

The Employment Allowance

Employers are able to claim the Employment Allowance which reduces their employer Class 1 National Insurance contributions (NICs) by up to £4,000 per year. Prior to 2020/21 the Employment Allowance was £3,000.

The Employment Allowance is available to businesses and charities (including Community Amateur Sports Clubs) that pay employer NICs on earnings of employees or directors.

The allowance can be claimed against only one PAYE scheme, even if the business runs multiple schemes. Connected businesses such as companies under the control of the same person or persons are only entitled to one Employment Allowance between them. However, if a business controls a charity, they are not considered to be connected and the Employment Allowance can be claimed for both the business and the charity.

How to claim

Claims will normally be made using payroll software, either commercial or HM Revenue & Customs' (HMRC's) Basic PAYE Tools. The employer Class 1 NIC liability is reduced to nil until such time as the cumulative reduction reaches £4,000 in the tax year. For example if the employer's NICs are £900 each month, the Employment Allowance used will be £900 in April, £900 in May, £900 in June, £900 in July and £400 in August.

Once an initial claim has been made, HMRC will automatically carry it forward to the next tax year, regardless of any changes in payroll software. Therefore it is important to check at the beginning of each year that there have been no other changes in relevant circumstances.

Employers who are exempt from filing, or unable to file online, can make a claim at the beginning of the tax year using the paper Employer Payments Summary (EPS).

Excluded Employers

Not all employers can claim the Employment Allowance. Such employments include:

- Personal, household or domestic work
- Public authorities
- Functions either wholly or mainly (over 50%) of a public nature (unless charities)
- Deemed payments of employment income for personal and managed service companies.

Since April 2016, limited companies with a single director, and no other employees, have not been able to benefit from the allowance.

From 6 April 2020, employers with an employers' NIC liability above £100,000 in their previous tax year have not been able to claim the Employment Allowance. Where employers are connected under the Employment Allowance rules the threshold will apply to their aggregated liability.

Exeter	Barnstaple	Bovey Tracey	Holworthy	Honiton	Okehampton
Michael House	Millennium House	The Steam Shop	12 The Square	Office 6	4 Fore Street
Castle Street	Brannam Crescent	Pottery Road	Holworthy	East Devon Business Centre	Okehampton
Exeter	Roundswell	Bovey Tracey	EX22 6DL	Heathpark Way	EX20 1AD
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