



Update your payroll software for 6 November NIC changes

The 23 September mini budget announced the scrapping the Health and Social Care Levy and important changes to employee and employer National Insurance Contributions (NICs) that take effect in just six weeks' time. Software developers are frantically working to make sure that payroll software is ready for the 6 November rate change.

Unlike PAYE which generally works on a cumulative basis NIC for employees, who are not directors, is calculated weekly or monthly based on the limits and rates for that particular payroll period. This means that if the wrong NIC is calculated the error cannot be corrected in the next pay period and the employer will have to claim a refund from HMRC. This is because there is currently no procedure to retrospectively correct the earlier NIC calculation. Unless a simple NIC reclaim system is introduced this could be time consuming for both the employer and HMRC.