Employment Taxes — Year-End Overview

There Are Several Key Deadlines for Employers Following the End of the Tax Year

Overview of Key Deadlines

The below table highlights some of the key end-of-year deadlines to consider:

Deadline	Overview	Details
01 April 2025	National Minimum Wage ("NMW") increases	NMW increases from £11.44 to £12.21 for those aged 21 and above. NMW applicable to other age groups and populations also increases.
06 April 2025	Employer National Insurance Contributions ("NICs") increases	Following the announcement in the Autumn Budget (24 October 2024), secondary Class 1 NICs rate will increase from 13.8% to 15%. The threshold from which these are payable will reduce from £9,100 per employee per year to £5,000 per employee per year.
06 April 2025	Employment Allowance increases	The employment allowance, which reduces an employer's NICs bill, will increase from £5,000 to £10,500.
06 April 2025	Changes to UK non-domicile regime	The existing regime for non-UK-domiciled individuals will be replaced with a new residence-based system. Under the new regime, foreign income and gains brought into the UK will be exempt from UK tax for the first four years of UK tax residency, provided that the individual has not been a UK tax resident in any of the past 10 consecutive tax years. Transitional arrangements to be applied for current non-domiciled individuals.
06 April 2025	Overseas Workday Relief changes	Overseas Workday Relief will be retained but reformed. Under the new rules, relief will be available for a maximum of four tax years and there will no longer be the requirement to keep income relating to non-UK workdays outside of the UK subject to individuals meeting the conditions. Relief will be limited to the lower amount of 30% of the employee's net employment income or £300,000.

Deadline	Overview	Details
06 April 2025	Changes to Section 690 (“s.690”) direction rules	From 6 April 2025, HMRC approval may no longer be required for PAYE treatment of a s.690 direction. Instead, an automatic acknowledgement from HMRC upon submission of the application should be sufficient to operate PAYE under a s.690. Subject to further guidance from HMRC, employers may need to consider re-applying for s.690 directions even where the terms of the s.690 direction remain unchanged.
06 April 2025	HMRC official rate of interest (“ORI”) increases	From 6 April 2025, HMRC’s ORI increases from 2.25% to 3.75% and will impact those who receive (or facilitate) employment-related beneficial loans, any notional loans arising, and employment-related securities that have been acquired for less than market value.
31 May 2025	Form P60	Summary of the pay and tax that has been deducted in the tax year should be provided to all employees.
31 May 2025	Short Term Business Visitors (“STBV“) report submission (Appendix 4 and Appendix 8)	The annual STBV report, showing specific details of certain visiting foreign employees, must be submitted to HMRC. For employers using the Appendix 8 PAYE special arrangement for taxable STBVs, the PAYE records and payment must also be completed by 31 May 2025.
06 July 2025	PAYE Settlement Agreement (“PSA”)	PSA arrangements with HMRC must be finalised by 6 July 2025 — for example, if an employer does not already hold a PSA or if amendments are required as to what is covered.
06 July 2025	Forms P11D and P11D(b)	Forms P11D and P11D(b) reporting benefits in kind provided to employees, and the associated employer’s Class 1A NICs payable, should be submitted by 6 July 2025. Benefits which have been payrolled with formal agreement from HMRC do not need to be reported on the P11D but must be included on the P11D(b) to calculate Class 1A NICs. Benefits which have only been informally payrolled must still be reported (but the amount payrolled included as an “amount made good”).
06 July 2025	New Employment Related Securities ("ERS“) plan registration	The deadline for any new plans to be registered with HMRC (we suggest registration is completed at least two weeks in advance to allow time to complete the required return after registration).
06 July 2025	ERS return	The ERS annual return (formerly known as Form 42) needs to be submitted by 6 July 2025 — even if there have been no transactions during the year (unless the ERS scheme ended and a relevant notification was made in previous years).
06 July 2025	Termination payment report	Employers should provide HMRC with a report of all termination packages exceeding £30,000, which also includes non-cash benefits. It is customary to provide the terminated employee with a copy for their tax return.
22 July 2025	Payment of Class 1A NICs	Class 1A NIC liability on non-cash benefits as reported on form P11D(b) should be paid to HMRC (assuming the payment is made electronically).

Deadline	Overview	Details
31 July 2025 or 31 August 2025	PSA calculation deadline	PSA calculation deadlines are set out in an employer's PSA but deadlines are usually 31 July or 31 August. This allows time for review and approval by HMRC prior to the deadline for payment.
22 October 2025	PSA payment deadline	Deadline for PSA payment, assuming that payments are made electronically

Easing the Administrative Burden — Agreements with HMRC

There are several administrative easements offered by HMRC for employers that have reached agreement with them. We have highlighted a few of the most common arrangements below and note that, in some cases, it is not too late to apply for the easements for the 2024-25 tax year, even though the tax year has ended. In other cases, it will be important to look forward and determine what arrangements might be helpful for the future.

PAYE Settlement Agreement ("PSA")

If an employer provides benefits to staff on which it does not want individuals to pay tax themselves (for example, taxable staff entertainment costs such as meals when working late or ad hoc staff drinks), it can enter into a PSA with HMRC. The relevant benefits are included on the PSA and the employer pays the grossed-up tax and NIC rather than reporting via payroll and/or P11Ds.

It is possible to agree a PSA where one is not already held, or change the items included, for the 2024-25 tax year, if agreed with HMRC by 6 July 2025. The application can be made easily online to HMRC. However, care will be needed for National Insurance purposes, and advice should be sought.

Non-Resident Individuals Working in the UK — s.690 Directions

For UK employers that have non-resident individuals spending some (but not all) of their working time in the UK, the default PAYE position is that the entire earnings must be subject to PAYE for income tax. This can lead to cash flow difficulties for employees who are likely to have overseas tax liabilities.

Employers can obtain s.690 directions from HMRC to reduce the PAYE withholding (for income tax) to the estimated percentage of UK workdays the individual will have for the tax year. A s.690 direction can normally be agreed for up to three consecutive tax years at a time and should be adjusted, with agreement from HMRC, if the actual working pattern is substantially different.

Employees subject to a s.690 direction will need to file an annual self-assessment tax return to accurately report the income that relates to their actual workdays (with the PAYE position being only a best estimate).

From 6 April 2025, draft legislation has indicated that HMRC approval may no longer be required for the PAYE treatment of the s.690 to apply and that an automatic acknowledgement from HMRC upon submission of an application may be sufficient to operate PAYE on this basis.

Payrolling of Benefits

From April 2026, it will become mandatory to report benefits in kind via payroll, and P11Ds will only be required for those employees who receive employment-related loans or accommodation.

Benefits in kind will be reported through the Full Payment Submission ("FPS") as is currently used to report salaries to HMRC. A full breakdown of benefits being provided will need to be reported through payroll and will also need to reflect Class 1A NIC being payrolled.

Other Developments

Employer National Insurance Contributions ("NICs")

Changes to employer NICs that were announced in the chancellor's 2024 Autumn Budget will be in effect from 6 April 2025. These are:

- An increase in the secondary Class 1 NIC rate from 13.8% to 15%.
- The secondary threshold, which determines the point at which employers become liable to pay NICs on employees' earnings, will be reduced from £9,100 per employee per year to £5,000 per employee per year.
- The Employment Allowance, which helps eligible employers reduce their National Insurance bill, will increase from £5,000 to £10,500.
- The £100,000 Employment Allowance threshold for eligibility will be removed, broadening the benefit to all eligible employers with employer NICs liabilities.

Increase to HMRC's Official Rate of Interest ("ORI")

From 6 April 2025, HMRC's ORI increases from 2.25% to 3.75% per annum.

Employees and directors with employment-related beneficial loans (and those with any notional loans) or those who acquire employment-related securities for less than their market value will be affected by the increase.

Employers should make sure that they are reviewing any agreements, and take proactive steps to communicate these changes to impacted individuals to ensure that they are aware of the increases too.

UK Non-Domiciled Tax Regime

From April 2025, the UK will replace the current non-domiciled tax regime with a new residence-based system.

Under the new regime, foreign income and gains brought into the UK will be exempt from UK tax for the first four tax years of UK tax residency, provided that the individual has not been UK tax resident for any of the previous 10 consecutive tax years.

Transitional arrangements will be applied for current non-domiciled individuals.

A transition to a residence-based system for inheritance tax purposes will begin.

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