Quick recap of the employment law changes coming into force in April 2021

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Employment Law News

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Quick recap of the employment law changes coming into force in April 2021

Although the deadline for gender pay gap reporting has been pushed back to 5 October 2021, employers still need to keep on top of other employment law changes coming into force in

April. Here we round up the five key changes for employers to navigate.

1. **Contractors: changes to the IR35 rules in the private sector – 6 April 2021**

The way in which the IR35 rules operate in the private sector will change on 6 April 2021. These reforms will see contractors lose the ability to determine their own tax status and place this burden on those who engage them. Large and medium-sized businesses in the private sector that engage independent contractors via an intermediary (usually a personal service company) will become responsible for assessing whether the IR35 rules apply. Once the business has made its assessment, it must notify certain parties of its decision and provide them with the opportunity to challenge it.

If a business determines that a contractor is an employee for tax purposes, then the party that pays the fee to the intermediary must deduct tax and National Insurance Contributions (**NICs**). In a simple contractual chain (i.e. individual > intermediary > end user business), the end user business is the fee payer and would have to deduct tax and NICs. By contrast, in a four-party chain (e.g. individual > intermediary > agency > end user business), the agency is the fee payer and would have to do that job.

Action point? Our detailed guide to the new regime sets out a range of different action points for affected employers.

2. **Statutory pay: increase to statutory family leave pay and sickness payments – 4 April 2021**

It is expected that statutory family leave and sickness payments will increase as follows on 4 April 2021 (this date is yet to be confirmed):

- Statutory Maternity Pay, Maternity Allowance, Statutory

Paternity Pay, Statutory Adoption Pay, Statutory Shared Parental Pay: £151.97 per week (up from £151.20).
- Statutory Sick Pay: £96.35 per week (up from £95.85).

Action point? Employers should ensure that the correct rates are paid to affected employees and that any policies and template letters that refer to the statutory rates of pay are updated.

3. **National minimum wage: change to the age threshold and rates increase – 1 April 2021**

The minimum age threshold for entitlement to the National Living Wage will decrease from 25 to 23 years of age. In addition, the hourly rates will increase as follows:

- National Living Wage – age 23+: £8.91 (up from £8.72).
- Standard adult rate – age 21+: £8.36 (up from £8.20).
- Development rate – age 18+: £6.56 (up from £6.45).
- Youth rate – age 16+: £4.62 (up from £4.55).
- Apprentice rate: £4.30 (up from £4.15).
- Accommodation offset – maximum daily deduction: £8.36 (up from £8.20).

Action point? Employers must ensure that staff are paid at least the minimum wage (at the applicable rate) for the hours they work.

4. **Termination payments: changes to the PENP calculation rules – 6 April 2021**

An alternative formula for calculating post-employment notice pay (**PENP**) will be introduced for use in situations where an employee is paid monthly but their contractual notice period isn't a whole number of months. If you require advice on the alternative formula, please get in touch.

The new rules will also introduce changes to ensure that non-residents who receive PENP are taxed fairly. The tax treatment of PENP for individuals who are non-resident in the

year of termination of their UK employment will be the same as for UK residents. Both changes will apply where the termination payment is received on or after 6 April 2021.

Action point? Employers should familiarise themselves with the new rules and apply them in relevant cases.

5. **Employment Tribunal awards: increase to certain limits – 6 April 2021**

The limits on certain Employment Tribunal awards will increase as follows:

- The ceiling on "a week's pay" for calculating redundancy payments, the basic award for unfair dismissal and various other statutory rights: £544 (up from £538).
- Maximum compensatory award for unfair dismissal claims: £89,493 (up from £88,519).

In dismissal claims, these figures will apply to claims where the effective date of termination falls on or after 6 April 2021.

Action point? Employers should ensure that statutory redundancy calculations made in respect of redundancies taking place on or after 6 April 2021 are calculated using the new weekly rate of pay.

If your business needs advice on preparing for any of these changes please contact Amanda Steadman (amandasteadman@bdbf.co.uk) or your usual BDBF contact.

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