Broadcast

SPECIAL ISSUE

FACTSHEET: PAYROLL – NIC CHANGES FROM APRIL 2025

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Understanding the new National Insurance Contribution (NIC) changes from April 2025 and what impact this will have on payroll is key to your planning. What you need to know, what to do and how we can help is outlined below. The UK Government has announced significant changes and these changes will impact businesses of all sizes. We have summarised as follows:

Key National Insurance Contribution changes

Increase in Employer NIC Rate
The employer NIC rate will rise from 13.8% to 15%. This increase applies to all earnings above the secondary threshold, leading to higher payroll costs for businesses.

Reduction in the Secondary Threshold
The secondary threshold, which determines when employers start paying NICs, will decrease from £9,100 to £5,000 annually. Employers will begin paying NICs on lower earnings, further increasing their liability.

Increase in Employment Allowance
The Employment Allowance, which allows eligible employers to reduce their NIC liability, will increase from £5,000 to £10,500. Additionally, the removal of the £100,000 earnings cap will enable more businesses to qualify for this allowance.

Impact on you

For businesses with employees, these changes translate to higher costs:

Increased Payroll Expenses: Employers will face higher NIC liabilities due to the increased rate and reduced threshold. For instance, an employee earning £25,396.80 annually (based on a 40-hour workweek at the projected National Minimum Wage of £12.21 per hour) will incur approximately £3,059.51 in employer NICs, up from £2,027.94—an additional cost of £1,031.57 per employee per year.

Budget Adjustments: Businesses must revisit their financial plans to account for the increased payroll costs. Early budgeting and cash flow management will be essential to mitigate the impact.

Impact on Small Companies with Directors

The changes will also affect small companies, particularly those with directors:

Sole Directors
Companies with a sole director who is the only employee are ineligible for the Employment Allowance. These directors will experience a direct increase in NIC liabilities. For example, a sole director taking an annual salary of £12,570 will see their employer NICs rise from £479 to £1,136—an additional £657 annually.

Companies with Multiple Directors or Employees
Businesses with more than one director or additional employees may benefit from the increased Employment Allowance. For example, a company with two directors earning £12,570 each could offset their total NIC liability of £2,271 entirely, thanks to the £10,500 allowance.

Recommendations for Businesses

To help you navigate these changes, consider the following strategies:

Review Payroll Budgets
Assess the impact of the NIC changes on payroll expenses and adjust budgets accordingly.

Maximise Employment Allowance
Ensure if you are eligible to claim the increased Employment Allowance to offset higher NIC liabilities.

Explore Salary Sacrifice Schemes
Implement salary sacrifice arrangements, such as enhanced pension contributions, to reduce both employer and employee NICs. Ensure compliance with National Minimum Wage regulations when using these schemes.

Evaluate Employment Structures
For sole directors, consider whether hiring additional staff or restructuring operations could make them eligible for the Employment Allowance.

Communicate Early and Clearly
Let us provide tailored advice to help you adapt effectively.

Conclusion
The NIC changes coming into effect in April 2025 represent a significant shift in employer obligations. While these changes will increase costs for many businesses, proactive planning and strategic adjustments can help mitigate their impact. As we manage your payroll, our role is to guide you through these changes, ensuring compliance and stability. By staying informed and prepared, we can turn these challenges into opportunities for you.

Contact a member of our dedicated Payroll team who will be able to help you. Call us on **01753 888 211** or email **info@nhllp.com**. We are here to help.