

New Employment Allowance

The Employment Allowance is available from 6 April 2014 which may save employers up to £2,000 each tax year in respect of Class 1 NICs.

HMRC guidance is available from HMRC via this link <https://www.gov.uk/employment-allowance-up-to-2000-off-your-class-1-nics>

HMRC's guidance confirms that the employment allowance is not available to parish councils or, in Wales, community councils because they are included in HMRC's list of excluded employers.

However a council may be able to benefit from the employment allowance indirectly if it is the trustee of a charity and the charity employs staff.

We are aware that the Prime Minister has written to some, if not, all councils (letter attached) to tell them about the new allowance which he, interestingly, refers to '**as a new tax cut for businesses and charities**'.

NALC has raised the letter with the Prime Minister's office to ascertain why the Prime Minister wrote to councils about the new employment allowance when HMRC advise that they cannot benefit from it unless they are the trustee of a charity that employs staff.

This briefing was issued by Derek Kemp, NALC's Audit and Accounts Advisor

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I am writing to you today about the new tax cut for businesses and charities that starts on 6 April. The new Employment Allowance could take £2,000 off your employer National Insurance Contributions (NICs).

Britain has been through some very tough years. We endured one of the biggest bank bailouts in the world and the deepest recession in generations. For businesses and charities like yours, on the frontline of the economy, we know it has been especially difficult.

We came into Government with a long term economic plan to rescue the economy.

Thanks to your hard work, we are now seeing the results. A private-sector recovery with the economy growing, jobs being created, and confidence reaching new highs. Businesses are saying to us they want to invest, grow, and take on new people. The Employment Allowance is about helping you to do that.

The Allowance will cut up to £2,000 from your employer NICs bill. This means £2,000 cashback on the cost of jobs that you can choose how to spend. I hope you will consider using it to take on more employees.

Simplicity has been the priority in designing the allowance. It will be easy to claim, and all you have to do is tick a box on your payroll software. You can check your eligibility and see more practical details online at: <https://www.gov.uk/employment-allowance>

Around 1.25 million businesses employing someone will benefit from the Allowance, whether you are taking on your first employee or your fiftieth. A third of all employers will see their NICs bill abolished.

The Employment Allowance starts on 6 April. I urge you to sign up so that you can benefit from a cut in the cost of employing someone and help to grow our economy.

Yours sincerely