



# Payroll Legislation & Product Changes guide

**2019-20 tax year**



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**2019-20 tax year**  
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## Release 2.60.00

This release includes the statutory payroll changes for the 2018-19 tax year-end and the new 2019-20 tax year.

Also included are the changes for Making Tax Digital for VAT. Making Tax Digital for VAT comes into force on 1 April 2019 and will apply for businesses with annual sales over the VAT threshold of £85,000. If Making Tax Digital for VAT applies to you, you'll have to use digital tools to keep records of your income and costs.

**A new release of Pegasus Scheduler - version 2.20.00 - must be installed to work alongside Pegasus Opera 3 for Making Tax Digital for VAT.**

Product	Version	Updates
Pegasus Opera 3	2.60.00	Welsh Tax, new classifications for company car fuel types, Postgraduate Loans, update for the Full Payment Submission, and new NI, PAYE and statutory payments rates and bands. Changes for Making Tax Digital for VAT are also included.
Pegasus Scheduler	2.20.00	Secure submissions of VAT Returns for Making Tax Digital for VAT.

All products are available from Feb 2019

### Payroll : Statutory changes

**OPERA II WILL NOT BE UPDATED WITH PAYROLL CHANGES FOR THE 2019-20 TAX YEAR OR MAKING TAX DIGITAL FOR VAT SUBMISSIONS SO A NEW VERSION OF OPERA II WILL NOT BE RELEASED.**

**OPERA II USERS REQUIRING THESE FEATURES MUST UPGRADE TO OPERA 3 BEFORE PROCESSING IN THE 2019-20 TAX YEAR.**

Statutory payroll changes in this release of Opera 3 include changes for Welsh Income Tax, Company Car fuel, Postgraduate Loans, RTI submissions and Statutory Rates and Thresholds.

## Welsh Income Tax

From 6 April 2019, some of the income tax paid by people living in Wales will be paid to the Welsh government. The Welsh government will be able to vary the rate paid by Welsh resident taxpayers. This means that they could pay different rates of income tax than taxpayers in the rest of the United Kingdom. In practice the UK government will reduce the three rates of income tax by 10p. The Welsh government will then decide the rates that will be added to the reduced UK rates. A Welsh rate of 10% would mean no change from the UK rates.

For example, assuming none of the current UK rates of tax change, if the Welsh parliament sets a rate of 8%:

- the Welsh basic rate would be 18% (20% – 10% + 8%)
- the Welsh higher rate would be 38% (40% - 10% + 8%)
- the Welsh additional rate would be 43% (45% - 10% + 8%).

If the Welsh rate is set at 11%, the basic rate would be 21%, the higher rate 41% and additional rate 46%.

Software changes	<ul style="list-style-type: none"> <li>• A new screen called Welsh Tax used for recording Welsh Tax rates and thresholds has been added to the <i>Utilities</i> menu in Payroll. The rates and thresholds are updated by the <i>Update Data Structures</i> command after upgrading to Pegasus Opera 3 (2.60.00).</li> <li>• For each employee, you can now record whether an employee is a Welsh taxpayer using the <i>Taxpayer</i> drop-down list box on the Payroll Processing screen.</li> <li>• When using the <i>Tax Code Changes</i> screen on the <i>Global Changes</i> menu in Payroll, you can now also choose to update only Welsh taxpayers.</li> <li>• Your Full Payment Submission to HMRC will also include an indicator for each Welsh taxpayer.</li> </ul>
Applies to	All employees who live in Wales.
Effective	From 6 April 2019.
More information	<a href="http://www.gov.wales">www.gov.wales</a>

## Company Car Fuel Types

Opera 3 automatically includes details of company cars in the Full Payment Submission (FPS) if they are recorded on the *Company Car Benefits* form. This includes details of new cars and any changes to existing cars (for example; elements that contribute to the value, changes in fuel benefits and so on). The cash equivalent of the benefit will also need to be added to payroll.

You need to register with HMRC online before the start of the tax year that you want to payroll the benefit for.

Fuel classifications for the 2019-20 tax year are the following:

2018-19	2019-20
D - Diesel	Either stays as D - Diesel or F - Diesel cars meeting Euro standard 6d/RDE2
E - Electric	A - All other cars
H - Hybrid	A - All other cars
A - All other cars	A - All other cars

Software changes	<ul style="list-style-type: none"> <li>For each employee with a company car you can now record the new fuel classifications on the Payroll <i>Company Car Benefits</i> screen.</li> <li>Your Full Payment Submission to HMRC will also include the new fuel classification.</li> </ul>
Applies to	All employees with company cars.
Effective	From 6 April 2019.
More information	<a href="http://www.gov.uk">www.gov.uk</a>

## Postgraduate Loans

Postgraduate loans will be deducted via the PAYE process from April 2019 in the same way as Student loans. The repayment threshold is set at £21,000 and loans will be repaid at a rate of 6%. The deductions will be based on the pay that is subject to National Insurance contributions.

A borrower may be liable to repay a Student and Postgraduate loan at the same time, as they are separate loan products. In that situation employers must deduct both Student and Postgraduate loan deductions.

PGL1 and PGL2 notices are being introduced in paper and electronic formats to start and stop Postgraduate loan deductions. These will run alongside the existing SL1 and SL2 for Student loans.

Postgraduate loans will be deducted and sent in the employer's usual payments to PAYE. Postgraduate loans will be shown separately to Student loans on an employee's payslip.

The first PGL1s will be issued alongside the SL1s before the start of the new tax year.

Software changes	<ul style="list-style-type: none"> <li>• The annual threshold for Postgraduate Loans is now recorded on the <i>PAYE/NI &amp; Statutory Payments</i> screen.</li> <li>• Deduction Profiles can now be set up for Postgraduate Loans on the <i>Payroll Deduction Profiles</i> screen.</li> <li>• Postgraduate Loan deductions are calculated during the <i>Payroll Calculation</i>, and included in the <i>Payroll Update</i>.</li> <li>• Your Full Payment Submission to HMRC will also include Postgraduate Loan deductions.</li> </ul>
Applies to	Employees with Postgraduate Loans.
Effective	From 6 April 2019.
More information	<a href="http://www.gov.uk">www.gov.uk</a>

## Full Payment Submissions

Software changes	These new details are included in the FPS in 2019-20: <ul style="list-style-type: none"><li>- Values for postgraduate loan repayments</li><li>- New fuel types for company cars</li><li>- An indicator for Welsh taxpayers.</li></ul>
Applies to	Full Payment Submissions sent to HMRC for each pay period.
Effective	From 6 April 2019.
More information	<a href="http://www.gov.uk">www.gov.uk</a>

## Payroll : New NI, PAYE and Statutory Payments rates and bands

### National Insurance rates and earnings limits

	LEL	PT	ST	UEL	UST	AUST
Weekly	118	166	166	962	962	962
2 weekly	236	332	332	1,924	1,924	1,924
4 weekly	472	664	664	3,847	3,847	3,847
Monthly	512	719	719	4,167	4,167	4,167
Quarterly	1,534	2,158	2,158	12,500	12,500	12,500
6 Monthly	3,068	4,316	4,316	25,000	25,000	25,000
Annual	6,136	8,632	8,632	50,000	50,000	50,000

*LEL = Lower Earnings Limit, PT = Primary Threshold, ST = Secondary Threshold, UEL = Upper Earnings Limit, UST = Upper Secondary Threshold, AUST = Apprentice Upper Secondary Threshold*

### Employee's and employer's NI contributions

Employee's NI contributions				
Letter	Earnings below LEL	Earnings at or above LEL up to and including PT	Earnings above PT ST up to and including UEL UST AUST	Balance of earnings above UEL UST AUST
A	NIL	0%	12%	2%
B	NIL	0%	5.85%	2%
C	NIL	NIL	NIL	NIL
H	NIL	0%	12%	2%
J	NIL	0%	2%	2%
M	NIL	0%	12%	2%
Z	NIL	0%	2%	2%
Employer's NI contributions				
Letter	Earnings below LEL	Earnings at or above LEL up to and including ST	Earnings above PT ST up to and including UEL UST AUST	Balance of earnings above UEL UST AUST
A	NIL	0%	13.8%	13.8%
B	NIL	0%	13.8%	13.8%
C	NIL	0%	13.8%	13.8%

Employer's NI contributions				
H	NIL	0%	0%	13.8%
J	NIL	0%	13.8%	13.8%
M	NIL	0%	0%	13.8%
Z	NIL	0%	0%	13.8%

*C = Pensioners, H = Apprenticeships Under 25, J = Deferment, M = Under 21, Z = Under 21 – Deferment*

### Rest of the UK Income Tax rates and bands

		2018-19	2019-20
Basic rate	20%	1-34,500	1-37,500
Higher rate	40%	34,501-150,000	37,501-150,000
Additional rate	45%	Over 150,000	Over 150,000

### Welsh Income Tax rates and bands

		2018-19	2019-20
Basic rate	20%	1-34,500	1-37,500
Higher rate	40%	34,501-150,000	37,501-150,000
Additional rate	45%	Over 150,000	Over 150,000

### Scottish Income Tax rates and bands

		2018-19		2019-20	
Starter rate	19%	1-2,000	19%	1-2,049	
Basic rate	20%	2,001-12,150	20%	2,050-12,444	
Intermediate rate	21%	12,151-32,423	21%	12,445-30,930	
Higher rate	41%	32,424-150,000	41%	30,931-150,000	
Top rate	46%	Over 150,000	46%	Over 150,000	

### Tax allowances

	2018-19	2019-20
Personal Allowance	11,850	12,500
Marriage Allowance	1,185	1,250

## Tax code increases

From 6 April 2019, the emergency tax code is 1250L.

Suffix	Change
L (basic personal allowance)	+65
M (received 10% of personal allowance from partner)	+71
N (transferred 10% of personal allowance to partner)	+59

## Statutory Payments rates

For employees with average weekly earnings of £118.00 or more:

- SSP - from 6 April 2019, the standard weekly rate for sickness absence is £94.25.
- SMP & SAP - for payment weeks starting on or after Sunday 7 April 2019, the standard rate is £148.68. For the first six weeks of payment, the amount paid to an employee is 90% of the employee's average weekly earnings (the earnings-related rate). For the remaining weeks, it will be the lesser of the standard rate or the earnings-related rate (90% of the employee's average weekly earnings).
- SPP & ShPP - for payment weeks starting on or after Sunday 7 April 2019, the standard rate is £148.68. The weekly rate paid to an employee will be the lesser of the standard rate or the earnings-related rate (90% of the employee's average weekly earnings).

## Small Employers Relief

The recovery and compensation rates for Small Employers Relief (SER) and the classification of a small business have not changed.

- Employers who qualify for SER are those with a total annual Class 1 NICs including primary (employee) and secondary (employer) liability of £45,000 or less.
- Employers who qualify for SER can recover 100% of statutory payments (SMP, SPP, ShPP and SAP) paid to their employees plus 3% compensation.
- Employers who do not qualify for SER can recover 92% of the statutory payments paid to their employees.

## Student Loan thresholds

From 6 April 2019, the annual Student and Postgraduate Loan thresholds are:

- Student Loan plan 1: £18,935 (was £18,330)
- Student Loan plan 2: £25,725 (was £25,000)
- Postgraduate Loan: £21,000.

The deduction rate for Student Loans is unchanged at 9%.

The deduction rate for Postgraduate Loans is 6%.

## New thresholds for Auto Enrolment

The Department for Work & Pensions (DWP) has announced the proposed thresholds for the 2019-20 tax year (subject to the parliamentary approval).

PRP	Weekly	2 Weekly	4 Weekly	Monthly	Yearly
Lower level	118	236	472	512	6,136
Earnings trigger	192	384	768	833	10,000
Upper level	962	1,924	3,847	4,167	50,000

*PRP = Pay Reference Period, Lower level = Lower level of qualifying earnings, Earnings trigger = Earnings trigger for automatic enrolment, Upper level = Upper level of qualifying earnings*

From 6 April 2019, the total minimum Auto Enrolment contributions is 8% - with the employer contributing at least 3%.

## VAT : Making Tax Digital for VAT

Making Tax Digital (MTD) is a government initiative designed to transform the tax system and to end the use of the tax return for a great many taxpayers. It is intended to make it easier for businesses and individuals to maintain records and to get their tax correct. Under Making Tax Digital for VAT, businesses will be required to keep records digitally and send VAT return data to HMRC online.

Making Tax Digital for VAT comes into force on 1 April 2019 and will apply for most businesses with annual sales over the VAT threshold of £85,000. If Making Tax Digital for VAT applies to you, you'll have to use digital tools to keep records of your income and costs.

Until 1 April 2019 you can use the free Government Gateway for entering your VAT return, but for your first full VAT period after 1 April 2019 you will need to use Making Tax Digital for VAT software to submit your VAT returns.

Applies to	Most VAT Registered employers.
Effective	1 April 2019. You must sign up for Making Tax Digital for VAT with HMRC before switching it on in Pegasus Opera 3. The earliest that you can switch on Making Tax Digital for VAT is 1 April 2019. When Making Tax Digital for VAT is switched on the VAT Return data will be updated with the latest VAT transactions from the Sales, Purchase and Nominal Ledgers.
More information	<a href="http://www.gov.uk">www.gov.uk</a>
Software changes - Pegasus Opera 3 (2.60.00)	<ul style="list-style-type: none"> <li>• New options on the <i>Company Profiles</i> screen to switch on Making Tax Digital for VAT at the appropriate time.</li> <li>• The new <i>MTD VAT Centre</i>, which is used for the following: <ul style="list-style-type: none"> <li>○ Authorising your Pegasus Opera 3 software with HMRC for Making Tax Digital for VAT.</li> <li>○ Creating VAT codes, including a new 'J' type code for posting end of period VAT adjustments.</li> <li>○ Posting VAT adjustments to amend box values either before or after committing your VAT data to the VAT period, retaining a record for audit purposes.</li> <li>○ Automatically consolidating VAT transactions into the group company in Pegasus Opera 3 when the VAT periods are committed in the subsidiary companies. Subsidiary companies must have the same VAT Registration Number.</li> <li>○ Monitoring the current VAT Return values and viewing box values for previous submissions.</li> <li>○ Submitting VAT Returns to HMRC using the HMRC MTD for VAT 'API'.</li> <li>○ Printing previously submitted VAT Returns using the printer button on the toolbar.</li> </ul> </li> </ul>

	<p>For details about the changes for Making Tax Digital for VAT in Pegasus Opera 3, please see the <a href="#">Making Tax Digital for VAT - Product changes guide</a>.</p> <p>To understand the steps to switch on Making Tax Digital for VAT in Pegasus Opera 3 at the appropriate time, please follow the instructions in the <a href="#">Making Tax Digital for VAT - Checklist guide</a>.</p>
<p>Software changes - Pegasus Scheduler (2.20.00)</p>	<p>A technical uplift has been completed in Pegasus Scheduler to make it ready for Making Tax Digital for VAT.</p> <p><b>Pegasus Scheduler (2.20.00) must be installed and configured to submit the VAT Return to HMRC using Making Tax Digital for VAT. Pegasus Scheduler uses Microsoft SQL Server for its data store. Installation instructions are on <a href="#">page 13</a> of the Opera 3 installation guide at <a href="https://docs.pegasus.co.uk">docs.pegasus.co.uk</a>.</b></p>

## User guides

Opera 3 guides are available in the User Guides section at [docs.pegasus.co.uk](https://docs.pegasus.co.uk).

Guide	Description
Installation guide	This guide helps with installation and initial configuration of Opera 3. Also, includes guidance for upgrading from Opera II to Opera 3.
Checklists guide	This guide describes the steps necessary to upgrade to Pegasus Opera 3 (2.60.00) and Pegasus Scheduler (2.20.00), and then complete the payroll year-end and start the new tax year.
Making Tax Digital for VAT - Checklist guide	This guide is provided so that you understand the steps necessary to switch on Making Tax Digital for VAT in Pegasus Opera 3 at the appropriate time.
Making Tax Digital for VAT - Product changes guide	This guide is provided so that you understand the changes in Pegasus Opera 3 and Pegasus Scheduler for Making Tax Digital for VAT.
Software Requirements guide	This guide lists the editions of Microsoft Office, Microsoft SQL Server, Microsoft Windows Server, Microsoft Windows desktop, web browsers and Microsoft .NET supported for Opera 3 and Pegasus Web Xchange.
SQL Server Licensing guide	This guide explains the licensing options for different editions of Microsoft SQL Server. It explains how to calculate the number of CALs (Client Access Licences) required for Pegasus products that use Microsoft SQL Server for the datastore.