



*David Howard Ltd payroll services for Direct
Payment Users*

Employer Costs from April 2026

- Employer National Insurance
- Employment allowance
- National Living Wage & National Minimum Wage
- SSP
- SMP and other Parental Leave

National Insurance and Earnings from April 2026

- Lower Earnings Limit (LEL)
 - £129 per week
 - £559 per month
- Qualifies for Statutory benefits, but no National insurance is due to be paid by the employer until earnings are above the Secondary Threshold.
- Secondary Threshold (ST)
 - £96 per week
 - £417 per month
- Any earnings above this threshold will be subject to employer national insurance at 15%

Employment Allowance

- The employment allowance an employer can reclaim per tax year is up to £10,500.
- HMRC are notified through the payroll that the employer is claiming the Employment Allowance.
- The employer receives the Employment Allowance by reducing the EMPLOYERS NI contributions made to HMRC.
- If an employer does not pay any NI contributions, no employment allowance can be recovered.
- Employment Allowance can only be claimed on one PAYE scheme.
- If you have more than one PAYE scheme you are not able to split the allowance over the schemes, and unused allowance on one scheme cannot be claimed on the other.

National Living wage and Real living wage

- The Government announced a 4.1% increase to the National Minimum Wage, above the rate of inflation. The increase for workers aged 18-20 was even larger, at 8.5%.

Category 	Real Living Wage (Voluntary)	National Living / Minimum Wage (Legal)
UK (Outside London)	£13.45 per hour	£12.71 per hour (Age 21+)
London	£14.80 per hour	£12.71 per hour (Age 21+)
Ages 18–20	£13.45 per hour	£10.85 per hour

Statutory Sick Pay (SSP)

Statutory Sick Pay for 2026/27 tax year has changed

- There are no longer waiting days, and the employee will receive SSP from the 1st working day that the employee has been absent due to sickness
- The lower earnings limit has been removed, so regardless of earnings the employee will qualify.
- They will receive SSP for each day they would normally work (*called 'qualifying days'*)
- The weekly amount received will be 80% of their normal weekly earnings or £123.25 – whichever is lower (*up to 28 weeks*).
- SSP is paid in the same way as wages, (*e.g. on the normal payday, deducting tax and National insurance*)

****Please note holiday is still accrued when someone is absent from work due to sickness. SSP cannot be reclaimed from HMRC and is a cost to the employer.***

Statutory Sick Pay (SSP)

- SSP daily rate is calculated by taking the weekly SSP rate and dividing this by number of working days in the week (or using the weekly rate of 80% of weekly earnings if this is lower than SSP) :

Unrounded daily rates	Number of qualifying days in week
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£17.6071	7
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£20.5416	6
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£24.65	5
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£30.8125	4
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£41.0833	3
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£61.625	2
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£123.25	1
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Statutory Sick Pay (SSP)

- Example of sickness for employee working 1 day per week:
- Weekly earnings are £95.32 per week
- (7 hrs 30 mins @ £12.71 = £95.32 per week)

- Employee is off work for one day due to sickness (this is their full working week)

- SSP applies from 1st day of sickness as there are no waiting days

- Previously the earnings would have been below the lower earnings limit of £129.00 and SSP would not have been due

- Now the earnings threshold has been removed, so the employee will receive 80% of their weekly rate as SSP which is £76.26 (as earnings are below £123.25 SSP rate)

Statutory Sick Pay (SSP)

- Example of sickness for employee working 5 days per week:
- Weekly earnings are £476.63 per week
- (37 hrs 30 mins @ £12.71 = £476.63 per week)
- Employee is off work for one day due to sickness (1 of the 5 days)
- SSP applies from 1st day of sickness as there are no waiting days
- Employee receives 1 days SSP at the rate of £24.65
- (weekly SSP rate of £123.25 divided by working days in the week)
- If the employee is off for 5 days (or a full week) they would receive a full weeks SSP of £123.25

Statutory Sick Pay (SSP)

- SSP for variable workers is based on the days they were scheduled to work in the week their absence starts.
- How Earnings Are Calculated
 - The 8-Week Rule: employers look at the total amount the employee was paid in the 8 weeks leading up to the first day of sickness.
 - If pay varies, all earnings during this 8-week block are added together and divided by 8.
 - New Employees: If an employee has been employed for less than 8 weeks, employers should use the average earnings over the period that has been worked before the sickness
- SSP only applies for full days, so if an employee turns up for work and then goes home part way through their shift due to sickness, SSP does not count for that day.

Records Required for Statutory Sick Pay

- Keep a record of all sick days
- Calculate SSP due through your payroll software
- If you use a payroll provider, you will need to inform them of your employee's sickness absence.
- The information your payroll provider will need to calculate SSP is:
 - The working rota for the weeks that includes the sickness absence
 - Details of all full days of sickness
 - If the absence exceeds 1 week, a Fit for Work note should be provided by the employee
 - Details of any cover provided by other employees
- Monitor your budget spend and inform funding bodies of extra costs incurred for the SSP, so budgets can be adjusted if required.
- Remember holiday accrues during periods of sickness at the same rate as if they had been at work.

Statutory Maternity and Adoption Pay (SMP)

SMP / SAP provides 39 Weeks paid leave to qualifying employees on maternity leave:

- 6 weeks is paid at 90% of the employee's average weekly earnings.
- 33 weeks is paid at £194.32 per week 2026/27 rate *(or 90% of the employee's average weekly earnings if this figure is less than the statutory rate)*.
- All other parental payments (parental leave, shared parental leave etc) are paid at:
- £194.32 per week 2026/27 rate *(or 90% of the employee's average weekly earnings if this figure is less than the statutory rate)*.

SMP can be reclaimed from HMRC at either:

- 92% - if the total Employers NI liability in the tax year is over £45K per year
- 108.5 % if the total Employers NI liability in the tax year is lower than £45K

***The cost of accrued holiday pay is an additional cost to the employer.**

Paternity leave and Pay

From 6 April 2026, Statutory Paternity Pay increases to **£194.32 per week** (or 90% of average weekly earnings, if lower). The lower earnings limit to qualify increases to £129 per week.

- **Key changes from 6 April 2026**
- **Day-One Right:** Employees will be able to take [ordinary paternity leave](#) from the first day of their employment. The current 26-week minimum service requirement to qualify for statutory paternity leave is removed.
- You **must** still have 26 weeks of continuous service by the end of the 15th week before the expected week of childbirth (or matching week for adoption) to qualify for [Statutory Paternity Pay](#)
- **Flexibility on Timing:** Paternity leave will no longer have to be taken immediately after birth/placement and can be taken after periods of shared parental leave. Still needs to be taken as 1 or 2 consecutive weeks.
- **Bereaved Partner's Leave:** A new, separate right to up to 52 weeks of leave will be introduced for fathers and partners who lose their partner before their child's first birthday

**Reclaim rules for SPP are the same as SMP.*

Neonatal leave

- Eligibility:
Employees must have parental responsibility, and the baby must be in hospital/relevant care for at least 7 continuous days, starting within 28 days of birth.
- Duration
Up to 12 weeks of leave can be taken, usually in one-week blocks.
- Timing
The leave must be taken within 68 weeks (approx. 16 months) of the baby's birth
- Pay
Neonatal Care Pay is available for eligible employees, at a rate of £194.32 a week or 90% of average weekly earnings (whichever is lower).
- Protection
Employees are protected from detriment and dismissal for taking this leave

Employers can reclaim statutory neonatal care pay (SNCP) from HMRC, typically recovering 92% of the cost, or 108.5% for smaller employers qualifying for Small Employers' Relief

***The cost of accrued holiday pay is an additional cost to the employer.**

Other Parental Leave

- **Share Parental Leave and Pay**

£194.32 a week or 90% of their average weekly earnings (whichever is lower).

- **Statutory Parental Bereavement Leave and Pay:**

Leave entitlement:

Two weeks of leave, which can be either two consecutive or two separate weeks within 56 weeks of the child's death or still birth. The leave is a day one right.

Pay entitlement:

Must have worked for the employer for at least 26 weeks continuously leading up to the week of the death.

Must earn on average at least £129 a week (gross).

£194.32 a week or 90% of their average weekly earnings (whichever is lower).

Variable costs for budgets

Local Authorities and Funding Bodies:

- Need to be aware of the possible variables on a personal budget
 - *Will have to look at each individual client on a case-by-case basis and respond quickly to variables such as SSP*
- Be aware that how an employers split their hours can have a huge impact on costs (*i.e. 1 full time employee or 2 part time employees*)
- The age of employees can change costs, such as NMW, NI contributions and pension contributions
- Employers need to be aware of their legal obligations when employing staff
- *Need to have clear policies for absence*

Questions?

Any questions?

Useful contacts:

[Acas | Making working life better for everyone in Britain](#)
[Statutory Sick Pay \(SSP\) : Overview - GOV.UK](#)