



EMPLOYER'S £2,000 NIC ALLOWANCE

This valuable allowance is due to start for all businesses, charities and community association sports clubs, on 6 April 2014, and simply exempts the employer from the normal employer NICs of 13.8% of the earnings paid by setting off the allowance against monthly NIC payments.

The mechanics are that the allowance will be obtained via standard payroll software and HMRC's RTI system. A facility will be added to the RTI Employer Payment Summary referring to the allowance in the form of a 'yes/no' indicator, with payroll software providers doing the same. The employer then offsets the allowance against each monthly class 1 secondary NICs payment until fully claimed or the tax year ends.

For a small company rewarding working shareholders by way of dividends, the current thinking is that from 6 April 2014 it will usually be best to receive remuneration of £10,000 per annum instead of limiting it to the NIC secondary threshold of (currently) £7,696. This is because earnings of £10,000 will fully utilise the new level of personal allowance, whereas dividends effectively waste the allowance.

This is not an automatic relief and needs to be claimed, although this will be done by McLean Reid for payroll clients as part of our service.

For the following tax year the allowance will continue to be available against NICs as the liability arises during the year.

As usual, if we can help or further explain this please do ask, and as we do rely on clients' referrals for new business, please do not hesitate to pass this to a friend!