



Budget 2018

Employment Allowance reform

- The Employment Allowance (EA) is being retained, but targeted at those businesses that need it most. From 2020-21, the government will limit access to the EA to businesses and charities with an employer National Insurance contributions (NICs) bill below £100,000.
- Around 93% of employers claiming the EA will continue to be eligible, with many paying no employer NICs at all.

What is the Employment Allowance?

1. Employers pay Class 1 NICs on their employees' earnings. The EA is currently claimed by over 1.1 million employers to reduce their employer NICs bill by up to £3,000.

What is changing?

2. The EA was introduced to support businesses to grow and hire new staff. At present, big businesses get the same benefit as small businesses. However, for larger businesses the benefits of this £3,000 are small relative to their total employment costs and unlikely to encourage them to take on more staff.
3. To focus business support to those who need it the most, the relief will be restricted to help smaller businesses with the costs of taking on more staff.
4. Around 93% of employers (over 1 million businesses and charities) claiming the EA will continue to benefit from up to £3,000 off their employer NICs bill. 99% of micro businesses and 93% of small businesses will remain eligible.
5. Businesses who no longer receive the EA will still benefit from a generous package of support from the government. This includes tax incentives to invest, the fuel duty freeze, support for high streets, an increase in the Annual Investment Allowance, and the creation of a new Structures and Building allowance.

How will this work in practice?

6. Employers currently claim the EA by submitting a Real Time Information Employer Payment Summary to HMRC. Employers will continue to claim the EA using their payroll software or HMRC's Basic PAYE tools. HMRC will provide further guidance to businesses in due course.