758	£4,189
Annual	£6,396	£9,880*	£9,100	£50,270

Employee National Insurance (primary deductions) is deducted from their pay through PAYE. Employer National Insurance (secondary deductions) is sent to HMRC as part of your PAYE bill.

*In the Spring Budget, the primary threshold for National Insurance will be aligned to the tax free allowance from July 2022. This means the annual National Insurance Primary Threshold will increase from £9,880 to £12,570 from July 2022.

Class 1 National Insurance rates

National Insurance category letter	Primary Deductions		Secondary Deductions	
	Employee Earnings Above PT and including UEL	Employee Earnings above UEL	Employer Earnings above ST and including UEL	Employer Earnings above UEL
A Standard Rate	13.25%	3.25%	15.05%	15.05%
B Reduced Rate	7.1%	3.25%	15.05%	15.05%
C Above SPA	0%	0%	15.05%	15.05%
H (apprentice <25)	13.25%	3.25%	0%	15.05%
J (deferment)	3.25%	3.25%	15.05%	15.05%
M (under 21)	13.25%	3.25%	0%	15.05%
Z (deferment <21)	3.25%	3.25%	0%	15.05%

The increased National Insurance contribution of 1.25% from 6 April 2022 is helping fund the NHS, health and social care.

Class 1A National Insurance

Class 1A is paid by the employer for benefits provided to employees, such as company cars and health insurance in 2022/2023 at a rate of **15.05%** on most taxable benefits. Contributions must be paid by the 19th July if posted or the 22nd July if electronic payment method is used. This will also apply even where benefits have been pay rolled in the 2022/2023 tax year.

Class 1B National Insurance

Class 1B is paid by the employer for PAYE Settlement Agreements (PSA) in 2022/2023 at a rate of **15.05%** on most taxable benefits. A PSA allows you to make one annual income payments to cover minor, irregular or impractical expenses or benefits for your employees. Contributions must be paid by the 19th October if posted or the 22nd October if electronic payment method is used.

Self Employed National Insurance rates

There are two types of National Insurance if you're self employed.

Class	You pay
Class 2 - if your profits are above £6,725	£3.15 per week
Class 4 - if your profits are above £9,880	10.25% of profits £9,880-£50,270 3.25% of profits above £50,270

Employment Allowance

The Employment Allowance scheme enables eligible businesses to receive a reduction of up to £5,000 each year on their employers Class 1 National Insurance Contributions.

You can claim through your payroll system by putting a 'yes' in the 'Employment Allowance' indicator field next time you send an employment payment summary.

Statutory Maternity, Paternity, Adoption, Shared Parental and Parental Bereavement Pay

The rates below apply from 6th April 2022.

Type of payment	2022-2023 rate
Statutory Maternity Pay - weekly rate for the first 6 weeks	90% of average weekly earnings
Statutory Maternity Pay - remaining 33 weeks	£156.66 per week or 90% of average weekly earnings (whichever is lower)
Statutory Paternity Pay	£156.66 per week or 90% of average weekly earnings (whichever is lower)
Statutory Adoption Pay - weekly rate for the first 6 weeks	90% of average weekly earnings
Statutory Adoption Pay - remaining 33 weeks	£156.66 per week or 90% of average weekly earnings (whichever is lower)
Statutory Shared Parental Pay	£156.66 per week or 90% of average weekly earnings (whichever is lower)
Statutory Parental Bereavement Pay	£156.66 per week or 90% of average weekly earnings (whichever is lower)

As an employer you can recover your payments from HMRC. You can claim 92% if your total Class 1 National Insurance (employer and employee contributions) is above £45,000 for the previous tax year. You can claim 103% if your total Class 1 National Insurance for the previous year is £45,000 or lower.

Statutory Sick Pay (SSP)

To be eligible for SSP, an employee must earn at least £120 per week. SSP can be paid for a maximum of 28 weeks. Statutory Sick Pay cannot be reclaimed.

2022-2023	
Standard rate	£99.35 per week

National Minimum Wage and National Living Wage

Rate	April 2021	April 2022
National Living wage - adults aged 23 and above	£8.91	£9.50
21-22 year old rate	£8.36	£9.18
18-20 year old rate	£6.56	£6.83
16-17 year old rate	£4.62	£4.81
Apprentice rate	£4.30	£4.81

Income Tax rates and thresholds 2022/23

England, Wales and Northern Ireland	Tax rate %	Taxable Income
Personal allowance	0%	up to £12,570
Basic rate	20%	£12,571 to £50,270
Higher rate	40%	£50,271 to £150,000
Additional rate	45%	over £150,000

Scotland	Tax rate %	Taxable Income
Personal allowance	0%	up to £12,570
Starter rate	19%	£12,571 to £14,732
Basic rate	20%	£14,732 to £25,688
Intermediate rate	21%	£25,688 to £43,662
Higher rate	41%	£43,662 to £150,000
Top rate	46%	over £150,000

Personal Income Tax Allowances 2022/23

This allowance is given in addition to the standard personal allowance of £12,570. HMRC will provide each of your employees with a tax code and your payroll system will calculate the National Insurance to deduct.

Income Limit for Personal Allowance	£100,000
Married Couples/Civil Partnership Allowance: born before 6th April 1935	
Maximum amount	£9,415
Minimum amount	£3,640
Income Limit for Married Couples/Civil Partnership Allowance	£31,400
Married Allowance (Transferable Tax Allowance)*	£1,260
Blind Persons Allowance	£2,600
Dividends Allowance	£2,000
Personal Savings Allowance for Basic Rate Tax Payers	£1,000
Personal Savings Allowance for Higher rate Tax Payers	£500

*Transferable tax allowance: This allowance is for the transfer of an unused portion of a PAYE tax payers tax free allowance to their spouse, up to the value of £1,260 (10% of the personal allowance) for 2022/2023. Applies to basic tax payers only.

Auto Enrolment Pension Scheme

Rate	Employer Minimum contribution	Staff Contribution	Total contribution
Rate from 6th April 2019	3%	3%	8%

By law a total minimum amount of contributions must be paid into the scheme. You, the employer, must make at least the minimum employer contribution towards this amount and your staff member must make up the difference. If you decide to cover the total minimum contribution required, your staff won't need to pay anything.

The amount you and your staff pay into your pension scheme will vary depending on the type of scheme you have chosen and the rules of that scheme. Your staff contribution may also vary depending on the type of tax relief applied by your scheme. You can find this information in the scheme documents sent to you when you set up the pension scheme or you can speak to your pension provider.

Pension Scheme Allowance

A UK resident taxpayer under the age of 75, you can contribute up to the annual allowance of £40,000 into your pensions, while still receiving tax relief. The annual allowance applies across all of the schemes you belong to, it's not a 'per scheme' limit and includes all of the contributions that you or your employer pay or anyone else who pays on your behalf.

The Tapered Annual Allowance

The Tapered Annual Allowance (TAA) came into force as of 6th April 2016, limiting the amount of tax relief for high earners.

You will only be affected by TAA if you meet both of the following criteria:

- your 'threshold income' is above £200,000 **and**
- your 'adjusted income' is above £240,000.

It can be quite complicated to work out your threshold and adjusted income. You may wish to speak to a financial or tax adviser. Help can also be found on the government website,

<https://www.gov.uk/guidance/pension-schemes-work-out-your-tapered-annual-allowance>

For every £2 of 'adjusted income' above £240,000 p.a, £1 of annual allowance will be lost. For example, if your adjusted income was £280,000 your annual allowance would be reduced to £20,000.

This 'tapering' stops at £312,000, so everyone will retain an allowance of at least £4,000.

If you are affected by the TAA, you will still be able to carry forward unused Annual Allowance from previous tax years and if your income subsequently drops to below the threshold you will be restored to the normal Annual Allowance for that tax year.

Company Cars

For employees HMRC considers a company care as a benefit in kind know as BiK for short. This is therefore a valuable perk over and above the employee's salary. The employer will deduct any company tax due to HMRC at the source. Vehicles are taxed a different rates depending upon:

- Taxable value of the vehicle/P11D value
- How much Carbon Dioxide the car emits (calculation is value of the care plus VAT, delivery less the cost of the 1st registration and rad tax) use GOV.uk company car and car fuel benefit calculator **www.gov.uk/update-company-car-details**
- Fuel type of the car (petrol, diesel, hybrid or electric)
- Income Tax bracket (basic higher or additional rate bands)

The tables below shows future BiK tax bands (also known as company car tax) based on CO2 emissions of your vehicle. The Chancellor, Rishi Sunak, announced new company car tax rates, where company car tax rates published in 2019 will be adopted and frozen at 2022/23 levels for an additional two years.

Company car Benefit-in-Kind (BiK) tax bands

Cars registered BEFORE 6th April 2020:				
CO2 (g/km)	Electric range (miles)	2020-21 (%)	2021-22 (%)	2022-23 (%)
0	N/A	0	1	2
1-50	>130	2	2	2
1-50	70-129	5	5	5
1-50	40-69	8	8	8
1-50	30-39	12	12	12
1-50	<30	14	14	14
51-54		15	15	15
55-59		16	16	16
60-64		17	17	17
65-69		18	18	18
70-74		19	19	19
75-79		20	20	20
80-84		21	21	21
85-89		22	22	22
90-94		23	23	23
95-99		24	24	24
100-104		25	25	25
105-109		26	26	26
110-114		27	27	27
115-119		28	28	28
120-124		29	29	29
125-129		30	30	30
130-134		31	31	31
135-139		32	32	32
140-144		33	33	33
145-149		34	34	34
150-154		35	35	35
155-159		36	36	36
160+		37	37	37

Cars registered FROM 6th April 2020:				
CO2 (g/km)	Electric range (miles)	2020-21 (%)	2021-22 (%)	2022-23 (%)
0	N/A	0	1	2
1-50	>130	0	1	2
1-50	70-129	3	4	5
1-50	40-69	6	7	8
1-50	30-39	10	11	12
1-50	<30	12	13	14
51-54		12	14	15
55-59		14	15	16
60-64		15	16	17
65-69		16	17	18
70-74		17	18	19
75-79		18	19	20
80-84		19	20	21
85-89		20	21	22
90-94		21	22	23
95-99		22	23	24
100-104		23	24	25
105-109		24	25	26
110-114		25	26	27
115-119		26	27	28
120-124		27	28	29
125-129		28	29	30
130-134		29	30	31
135-139		30	31	32
140-144		31	32	33
145-149		32	33	34
150-154		33	34	35
155-159		34	35	36
160-164		35	36	37
165-169		36	37	37
170+		37	37	37

Company car tax rates for 2023-24 and 2024-25 will be kept at 2022-23 rates

* Add 4% for diesels up to a maximum of 37% (unless RDE2 compliant). Diesel plug-in hybrids are classed as alternative fuel vehicles, so the 4% diesel supplement does not apply to these vehicles irrespective of RDE2 compliance.

Car Fuel Benefit charges

When a company car or fuel is used for personal use by an employee, this is deemed to be a benefit in kind, and therefore the employee must pay tax on that benefit. The charge for tax for fuel provided for private use in a company car is based on the same percentage in the previous tables for petrol and diesel rates. Multiplied by a fixed value of £25,300 for 2022/2023.

Van and Van Fuel Benefit charges

If a company van is available for an employees personal use, then Van Benefit is chargeable and tax is to be paid on this. From 6th April 2022 van benefit charge has increased to £3,600 per year for 2022/23.

If the company pay for private use of fuel, the fuel benefit tax will also apply which for 2022/23 is £688 per year.

There will be zero van benefit charge for vans that produce zero carbon emissions. This legislation took effect from 6th April 2021.

Employees must pay tax on these benefits at their usual tax rate.

Advisory Fuel Rates for Company Cars

Engine Size	Petrol	LPG	Engine Size	Diesel
1400cc or less	13p	8p	1600cc or less	11p
1401cc 2000cc	15p	10p	1601cc 2000cc	13p
Over 2000cc	22p	15p	over 2000cc	16p

Hybrid cars are treated as either petrol or diesel cars for this purpose. For the most up to date figure refer to www.gov.uk/government/publications/advisory-fuel-rates

Advisory Electricity Rate

Electricity is not a fuel for car fuel benefit purpose and the rate for a fully electric car is 5p per mile.

Private Vehicle Authorised Rates

Vehicle	per mile	Notes
Cars	45p	Up to 10,000 miles in the tax year
	25p	Additional miles
	5p	Each qualifying passenger if paid by employer
Motor cycles	24p	
Pedal cycles	20p	
Passenger Payments	5p	Only if paid by the employer

Student Loan Deductions

From 6th April 2022, **Plan Type 1**, repayments will commence when their income is £20,195.

For **Plan Type 2** repayments will commence when their income is over £27,295

Plan Type 4 repayments commence when their income is £25,375.

Deductions are 9% over the threshold.

Trivial Benefits

No tax is paid on a benefit for an employee if all the following apply

- It cost the employer £50 or less to provide
- It is not cash or cash voucher
- It is not a reward for the work or performance
- It is not in the terms of the contract of employment

This is known as a trivial benefit – there is no tax or National Insurance applicable and you HMRC do not need to be made aware. Tax will be applicable it is above the above.

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