

United Kingdom

Rates and Allowances 2020/21

An overview of payroll-related rates and allowances for tax year 2020/21




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Introduction

The UK tax year runs from the 6th of April in one calendar year to 5th of April in the following calendar year. There are many essential facts and figures that are necessary for payroll operation, all of which are reviewed at or near the start of a new tax year.

UK payroll professionals must familiarise themselves with these facts and figures to ensure they are able to perform the two overriding payroll functions – paying workers on time and accurately.

The Global Payroll Association has compiled the following information as a guide for UK payroll professionals for tax year 2020/21. This is not intended to be a comprehensive interpretation or explanation of the legislation. For information, where a rate or allowance applies UK-wide, this is represented by the Union Flag symbol 

Income Tax

The Personal Allowance (UK-wide)

Tax Allowance	2019/20	2020/21	Change
	£	£	£
Personal Allowance	12,500	12,500	+0
Income limit	100,000	100,000	0

The Emergency Tax Code (UK-wide)

The Emergency code for the whole of the UK is 1250L and this can be operated on a cumulative of non-cumulative basis (week 1 / month 1).

The Marriage Allowance (UK-wide)

The Marriage Allowance is 10% of the Personal Allowance, rounded up if necessary:

Tax Allowance	2019/20	2020/21	Change
	£	£	£
Marriage Allowance	1,250	1,250	+60

Tax suffixes M and N are used where couples have decided to transfer (N) or receive (M) allowances using the Marriage Allowance.

Tax Code Uplifts (UK-wide)

Tax codes are usually uplifted when tax allowances change from one tax year to the next. There were no changes to the Personal Allowance or Marriage Allowance values so the following uplifts will apply from the first payday in tax year 2020/21:

Suffix	Change	Change
	£	Points
L	0	0
M	0	0
N	0	0

Other Allowances (UK-wide)

Tax Allowance	2019/20	2020/21	Change
	£	£	£
The Married Couple's Allowance			
• Maximum	8,915	9,075	+160
• Minimum	3,450	3,510	+60
• Income Limit	29,600	30,200	+600
Blind Person's Allowance	2,450	2,500	+60
Personal Savings Allowance			
• Basic Rate taxpayers	1,000	1,000	0
• Higher Rate taxpayers	500	500	0

Rates and Thresholds

For payroll, the UK is split into three tax regimes:

1. rUK taxpayers (largely (but not totally) taxpayers resident in England or Northern Ireland)
2. Welsh taxpayers (largely (but not totally) taxpayers resident in Wales). The Welsh Rates of Income Tax (WRIT) are the rates that apply in the rUK less 10% plus the rates that they set independently of the rUK. The WRIT is payable on the earnings thresholds that apply in the rUK
3. Scottish taxpayers (largely (but not totally) taxpayers resident in Scotland)

Tax Rates (rUK Taxpayers)

Band	Rate
	%
Basic	20
Higher	40
Additional	45

Tax Rates (Welsh Taxpayers)

Band	Rate	Less	Plus WRIT	Rate
	%	%	%	%
Basic	20	10	10	20
Higher	40	10	10	40
Additional	45	10	10	45

Tax Thresholds (rUK and Welsh taxpayers)

Band	2019/20	2020/21	Change
	£	£	£
Basic	1 – 34,500	1 – 37,500	0
Higher	34,501 to 150,000	37,501 to 150,000	0
Additional	Over 150,000	Over 150,000	0

The Higher Rate threshold for 2020/21 is £50,000. This is the value of the UK-wide Personal Allowance plus the Basic Rate Threshold (£37,500). So the following table is a clearer table of the Income Tax “bracket” that rUK and Welsh Taxpayers fall into:

Band	Rate	2019/20	2020/21	Change
	%	£	£	£
Basic	20	1 – 50,000	1 – 50,000	0
Higher	40	50,001 – 150,000	50,001 – 150,000	0
Additional	45	Over 150,000	Over 150,000	0

Scottish Tax Rates and Thresholds

There are no differences in the rates of tax that applied in 2019/20:

Band	Rate
	%
Scottish Starter	19
Scottish Basic	20
Scottish Intermediate	21
Scottish Higher	41
Scottish Top	46

The following thresholds apply to each of the above rates of Income Tax:

Band	2019/20	2020/21	Change
	£	£	£
Scottish Starter	1 – 2,049	1 – 2,085	+36
Scottish Basic	2,050 – 12,444	2,086 – 12,658	+178
Scottish Intermediate	12,445 – 30,930	12,659 – 30,930	-214
Scottish Higher	30,931 – 150,000	30,931 – 150,000	0
Scottish Top	Over 150,000	Over 150,000	0

The Higher Rate threshold for 2020/21 is unchanged from 2019/20 at £43,430. This is the value of the UK-wide Personal Allowance and the Intermediate Rate Threshold (£30,930). The following table is a clearer indication of the Income Tax “bracket” that Scottish Taxpayers fall into:

Band	2019/20	2020/21	Change
	£	£	£
Scottish Starter	12,501 – 14,549	12,501 – 14,585	+36
Scottish Basic	14,550 – 24,944	14,586 – 25,158	+178
Scottish Intermediate	24,945 – 43,430	25,159 – 43,430	-214
Scottish Higher	43,431 – 150,000	43,431 – 150,000	0
Scottish Top	Over 150,000	Over 150,000	0

National Insurance

Thresholds

	Tax Year	Weekly	Fortnightly	Four-weekly	Monthly	Annual
		£	£	£	£	£
Lower Earnings Limit (LEL)	19/20	118	236	472	512	6,136
	20/21	120	240	480	520	6,240
Primary Threshold (PT)	19/20	166	332	664	719	8,632
	20/21	183	366	731	792	9,500
Secondary Threshold (ST)	19/20	166	332	664	719	8,632
	20/21	169	338	676	732	8,788
Upper Earnings Limit (UEL)	19/20	962	1,924	3,847	4,167	50,000
	20/21	962	1,924	3,847	4,167	50,000

The Upper Secondary Threshold (UST) for employees under 21 and the Apprentice Upper Secondary Threshold (AUST) for relevant apprentices under 25 are aligned to the value of the UEL in 2021/21.

Rates

These do not include the rates that apply to mariners and are unchanged from 2019/20:

Primary Contributions

Band	Standard	Pensioners	Reduced	Deferred
Table Letters	A / M and H	C	B	J / Z
Earnings up to LEL	NIL	NIL	NIL	NIL
Earnings between LEL and PT	0%	NIL	0%	0%
Earnings between PT and UEL	12%	NIL	5.85%	2%
Earnings above UEL	2%	NIL	2%	2%

Secondary Contributions (over 25)

Band	A, B, C and J
Earnings up to LEL	NIL
Earnings between LEL and ST	0%
Earnings between ST and UEL	13.8%
Earnings above UEL	13.8%

Age-Related Secondary Contributions (16 – 20)

Band	M and Z
Earnings up to LEL	NIL
Earnings between LEL and ST	0%
Earnings between ST and UST	0%
Earnings above UST	13.8%

Relevant Apprentice Secondary Contributions (under 25)

Band	H
Earnings up to LEL	NIL
Earnings between LEL and ST	0%
Earnings between ST and AUST	0%
Earnings above AUST	13.8%

Employment Allowance

Increased in 2020/21 from £3,000 (in 2019/20) to £4,000 for eligible employers.

Statutory Payments

Statutory Sick Pay (SSP)

Where Average Weekly Earnings (AWE) are equal to or above the Lower Earnings Limit of £120 per week:

Unrounded daily rates	Number of QDs in week	Number of days due						
		1	2	3	4	5	6	7
£		£	£	£	£	£	£	£
13.6928	7	13.70	27.39	41.08	54.78	68.47	82.16	95.85
15.9750	6	15.98	31.95	47.93	63.90	79.88	95.85	
19.1700	5	19.17	38.34	57.51	76.68	95.85		
23.9625	4	23.97	47.93	71.89	95.85			
31.9500	3	31.95	63.90	95.85				
47.9250	2	47.93	95.85					
95.8500	1	95.85						

The revised rate of SSP is payable from the first day of the new tax year (the 6th of April 2020).

Parental Pay Payments

The rates below are payable from the week that commences on the first Sunday of the 2020/21 tax year:

Rates effective from week starting on or after Sunday	5 th April 2020
Earnings Threshold (LEL)	£120
SMP / SAP weekly rate for first 6 weeks	90% AWE
Lesser of 90% AWE or the following Statutory rates: <ul style="list-style-type: none"> • SMP weekly rate for up to next 33 weeks • SAP weekly rate for up to next 33 weeks • SPP weekly rate • ShPP weekly rate • SPBP weekly rate (Great Britain only) 	£151.20
SMP, SAP, SPP, ShPP and SPBP optional daily rate	£21.60
Percentage of payment recoverable	92%
Percentage of payment recoverable (Small Employer's Relief)	100%
NI compensation recoverable under Small Employer's Relief	3%
Annual NICs threshold for Small Employer's Relief	£45,000

Benefits-in-Kind

Diesel Cars

For information, the diesel supplement increased from 3% to 4% from 06 April 2018. This does not apply if the car meets the Real Driving Emissions Step 2 (RDE2) standard.

Cars appropriate percentages

This is where the employee is provided with a company car that is available for significant private use. A new “structure” for applying Appropriate Percentages was introduced via the Finance Act in 2017. Plus, the Finance Act 2020 will make changes to the way that employers apply the Appropriate Percentages for company cars. This is because cars registered on or after the 6th of April will have CO₂ emissions determined by the Worldwide harmonised Light Vehicle Test Procedure (WLTP) rather than the current New European Driving Cycle (NEDC) measure.

This means the Appropriate Percentages that applied in 2019/20 cannot be readily compared to the ones that will apply in 2020/21. Therefore, we look at the Appropriate Percentages that applied in 2019/20 to start:

Appropriate Percentages		
CO ₂ emissions	<u>Petrol</u>	<u>Diesel*</u>
	%	%
Zero	16	20
1 - 50	16	20
51 - 75	19	23
76 - 94	22	26
95 - 99	23	27
100 - 104	24	28
105 - 109	25	29
110 - 114	26	30
115 - 119	27	31
120 - 124	28	32
125 - 129	29	33
130 - 134	30	34
135 - 139	31	35
140 - 144	32	36
145 - 149	33	37
150 - 154	34	
155 - 159	35	
160 - 164	36	
165 and over	37	

*diesel supplement only applies where the car is not Real Driving Emissions Step 2 (RDE2) compliant

2020/21

The new structure allowed for by the Finance Act 2017 splits the current 1 – 50 CO₂ band for plug-in hybrids and creates 5 sub-bands. It also require employers to gather information about the “electric miles” of the car. This is how many miles it can travel on a single charge in zero-emission mode.

The 51 – 75 CO₂ and 76 – 94 CO₂ bands are split to create 9 new bands. The 2020 Finance Act creates 2 sets of Appropriate Percentages for:

1. Cars registered before the 6th of April 2020 (using CO₂ emissions measured under NEDC)
2. Cars registered on or after the 6th of April 2020 (using CO₂ emissions measured under WLTP)

Cars registered before the 6th of April 2020

Appropriate Percentages			
CO ₂ emissions	Electric Range	Hybrid (electric range) / Petrol	Diesel*
0	N/A	0	4
1 – 50	>130	2	6
1 – 50	70 – 129	5	9
1 – 50	40 – 69	8	12
1 – 50	30 – 39	12	16
1 – 50	<30	14	18
51 – 54		15	19
55 - 59		16	20
60 – 64		17	21
65 – 69		18	22
70 – 74		19	23
75 – 79		20	24
80 – 84		21	25
85 – 89		22	26
90 – 94		23	27
95 – 99		24	28
100 – 104		25	29
105 – 109		26	30
110 – 114		27	31
115 – 119		28	32
120 – 124		29	33
125 – 129		30	34
130 – 134		31	35
135 – 139		32	36
140 – 144		33	37
145 – 149		34	
150 – 154		35	
155 – 159		36	
160 and over		37	

*diesel supplement only applies where the car is not Real Driving Emissions Step 2 (RDE2) compliant

Cars registered on or after the 6th of April 2020

Appropriate Percentages			
CO ₂ emissions	Electric Range	Hybrid (electric range) / Petrol	Diesel*
0	N/A	0	4
1 – 50	>130	0	4
1 – 50	70 – 129	3	7
1 – 50	40 – 69	6	10
1 – 50	30 – 39	10	14
1 – 50	<30	12	16
51 – 54		13	17
55 - 59		14	18
60 – 64		15	19
65 – 69		16	20
70 – 74		17	21
75 – 79		18	22
80 – 84		19	23
85 – 89		20	24
90 – 94		21	25
95 – 99		22	26
100 – 104		23	27
105 – 109		24	28
110 – 114		25	29
115 – 119		26	30
120 – 124		27	31
125 – 129		28	32
130 – 134		29	33
135 – 139		30	34
140 – 144		31	35
145 – 149		32	36
150 – 154		33	37
155 – 159		34	
160 - 164		35	
165 - 169		36	
170 and over		37	

*diesel supplement only applies where the car is not Real Driving Emissions Step 2 (RDE2) compliant

Car Fuel Benefit

Charge	2019/20	2020/21
	£	£
Car fuel benefit charge multiplier	24,100	24,500

Van and Van Fuel Benefit

Charge	2019/20	2020/21
	£	£
Van benefit charge	3,430	3,490
Van fuel benefit charge	655	666

Student Loans

2019/20 saw the introduction of the deduction of postgraduate loans (PGLs) through the payroll. This is in addition to Plans 1 and 2.

Annual thresholds

Plan	2019/20	2020/21
	£	£
1	18,935	19,390
2	25,725	26,575
PGL	21,000	21,000

The deduction percentage for Plans 1 and 2 stays at 9% on earnings above the thresholds. The deduction percentage for PGLs is 6%.

Per Pay Period Thresholds

Plan	Tax Year	Annual	Weekly	Fortnightly	Four-weekly	Monthly
		£	£	£	£	£
Plan 1	19/20	18,935	364.13	728.26	1,456.53	1,577.91
	20/21	19,390	372.88	745.76	1,491.53	1,615.83
Plan 2	19/20	25,725	494.71	989.42	1,978.84	2,143.75
	20/21	26,575	511.05	1,022.11	2,044.23	2,214.58
PGL	19/20	21,000	403.84	807.69	1,615.38	1,750.00
	20/21	21,000	403.84	807.69	1,615.38	1,750.00

National Minimum / Living Wage

For the first full pay reference period on or after the 1st of April 2020:

Rate	From April 2019	From April 2020	Change
	£	£	£
Adults (25+) aka the National Living Wage	8.21	8.72	+51p
Adult (21 – 24)	7.70	8.20	+50p
Youth Development (18 – 20)	6.15	6.45	+30p
16 – 17 Year Old (under 18 but over school leaving age)	4.35	4.55	+20p
Apprentice*	3.90	4.15	+25p

* For apprentices aged 16 to 18 and those aged 19 or over who are in their first year. All other apprentices are entitled to rate applicable for their age.

The Accommodation Offset daily rate increased by 65p from £7.55 to £8.20.

Pensions



Workplace Pensions / Auto-Enrolment

Annual thresholds

The Qualifying Earnings Band (QEB) values remain aligned to the Lower and Upper Earnings Limit. The Earnings Trigger is unchanged from 2019/20:

Annual Threshold	2019/20	2020/21
	£	£
QEB Lower Limit	6,136	6,240
QEB Upper Limit	50,000	50,000
Earnings Trigger	10,000	10,000

Pay Reference Period thresholds

	Weekly	2 Weekly	4 Weekly	Monthly	Quarterly	6 Monthly
	£	£	£	£	£	£
QEB Lower Limit	120	240	480	520	1,560	3,120
QEB Upper Limit	962	1,924	3,847	4,167	12,500	25,000
Earnings Trigger	192	384	768	833	2,499	4,998

Other

Allowances

Pensions Tax Relief		
	2019/20	2020/21
	£	£
Lifetime Allowance	1,055,000	1,073,100
Annual Allowance	40,000	40,000
Tapered Annual Allowance (adjusted income threshold)	10,000	4,000
Money Purchase Annual Allowance	4,000	4,000