

Employment Allowance advice

Is your Councils' employee(s) eligible for the Employment Allowance?

Government guidance on the Employment Allowance¹ is very clear. Parish Councils are not eligible.

Below is an extract from the Government guidance² link in footnote.

Extract from: Guidance Eligibility for Employment Allowance: further employer guidance Updated 14 April 2022

2. Public authorities

Public authorities (such as local authorities, town councils and parish councils) are not eligible for the Employment Allowance unless they have charitable status.

Recommendation

- If you are using the HMRC Basic PAYE Tools - check you are administering your payroll correctly to not include the 'Employment Allowance' scheme.
- If you outsource your salary function - check with the company they are not applying the 'Employment Allowance' scheme to your Councils employees.

Footnotes

¹ Employment Allowance allows eligible employers to reduce their annual National Insurance liability by up to £5,000.

You'll pay less employers' Class 1 National Insurance each time you run your payroll until the £5,000 has gone or the tax year ends (whichever is sooner).

You can only claim against your employers' Class 1 National Insurance liability up to a maximum of £5,000 each tax year. You can still claim the allowance if your liability was less than £5,000 a year.

History: The Employment Allowance is a financial relief in the UK which was introduced to encourage employers to take on more staff, announced in the Budget 2013, active on 6 April 2014. The allowance allows businesses to deduct 20% of an employee's earnings above £9,440 a year from their tax bill, up to a maximum of £4,000 per employee.

² Eligibility for Employment Allowance: further employer guidance - GOV.UK (www.gov.uk) scroll down to, 2. Public authorities