



# *New Tax Year Employee Guide*



# About this guide

*This guide is designed to help you to understand the changes that happen to your pay and taxes as a result of the New Tax Year – which starts on 06 April 2019.*

*Lookout for these helpful icons throughout the guide...*



*Indicates an explanation of what the section is about*



*An explanation of how this change works*



*Indicates what this change might mean for you personally*

# A high-level view of the changes



## *What is changing?*

*Several things change in the new tax year, all of which have an overall effect on your take-home pay.*

### *The changes include:*

- An increase in your Personal Allowance*
- Changes to National Insurance Contribution thresholds*
- Changes to income tax bands*
- New minimum pension contribution levels under Auto-Enrolment*



## *The result for you*

*This means that even if you earn exactly the same pre-tax (“gross”) pay from your job in March 2019 and April 2019, your take-home (or “net”) pay will change in April.*

*As an example, excluding any changes in pension contributions (more on this later), someone earning £25,000 per year will be £12.91 per month better off from April 2019 – which equates to about an extra £155 over the year. However, this money might not all be paid into your bank account on payday, as some of it may end up in your pension pot instead.*

# Increased personal allowance



## What is this and what has changed?

There is something called your “Personal Allowance”, which is the amount of money that you are allowed to earn each year without paying any tax. In 2018-2019 this was £11,850, and the good news is that from April 6th 2019 this amount is increasing by £650 to £12,500.



## How it works

This means that less of your income is subject to income tax. As an example, someone earning £25,000 in 2018 paid tax on £13,150 of their income (£25,000 salary minus £11,850 personal allowance), but from 6<sup>th</sup> April they will only pay tax on £12,500 of their income (£25,000 salary minus the new £12,500 personal allowance).



## The result for you

So, an employee earning £25k in 2018-2019 with a 1185L tax code would have paid £219.02 in tax each month. From April, the same employee (now on a 1250L tax code) will pay £208.18 in tax each month - a saving of £10.84.

# Changes to National Insurance thresholds



*What is this and what has changed?*

*National Insurance Contributions or NICs are compulsory payments collected by the UK Government to provide state assistance such as healthcare, benefits or pensions. In 2018-2019 you could earn up to £162 a week before National Insurance Contributions (NICs) were deducted. In April 2019 this will go up slightly to £166 a week.*



*How it works*

*This means that you can earn more each week before you start paying National Insurance contributions.*



*The result for you*

*This only equates to a minor change in your take home pay, someone earning £25k will be around £2.08 better off each month, or just under £25 over the year.*



*Higher earners will pay more*

*However, the upper limit for NICs is also increasing from £892 to £962 per week, which means that anyone earning over £50,000 will pay more NICs. Using an example of someone earning £60k, while they were paying £402.01 per month in NICs in 2018, they will now pay £430.35 per month from 6th April 2019.*

# Changes to income tax bands



*What is this and what has changed?*

*The basic rate of tax is 20% on all your earnings over your Personal Allowance. For higher earners, there are additional income tax rates of 40% and 45% - depending on how much you earn.*

*The amount of money that you can earn before being taxed at the higher rate has changed for Basic and Higher rate taxpayers.*

<i>Tax Band</i>	<i>Tax Rate</i>	<i>Taxable Income 2018-19</i>	<i>NEW Taxable Income 2019-20</i>
<i>Personal allowance</i>	<i>0%</i>	<i>£0 to £11,850</i>	<i>£0 - £12,500</i>
<i>Basic rate</i>	<i>20%</i>	<i>£11,851 to £46,350</i>	<i>£12,501 to £50k</i>
<i>Higher rate</i>	<i>40%</i>	<i>£46,351 to £150k</i>	<i>£50,001 to £150k</i>
<i>Additional rate</i>	<i>45%</i>	<i>Over £150k</i>	<i>Over £150k</i>

*Note: These bands do not apply to Scotland, read on for information on Scottish tax bands*

# How income tax bands work...

## 2018 - 2019 Tax Rates



**£60k salary**

(with the standard £11,850 personal allowance for 2018/19)

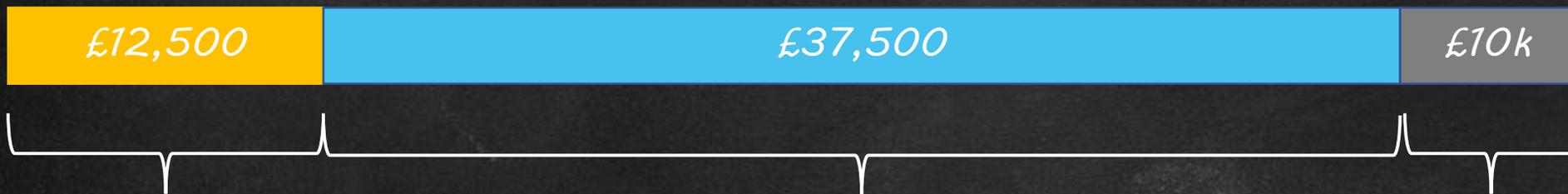
Not taxed

(£46,350 - £11,850)  
Tax at 20%  
= £6,900

(£60k - £46,350)  
Tax at 40%  
= £5,456.40

**Total tax paid**  
**= £12,356.40**

## 2019 - 2020 Tax Rates



**£60k salary**

(with the standard £12,500 personal allowance for 2019/20)

Not taxed

(£50k - £12,500)  
Tax at 20%  
= £7,500

(£60k - £50k)  
Tax at 40%  
= £3,996.40

**Total tax paid**  
**= £11,496.40**

# Changes to tax codes



## What is this and what has changed?

Your tax code is generated by HMRC and tells your employer how to deduct tax from your pay. As a result of the personal allowance changes, you will probably see a slight change to the numbers in your tax code.



## How it works

Typically, if you were on a 1185L tax code last year and you paid the correct amount of tax for the year, your new tax code will be 1250L for your first payday after 6th April.

You may have already received a coding notice from HMRC, or you may receive one shortly. HMRC will also let your employer know what tax code to use to calculate your pay.



## The result for you

Your tax code is likely to be different than the one that was being used last year, as your personal allowance has increased. So don't panic when you see that this has changed on your payslip. You don't usually need to do anything as your employer will automatically receive your new tax code as well - just double check the tax code your first April payslip to be sure.

[If you want to find out more about your tax code and what it means there is information on the HMRC website here.](#)

# New tax codes for Wales



## What is this?

If you have a letter “C” in front of your tax code, i.e. C1250L, then you are being taxed under the Welsh Rates of Income Tax (WRIT).



## How it works

From 2019 The Welsh Assembly have the ability to set their own rate of income tax for people who **live** in Wales. At the moment the tax rates are set at the same level as English taxpayers, so in real terms nothing will change in 2019 compared to people paying tax in England.

You can read more about the WRIT and what it means for you here <https://www.gov.uk/welsh-income-tax>

Note: if you **work** in Wales but **live** in England then you won't be affected, as the change only affects people whose home address is in Wales.

# Different rules for Scotland



*What is this?*

If you have a letter “S” in front of your tax code, i.e. S1250L, then you are being taxed under the Scottish rates of Income Tax.



*How it works*

The Scottish Government have created some additional income tax bands for workers in Scotland and set the tax rates in line with the table below.

So depending on how much you earn you may pay slightly more or less tax compared to someone living in England, Wales or Northern Ireland.

[Find out more about Scottish Income Tax here](#)

Tax Band	Tax Rate	Taxable Income 2019-20
Personal allowance	0%	£0 to £12,500
Starter rate	19%	£12,501 to £14,549
Scottish basic rate	20%	£14,550 to £24,944
Intermediate rate	21%	£24,945 to £43,430
Higher rate	41%	£43,431 to £150k
Additional rate	46%	Over £150k

# Changes to minimum wage and living wage

## ? What is this and what has changed?

The National Minimum Wage (NMW) is the minimum pay per hour most workers under the age of 25 are entitled to by law. The government's National Living Wage (NLW) is the minimum pay per hour most workers aged 25 and over are entitled to by law.

Age	Previous Rate	Rate from 01 April 2019
25 and Over	£7.83	£8.21
21-24	£7.38	£7.70
18-20	£5.90	£6.15
Under 18	£4.20	£4.35
Apprentice	£3.70	£3.90

The minimum wage and national living wage levels increased for everyone from 1st April 2019, so if you are earning the minimum wage you should see your pay increase in line with this table.

# Auto-enrolment



*What is this and what has changed?*

*All employers now offer a workplace pension scheme and must automatically enrol their Qualifying Employees into this. There are set minimum contributions that must be paid overall and by the employer, and the employee makes up the difference between these.*

*Currently, the minimum total contribution is 5% of your Qualifying Earnings, of which your employer must contribute at least 2%.*

- If your employer contributes the minimum amount then you will pay 3% of your pre-tax earnings into your pension*
- But, if your employer chooses to pay 4% then you will only pay 1%, etc.*

*From April 2019 the minimum total contribution is increasing to 8%, of which your employer must pay at least 3%. This means that if your employer contributes the minimum amount, your pension contribution will also increase from 3% to 5%.*

*Definitions:*

*Qualifying Employee - Aged between 22 and State Pension Age, earning at least £10,000 per year, and usually works in the UK.*

*Qualifying Earnings - Your earnings above £6,136 and below £50,000 a year (2019-2020 rates).*

# Auto-enrolment



*The result for you – a simultaneous pay rise and pay cut!*

*If you currently pay the minimum 3% into your pension, this will automatically increase to 5% in April. This means you get a pay rise, but may not see any of it in your bank account. The scenario below assumes that you and your employer are both paying the minimum contribution required.*

*The gross pay rise – your employer is currently paying 2% of your pay into your pension, and from April 2019 this will increase to 3%, which means they are effectively paying you more.*

*The net pay cut – your contributions (from pre-tax pay) are increasing from 3% to 5%, meaning that you may actually take home less pay in 2019, even with your increased 2019 personal allowance and income tax bands.*

*However, all that money is being put into your pension to help you to save for retirement. You are being paid more overall, you just aren't seeing it in your bank account each month as it's going straight into your pension pot instead.*

*[This impartial blog from MoneySavingExpert.com explains the changes further](#)*

*Your employer can provide you with more information about their company pension scheme if you have lost the details or are unsure about anything.*

# Final things to understand

Examples of tax savings / changes in this guide are calculated without taking into account any additional salary deductions such as pension contributions or student loan repayments, and using the standard tax code for the tax year.

The examples in this guide are only indicative of savings, and your actual taxable pay will vary depending on your circumstances.

Circumstances that may cause your personal calculations to change include:

- Whether you have another source of income or a second job
- Whether you are claiming any state benefits or drawing your pension
- When you are repaying a student loan
- Whether, and how much, you are paying into a pension

## Useful Links

HMRC Tax Codes Guide

<https://www.gov.uk/tax-codes>

2019/2020 Tax Calculator

<https://listentotaxman.com/>

Department for Work and Pensions (DWP) Employee Guide

<https://www.workplacepensions.gov.uk/employee/>

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