

# Employer Bulletin

## 2026

### Need help?

If you'd like to speak to someone about any of the points covered in this newsletter, please get in touch with your usual Larking Gowen contact or email us at

[enquiry@larking-gowen.co.uk](mailto:enquiry@larking-gowen.co.uk)

Welcome to this edition of our Employer Bulletin, where our expert payroll team keeps you informed on key legislative updates and payroll changes that may impact your business.

In this issue, we cover important updates, including salary sacrifice pensions, Statutory Sick Pay, National Insurance Contribution thresholds, National Minimum Wage and much more.

It's important for employers to keep up to date and compliant with these ever-changing regulations and our expert payroll team is here to help you understand and implement these changes. If you need support, please get in touch.

## Apprenticeship Levy

### What is it

The Apprenticeship Levy was introduced in April 2017 and applies to employers with an annual wage bill exceeding £3 million. The annual wage bill definition is all payments to employees that are subject to employer Class 1 Secondary National Insurance contributions. It is charged at 0.5% of the total wage bill each pay period and is calculated and paid to HMRC with other PAYE taxes. Connected companies, or companies within a group, would use a combination of the associated companies to calculate whether they reach the £3 million wage bill threshold.

### Annual Allowance

The Apprenticeship Levy has an annual allowance of £15,000 which reduces the levy due. If the company is part of a group or connected companies the allowance can be allocated to one of the group or split amongst them. This must be decided at the start of the tax year and cannot be changed during the year. Any remaining allowance at the end of the tax year is lost and, cannot be carried over into the next year. The allowance is applied per pay period. As an example if the full £15,000 allowance was on one company and the pay period is monthly, the amount due would be reduced by £1,250 per pay period (£15,000/12).

### Claiming on the Apprenticeship Levy

The levy is paid into a 'pot' held by the Government which can be used to fund apprenticeships for employees. The Government will also provide a top up towards the cost of upskilling the employees when the Apprenticeship Levy is used.

For companies with an annual pay bill of no more than £3 million there is no Apprenticeship Levy payable. Apprenticeships are therefore funded by the company for 5% of the cost and the Government will fund the other 95% up to the funding band maximum.

Employers need to make the claims themselves and this can be made through their apprenticeship services account : [Employing an apprentice: Create an account - GOV.UK](#)

If you would like further information or help with calculation of the Apprenticeship Levy please do get in touch.



## CIS administration changes

Recent Budget changes to the Construction Industry Scheme (CIS) affect a wider range of organisations than before and will tighten the rules for accessing and keeping gross payment status.

More businesses will now need to submit returns even where there are no payments in a period as HMRC moves towards a position where nil CIS returns are expected as standard, rather than something only certain contractors file. This is designed to give HMRC better visibility of who is genuinely active within CIS and as such if you are registered as a contractor, you should expect HMRC to require a return for every period until you formally cease being within the scheme.

Secondly, the rules on who can qualify for, and keep, gross payment status are being widened in some areas but will also be monitored more closely. One of the headline changes is that public sector bodies can now qualify for gross payment status where they meet the usual compliance and business tests. At the same time, HMRC is very clearly signalling that it will be tightening its approach to reviewing those tests, with a greater focus on timely tax payments and filing history.

## National Insurance Contribution (NIC) thresholds

As part of the Autumn Budget 2025, the Government announced that it will extend the existing freeze on NIC thresholds for a further three years. This is following the change in the 25/26 tax year, with the increase in the rate of employers NIC from 13.8% to 15%, at the same time the secondary threshold (over which employer NICs are payable) dropped from £9,100 to £5,000. For the 26/27 tax year, these rates remain. With the only change being the Lower Earnings Limit (LEL) increasing from £125 per week to £129 per week.

### Weekly Thresholds:

	Tax Year 25/26	Tax Year 26/27
Lower Earnings Limit (LEL)	£125	£129
Primary Threshold (PT)	£242	£242
Secondary Threshold (ST)	£96	£96
Upper Earnings Limit (UEL)	£967	£967

### Employer Class 1 Contribution Rates:

	Tax Year 25/26	Tax Year 26/27
Below Secondary Threshold (ST)	0%	0%
Above Secondary Threshold (ST)	15%	15%



## Employment Allowance (EA)

HMRC's EA allows eligible employers to reduce their annual NIC liability by up to £10,500. This changed in 25/26 from £5,000.

To claim EA, an EPS submission is required which can be sent from your payroll software to HMRC. The allowance means that no employer NICs are payable until your £10,500 has been used. Many employers will not reach £10,500 in employer NIC liability, in which case their EA is capped at the employer NIC liability for the year. Your payroll software will still calculate employer NIC liability and display this on your reports, but the first £10,500 will show as being credited under EA. The P32 report will apply the credit before arriving at the amount payable to HMRC.

If you have previously not been eligible for the allowance, we recommend reviewing this again as many of the restrictions that were in place have now been removed from 25/26 tax year.

The main restrictions which still apply are:

- Single directors
- Multiple directors with one or less earning under the secondary threshold
- Linked or grouped companies may only claim one allowance

If you would like any support in reclaiming this for past years, please get in touch.



## Small employers' relief

Small employers' relief is a government scheme that allows small businesses to claim 109% of certain statutory payments made to employees. To qualify for this, your annual Class 1 National Insurance bill must be under £45,000, ignoring any reductions like employment allowance. This can be claimed from HMRC by submitting an Employment Payment Summary through your payroll software and the reclaim will be shown on your P32 report.

If you do not qualify for small employers' relief, you are still able to reclaim 92% of employee's Statutory Maternity Pay, Statutory Paternity Pay, Statutory Adoption Pay, Statutory Parental Bereavement Pay, Statutory Neonatal Care Pay and Statutory Shared Parental Pay as long as the entitlement requirements have been reached. This can also be reclaimed by submitting an EPS return to HMRC through your payroll software.

## National Minimum Wage and National Living Wage

Effective from 1 April 2026, the National Living Wage will have a further increase to the rates. Below are the current and new rates.

	21 years and over	18-20	Under 18	Apprentice
April 2026 new rates	£12.71	£10.85	£8.00	£8.00
April 2025 current rates	£12.21	£10.00	£7.55	£7.55

## Approaching deadlines

**5 April 2026:** Register for payroll benefits for the 26/27 tax year.

**31 May 2026:** Employees who were employed on 5th April 2026 should receive form P60 from their employers.

**5 July 2026:** Application must be received by HMRC for a PAYE Settlement Agreement (PSA) for 25/26.

**6 July 2026:** Expenses and benefits forms P11D and P11D(b) and Employment Related Securities (ERS) returns for 25/26 should be filed and information given to employees.

**22 July 2026 (or 19 if paying by Cheque):** Class 1A NIC to be paid for 25/26.

## Statutory Parental Leave and Pay

Effective from 6 April 2026 (the first Sunday of the new tax year), the rates for Statutory Parental Payments will increase to £194.32 (previously £187.18 per week). The earnings threshold for these payments will increase to £129 per week (previously £125). Parental Leave includes Statutory Maternity Leave, Shared Parental Leave, Statutory Paternity Leave, Statutory Adoption Leave, Statutory Parental Bereavement Leave and Statutory Neonatal Care Leave.

As a reminder, the leave requirements for Statutory Paternity Leave changed from the 25/26 tax year. This allows two weeks' pay and leave to be taken in separate week blocks. Employees also now have 52 weeks from the birth/adoption date to take their leave (as long as appropriate notice is given).



## Umbrella companies - New legislation from April 2026

From April 2026, a new anti-avoidance regime will apply to labour supply chains.

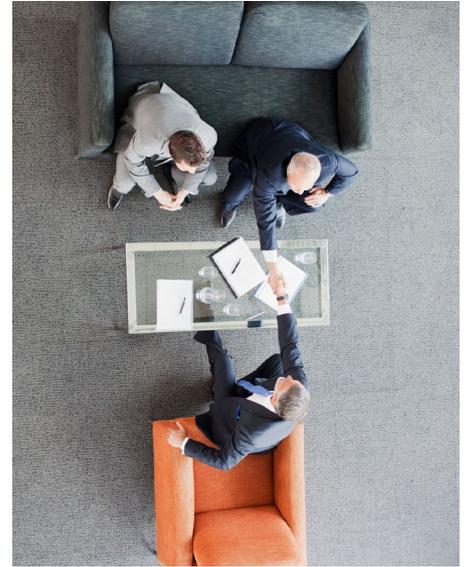
The new legislation will introduce joint and several liability for PAYE income tax and National Insurance Contributions (NICs) owed to HMRC on payments made to workers via umbrella companies.

This new legislation will apply to any payments made to umbrella company workers on or after 6 April 2026.

The purpose of the new legislation is to make employment (recruitment) agencies or (if there is no agency) the end client jointly and severally liable for any PAYE income tax and NICs which an umbrella company fails to pay to HMRC.

There is no defence against the application of this legislation meaning in all circumstances if an umbrella company does not pay its taxes to HMRC, agencies and clients will be liable.

Please contact us for more details and if you would like to understand what the new joint and several liability rules mean for you with our recommended actions on supply chain due diligence.



## Salary Sacrifice Pensions: why employers should act now

Salary sacrifice pension schemes continue to offer important savings for both employers and employees, and now is an ideal time to put arrangements in place.

### Why Salary Sacrifice still makes sense

Salary sacrifice enables employees to exchange part of their salary for an employer pension contribution. This reduces the amount of pay subject to both income tax and NICs, while employers save NICs on the sacrificed amount. These savings can help offset rising employment costs and allow employees to boost their pension contributions or increase their take-home pay.

### Upcoming change: the 2029 NIC cap

From April 2029, only the first £2,000 of salary sacrifice pension contributions each tax year will be exempt from NICs. Amounts above this will still qualify for income tax relief but will no longer benefit from NIC savings. Acting now gives employers and employees a three-year window to take advantage of the current, more favourable rules.

### Why set up Salary Sacrifice now?

- Maximise NIC savings before the 2029 cap
- Enhance pension contributions without increasing employer costs
- Support employees during ongoing cost-of-living pressures
- Strengthen your employee benefits package

### Points to consider

- Salary sacrifice cannot reduce pay below the National Minimum or Living Wage
- Agreements are generally intended to last at least 12 months
- Salary sacrifice may affect statutory payments and some entitlements

Introducing a scheme now will help your employees and your organisation benefit fully before the NIC cap is introduced. Setting up early ensures you make the most of the available savings and provides plenty of time to prepare for the upcoming changes.

## Cars versus vans – why the distinction really matters

For many employers, providing vehicles to staff feels like a straightforward business decision. For tax purposes, however, the distinction between a “car” and a “van” is critical, and HMRC is increasingly prepared to challenge arrangements where it believes the wrong treatment has been applied.

Broadly, the benefit in kind charge for a company car is based on the vehicle’s list price and its CO<sub>2</sub> emissions, which can produce a significant annual benefit figure and, therefore, a sizeable income tax and Class 1A NIC cost.

A van benefit, on the other hand, is usually a fixed amount each year, with an additional fixed sum if private fuel is provided. In practice this often means that treating a vehicle as a van rather than a car can produce much lower benefit charges.

It is this gap which naturally makes HMRC keen to ensure that anything claimed as a van is genuinely one for tax purposes. HMRC will look beyond the label you use to the reality of the vehicle and how it is used. Double cab pickups, crew vans and heavily modified vehicles are common flashpoints.

It is also important to recognise that not all taxes align perfectly. A vehicle might be treated one way for benefit in kind purposes and another way for VAT purposes.

If you are providing, or thinking about providing, vehicles to employees or directors, it is worth first confirming how those vehicles should properly be treated for tax purposes. Having the position reviewed and clearly documented before HMRC asks questions is far preferable to defending a reclassification after the event, with several years of underpaid taxes at stake.

## Travel and subsistence in a hybrid world

Hybrid working is playing an increasingly important role when it comes to working arrangements in the UK. Thus, understanding the tax implications surrounding homeworking, ordinary commuting and business travel is essential.

HMRC draws a clear distinction between ordinary commuting and business travel, and these rules have particular relevance for individuals with multiple workplaces or homeworking arrangements.

‘Ordinary commuting’ is defined as travel between an individual’s home and a permanent workplace. A ‘permanent workplace’ is any place an employee attends regularly to perform the duties of their employment, and it is possible for an individual to have more than one permanent workplace at the same time.

Travel from home to any permanent workplace is treated as ‘ordinary commuting’, and no tax relief is available for

these costs, even where working arrangements are flexible or hybrid. Any employer reimbursement of such journeys is normally taxable.

In contrast, a separate definition is provided for ‘business travel’ which includes journeys undertaken for necessary attendance at a place in the performance of work duties. This typically includes travel between workplaces during the working day, travel to visit clients or customers, and travel to a temporary workplace.

In some cases, an employee may have multiple permanent workplaces. This includes, for example, managers responsible for multiple sites or professionals allocated to more than one office. Where this is the case, travel between permanent workplaces in the performance of duties is treated as business travel, thus may be reimbursed or tax-free or claimed as tax relief.

*This must be contrasted with an employee travelling, from home to Office A for one whole day and Office B for the whole next day, as in this circumstance all the travel is ordinary commuting to two separate permanent workplaces.*

The position becomes more complex where homeworking is involved. Where homeworking is by personal choice under a hybrid or flexible working arrangement, the employer’s premises will usually remain the permanent workplace. Travel between home and the employer’s premises in these circumstances continues to be ordinary commuting and is not tax deductible.

However, HMRC recognises that, in limited circumstances, an employee’s home may be treated as a workplace. This is usually where homeworking is an objective requirement of the role, rather than a matter of personal preference, and where substantive duties are carried out at home because the job contractually requires it. In such cases, travel from home to another workplace may qualify as business travel, depending on the facts.

If you have any queries regarding your travel policies we would be happy to help. Please get in touch.



## Working from home allowance

The practices around paying employees a tax free allowance for working from home have evolved again in light of recent changes reflected in HMRC's guidance. The special COVID easement that allowed employees to claim a flat rate deduction of £6 per week for homeworking costs directly from HMRC ended. However, employers can still pay up to £6 per week (or £26 per month) tax free where there is a genuine homeworking arrangement in place, and the payment is made to meet additional household costs incurred in carrying out duties at home.

For the payment to be tax free, there must be an arrangement between employer and employee under which the employee is required to work at home regularly. An employee simply making the personal choice to work from home, without such an arrangement, is not enough. In those circumstances HMRC would regard any 'allowance' as part of the employee's normal pay, rather than support for additional household costs arising from a contractual obligation to work from home, and it would be subject to tax and National Insurance in the usual way.



## PAYE Settlement Agreements – why you may find it helpful to have one

As an employer you may want a PAYE Settlement Agreement (PSA) because it offers a straightforward way to deal with small, irregular, or hard to allocate benefits and expenses that don't fit neatly into normal payroll or P11D reporting. Instead of taxing employees individually, you as the employer pay the tax and Class 1B National Insurance on their behalf in one annual payment. This not only reduces administrative work, but also ensures employees aren't hit with unexpected tax bills for things like gifts, events, or incidental expenses, receiving the full value of minor perks without any personal tax impact.

It's especially useful for benefits such as small gifts not covered by the trivial benefit exemption, one off overseas conferences, or staff events that exceed the usual exemption allowances. However, high value items like company cars or cash payments can't be included and must be reported through standard methods. Overall, a PSA helps companies manage awkward or exceptional benefits cleanly and compliantly. It should be noted that they can become expensive though as you as employer are paying the tax on the employees' behalf is itself treated as a benefit so the benefit cost will be reported to HMRC on a grossed-up basis. If you want to discuss the benefits and costs of having a PSA in place, please get in touch with your usual contact.

## ERS returns

As a reminder, employers who have provided Employment Related Securities (ERS), such as shares or share options, to employees or directors during the tax year may be required to submit an annual ERS return to HMRC. ERS are commonly used to reward, incentivise or retain staff, but the reporting requirements are often overlooked.

Broadly, ERS filing requirements apply to share related transactions involving employees or directors which have occurred during the tax year. ERS returns must be completed online and submitted to HMRC by 6 July following the end of the tax year.

Filing obligations can arise where the company has:

- Issued shares or other securities to employees or directors
- Granted, exercised, assigned or cancelled share options (under tax-advantaged and non-tax

advantaged schemes)

- Allowed employees or directors to acquire shares at less than market value
- Operated an EMI, CSOP, SAYE or SIP arrangement
- Made changes to the rights attaching to shares or
- Had shares subject to restrictions, elections (such as s431 elections), or forfeiture provisions

Certain transactions are frequently missed, such as share for share exchanges into existing companies, bonus issues of shares, and management buy out arrangements involving newly issued shares.

Where an ERS scheme remains open, a nil return must still be submitted even if no reportable events occurred. Late or omitted filings can lead to automatic penalties and may affect the tax status of approved schemes.

If you have any queries regarding transactions that you have undertaken or require assistance in meeting your filing obligations, please get in touch.

## Off-Payroll Working (IR35) and Size Threshold Changes

Since April 2021, in the private sector medium sized and large companies have had full responsibility for operating the off payroll working (IR35) rules. This means they must determine whether each contractor they engage with is inside or outside IR35, issue a Status Determination Statement (SDS), share that determination with the worker and relevant supply chain parties, and operate PAYE and NICs for any engagement deemed inside IR35. They must also maintain dispute processes, keep thorough records, and may be held liable for underpaid PAYE and NICs if they fail to meet their duties.

By contrast, small companies are exempt from the off payroll working regime. When classified as small, the responsibility for assessing IR35 status reverts to the contractor's intermediary (usually their personal service company) under the original Intermediaries Legislation, meaning the end client does not need to make status determinations or operate PAYE.

From 6 April 2025, UK company size thresholds increased significantly, as shown in the table.

	Small		Medium	
	Previous	New	Previous	New
Turnover not more than:	£10.2m	<b>£15m</b>	£36m	<b>£54m</b>
Balance sheet total not more than:	£5.1m	<b>£7.5m</b>	£18m	<b>£27m</b>
Monthly average number of employees, not more than:	50	<b>50</b>	250	<b>250</b>

A company must satisfy at least two of the thresholds to be considered a particular size. In addition to this there is a "two-year" rule which means that a company's size only increases in the second consecutive year it breaches the thresholds. To allow companies to get the most benefit the provisions allow for companies to apply the new thresholds that were applicable in the previous year.

On the face of this it will mean that fewer businesses will be classified as medium or large, and therefore fewer will fall within the off payroll (IR35) regime.

For accounting periods commencing on or after 1 January 2026 companies will need to include leased assets on their balance sheets, which will result in an uplift in many

companies Balance Sheet totals. As a consequence, some historically small companies may become classified as medium over time, impacting their responsibilities under IR35.

Overall, the 2025 threshold changes provide future relief for many businesses, but companies should continue to maintain robust IR35 processes while monitoring the impact of the reclassification of leased assets.

## Volunteers and expenses in not for profit organisations

Many charities and not for profit organisations rely heavily on volunteers and understandably want to recognise their contribution. However, the way in which you pay expenses or provide benefits to volunteers can, in some circumstances, put their "volunteer" status at risk and move them closer to being treated as workers or employees for tax and employment law purposes.

In principle, volunteers should only be reimbursed for expenses they incur in carrying out their role. This might include travel costs, subsistence while performing duties, or other out of pocket expenses, and these must be supported by receipts or clear records. Difficulties arise where organisations start to move beyond reimbursement into paying flat rate allowances, regular "thank you" payments, or providing benefits that feel more like remuneration than reimbursement. Over time, patterns of regular payments or valuable non cash benefits can point towards an expectation of reward, which is a factor HMRC and tribunals consider when assessing employment status. Blurred lines around expenses and benefits can also create confusion about tax reporting for the volunteer as payments that are not strictly reimbursement of costs may be taxable income.

Care therefore needs to be taken in designing volunteer policies, ensuring that expense claims are properly documented and that any gestures of appreciation are structured in a way that does not inadvertently create an employment relationship. If you are unsure whether your current approach to volunteer expenses is appropriate please get in touch.



## Globally mobile workforce – payroll and social security risks

An increasing number of employers now have employees and directors who live or spend significant time abroad while working for a UK business. While this may feel like a natural evolution of flexible working, it brings with it a range of payroll and social security complications that can be easy to overlook.

From a UK perspective, the fact that an individual is physically outside the UK does not automatically remove the obligation to operate PAYE on their earnings. The correct treatment depends on a combination of factors, including where the employment is exercised, the individual's residence position and the terms of any applicable double tax treaty. At the same time, the country where the individual is living or working may expect local payroll

withholding or reporting, particularly where duties are performed there on a regular or long term basis. This can lead to situations where there are parallel obligations in two countries, or where relief needs to be claimed to avoid double taxation.

Social security rules add another layer of complexity. Within the EU and certain other countries, coordination regulations and reciprocal agreements may allow continued UK National Insurance contributions for a period if specific certificates are in place. Outside those frameworks, local social security systems may apply after a relatively short period, even if UK PAYE is still being operated.

Failure to identify and manage these obligations can create unexpected liabilities and compliance risks, both in the UK and overseas. A structured review of your globally mobile workforce can help you understand where you may have emerging risks and what steps are needed to manage them.

## Mandatory Payrolling of Benefits in Kind (BIK)

From April 2027, all employers must payroll Benefits in Kind, replacing most P11Ds and ensuring tax is collected in real time.

Common BIK examples:

- Company cars
- Private medical insurance
- Personal bills

Currently exempt from PBIK is Accommodation and beneficial loans.

### Early adoption (from April 2026)

Employers can choose to start a year early, offering:

- A smoother transition before 2027
- Time to test payroll processes
- Reduced year end reporting sooner

HMRC registration deadline: **5 April 2026**.

### How we can help

Whether fully outsourcing your payroll or looking for adhoc support we can help with registration, payroll integration, employee communications and full compliance assistance.

If you're considering early adoption or would like a tailored quote, please get in touch. We're ready to assist you through this important change.



## A practical guide for employers: understanding holiday pay, entitlement and the 52-week average

All workers in the UK, including full-time, part-time, casual and zero-hours employees, are entitled to paid annual leave. Using the correct calculation method, is essential for compliance.

### Statutory holiday entitlement

All workers receive 5.6 weeks of paid leave. Full-time workers receive 28 days (5 days x 5.6 = 28). Part-time workers receive a pro-rated equivalent. Holiday accrues from the first day of employment.

### What must be included in Statutory Holiday Pay

Holiday pay must reflect normal earnings, including:

- Commission or performance-linked payments
- Payments for status or seniority
- Regular overtime and allowances

### Salaried employees with no additional pay

Salaried employees with no variable pay continue to receive their normal salary during leave.

Category	52-Week Average Method	Rolled-Up Holiday Pay (RUHP)
Who it applies to	Workers with variable pay (overtime, commission, irregular hours).	Irregular-hours workers and part-year workers (from 1 April 2024).
Purpose of method	Calculates holiday pay based on the average of previous paid weeks.	Adds holiday pay to each pay period instead of paying at the time leave is taken.
Employer requirements	Use previous 52 paid weeks; Exclude SSP-only, no-pay, and statutory family leave weeks; Look back up to 104 weeks; Use all available paid weeks if fewer than 52.	Add 12.07% of earnings to each pay period; Show RUHP as a separate payslip line; Track leave to ensure 5.6 weeks are taken.
When it can be used	Irregular-hours workers (not using RUHP); Part-year workers (not using RUHP); Salaried staff with regular overtime or commission; Workers with varying earnings.	Workers with significantly varying hours; Part-year workers with whole unpaid weeks under a year-round contract.
When it must not be used	Workers on RUHP; Salaried workers with no variable pay.	Full-time or part-time staff with fixed hours; Salaried workers; Anyone with predictable working patterns.
How it is calculated	1. Identify 52 paid weeks. 2. Add total pay. 3. Divide by 52 (or available weeks if less) to get average weekly pay.	12.07% of earnings added each pay period.
Taking holiday	Workers are paid when they take holiday, based on the calculated average.	Workers are not paid at time of holiday (holiday pay already included). Leave must still be recorded.
During sickness/statutory leave	Only one type of leave can be applied at a time.	Uses average RUHP amount paid over previous 52 weeks (or length of RUHP usage).
Other considerations	Include regular overtime; Exclude zero-pay weeks; Bank holidays not automatically paid unless stated; Contractual leave above 5.6 weeks follows employer policy.	RUHP only allowed for irregular-hours or part-year workers; Contractual leave above 5.6 weeks follows employer policy.

Getting holiday pay right is crucial to ensuring compliance – if you need support please get in touch.

## Upcoming changes to SSP calculations – what employers need to know

From **6 April 2026**, Statutory Sick Pay (SSP) will undergo the most significant reform in decades. These changes are designed to simplify how SSP is calculated, but they also mean employers must provide more detailed and timely information to payroll teams to ensure accurate payments and payslip reporting. Even employers who offer enhanced company sick pay will still be affected, as statutory entitlement must be displayed correctly on payslips.

### What's changing?

Under the Employment Rights Act 2025, SSP will become much simpler to calculate:

- No more waiting days – SSP will be payable from day one, rather than from day four of absence.
- Removal of the Lower Earnings Limit – all employees, regardless of earnings level, will now qualify for SSP.
- A new calculation method – SSP will be the lower of 80% of Average Weekly Earnings (AWE) or the flat weekly rate (expected to be £123.25).

These reforms mean SSP entitlement is clearer and more consistent, particularly for part-time, variable-hours or lower-paid workers.

### Why payroll processors need more information than ever

Although the rules are simpler, the payroll process becomes more reliant on accurate real-time data. To calculate 80% of AWE correctly, payroll needs:

- Clear records of working patterns and qualifying days.
- Accurate earnings history for the relevant 8-week period.
- Full details of all absences, including short ones now covered from day one.

Without this information, SSP calculations may be incorrect, even if the employer is paying enhanced company sick pay on top.

### Enhanced sick pay schemes are still affected

Even if your organisation operates an enhanced or contractual sick pay scheme, payroll must still:

- Calculate the statutory element correctly.
- Display SSP accurately on the payslip.
- Ensure enhanced pay is calculated after SSP rules are applied.

This means HR and line managers must provide complete absence information promptly so payroll can meet statutory requirements and avoid errors.

### What employers should do now

- Review how sickness absence data is collected – gaps will directly impact SSP accuracy.
- Ensure line managers understand that every day of absence is now relevant.
- Confirm employee working patterns and contracted hours are up to date.
- Work with your payroll processor to map out the data they require under the new rules.
- Update internal policies to reflect the day-one entitlement and wider eligibility.

These changes take effect from 6 April 2026, so preparation should begin now to ensure a smooth transition and accurate reporting.

### Important:

Employers still cannot reclaim SSP from the Government (unlike Statutory Parental Pay), so budgeting and forecasting will be key.





## Tronc schemes explained: tips for employees and common pitfalls for employers

Tronc schemes are widely used in hospitality to share tips and service charges fairly among staff. When set up properly, they ensure transparency, fairness, and compliance with tax rules. But when run incorrectly, employers can face payroll problems and even HMRC scrutiny. Here's a simple overview of how trons work, what employees should know, and the easy mistakes employers must avoid.

### How a Tronc scheme works

A tronc is a system where tips and service charges are pooled and distributed to employees by an appointed troncmaster.

**The key rule:** the employer cannot decide how the money is shared. The troncmaster must act independently and run the distribution according to clear rules agreed with staff.

Typically:

- Tips from card payments or service charges go into the tronc.
- The troncmaster decides how the pot is shared (often based on hours worked, roles, or points systems).
- Payments are processed through a separate payroll for tax purposes.

When a tronc is run correctly, employees only pay income tax on their tips, and employer National Insurance is not usually due.

### Tips for employees

- 1. Know who the troncmaster is.** You should know who manages the tronc and how the distribution rules work.
- 2. Understand how your share is calculated.** Ask how factors like hours, roles, or performance affect your allocation so you have clarity about your earnings.
- 3. Keep track of what you receive.** Tronc payments should appear clearly on your payslip. Always raise questions if something doesn't look right.
- 4. Remember that direct cash tips may not be included.** Some cash tips given straight to you may sit outside the tronc, depending on workplace rules.

### Common pitfalls for employers

Even though trons seem simple, these mistakes regularly cause compliance issues:

#### 1. Employers influencing the tronc

This is the number one problem. If managers control or influence how tips are allocated, the tronc is no longer independent. This can trigger National Insurance liabilities and compliance issues.

#### 2. Not giving the troncmaster genuine independence

A troncmaster must be free to make decisions. If they feel pressured, overridden, or directed by management, the scheme becomes non-compliant.

#### 3. Missing or unclear tronc policies

A tronc must have clear written rules showing who gets what and why. Without documentation, both staff trust and compliance are at risk.

#### 4. Poor record keeping

If hours worked, roles, or shift patterns aren't recorded accurately, the tronc distribution will be wrong and difficult to justify.

A well-run tronc increases fairness, boosts morale, and supports tax compliance.

For employees, understanding how the scheme works helps you feel confident that the system is fair.

For employers, the key is simple: appoint a trustworthy troncmaster, give them independence, and follow clear written rules.

If you need help or support in setting up or running a Tronc scheme, please get in touch.