

Budget 2016: Amendments to taxation of termination payments

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Anyone who has ever been party to a settlement agreement will most likely be aware that an employee gets the first £30,000

of any termination payment tax-free, with any excess subjected to income tax as normal. The current position is that, even for the portion of a termination payment which exceeds the threshold and is taxable, National Insurance Contributions (NICs) are not payable.

In the 2016 Budget, the Chancellor George Osborne has announced that this will change. From April 2018, the rules for employers' NICs will mirror those for income tax, so that employers must factor in NIC payments for the portion of any termination payment which exceeds £30,000.

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