



NEWS UPDATE - 10 March 2026

Contents

Payroll complications for spring	1
New employment rights arrive in April	2
Rate of compensation on statutory payments increased	3
Are you ready for April's tax and pension changes?	4
Cryptoasset disclosure	5

Payroll complications for spring

The increase in State pension age (SPA) from 66 to 67 years will be phased in starting 6 April 2026. Employers need to take care because employee class 1 national insurance contributions (NICs) are no longer payable once SPA is reached.

Pension age

Men and women born between 6 April 1960 and 5 March 1961 will reach SPA at 66 years plus a specified number of months. For example, a person born on 5 May 1960 will reach SPA on 5 June 2026, whereas it will be 6 July 2026 for someone born a day later. Pension age will be 67 years for anyone born on or after 6 March 1961.

Class 1 NICs

Although employee class 1 NICs are no longer payable once an employee reaches SPA, employer contributions are still due:

- For employees, the change applies to the first wage or salary payment on or after SPA is reached. NIC classification is based on the date of payment, not the earnings period.
- For example, NIC category letter C will be used for the whole of the June 2026 salary (paid at month end) for any employee who has reached SPA on or before 30 June 2026.
- Employers should check that the employee's NI category letter has been set to 'C' in payroll software so that no further

employee class 1 NICs are deducted. The software may do this automatically based on the employee's date of birth.

The normal procedure is for the employee to show proof of reaching SPA, either with their birth certificate or passport.

For the self-employed, the NICs situation on reaching SPA is more straightforward. They simply stop paying class 4 NICs from the start of the tax year after reaching SPA.

SPA can be checked using the government's check your SPA calculator, which can be found from the link below:

<https://www.gov.uk/state-pension-age>



New employment rights arrive in April

New 'day one' rights come into effect on 6 April 2026 and employers need to be prepared.



While many headline reforms introduced by the Employment Rights Act 2025 will not land until 2027, employers should be aware of the new 'day one' rights which employees will be entitled to from 6 April 2026.

Statutory sick pay (SSP)

Entitlement to SSP currently applies from the fourth day of sickness, but this three-day waiting period will be removed:

- The lower earnings threshold (currently £125 per week) will also be dropped and leave all employees eligible for SSP.
- From 6 April 2026, employees off sick will receive the lower of the rate of SSP and 80% of their average weekly earnings.

Employers may find themselves dealing with more cases of sick leave abuse, which will need to be handled carefully.

Approaches to reducing abuse include asking employees to check in regularly when off sick and holding return-to-work interviews.

Paternity and ordinary parental leave

Paternity and ordinary parental leave will both become a 'day one' right:

- Currently, paternity leave is only available after 26 weeks of employment; this qualifying requirement will not change concerning paternity pay.
- Unpaid ordinary parental leave is currently only available after working for a year.

The restriction on an employee taking paternity leave after taking shared parental leave will be removed.

Bereaved partners paternity leave

This has been introduced by separate legislation but will be a new statutory entitlement from 6 April 2026 and again, a 'day one' right. There is no statutory pay requirement. The new leave can be taken by an employee who loses the mother of a child within the first year of the child's life. Up to 52 weeks of leave can be taken, depending on when bereavement occurs. The same leave is available if a child is adopted and the primary adopter dies.

Read more in government factsheets covering SSP and paternity and parental leave changes from the links below:

<https://assets.publishing.service.gov.uk/media/695fb36d47867b8e14f764fb/statutory-sick-pay-factsheet.pdf>

<https://assets.publishing.service.gov.uk/media/69613116d6532b76df7dcd89/bereavement-paternity-and-unpaid-parental-leave.pdf>

Rate of compensation on statutory payments increased

Although far less generous than last year's increase, the rate of compensation paid to smaller employers for administering statutory payments will go up from 8.5% to 9% from 6 April 2026.

While employers may welcome extra funding, the small increase will not compensate for higher rates of minimum wage or for the cost of the new 'day one' rights for all employees, both coming into effect from 6 April 2026.

Recovery

Employers can usually reclaim 92% of statutory payments, but smaller employers can recover 100% of the cost, along with the 9% compensation. The total rate of recovery will therefore be 109% from 6 April 2026.

For example, if statutory maternity pay of £1,000 is paid, the normal recovery is £920. However, a smaller employer will recover £1,090. Statutory payments for maternity, paternity, adoption, shared parental, parental bereavement and neonatal care pay are recoverable; but not statutory sick pay.

Smaller employers

An employer is classed as small for statutory payments purposes if their total class 1 national insurance contribution (NIC) payments were £45,000 or less for the tax year before the employee's

qualifying week:

- Both employee and employer contributions are included, but not class 1A or 1B NICs.
- The £10,500 employment allowance is not deducted in establishing whether the £45,000 threshold is met. For example, class 1 NIC payments might be £40,000, but if this is after deducting the full employment allowance, then the relevant figure is £50,500. Therefore, it is too high to qualify.
- The qualifying week varies depending on the type of leave. For example, for statutory adoption pay, the relevant week is the week that the employee is informed they will be matched with a child by the adoption agency.

Relief is claimed on a monthly basis through payroll software using the employer payment summary.

HMRC's guide to getting financial help with statutory pay can be found from the link below:

<https://www.gov.uk/recover-statutory-payments>



Are you ready for April's tax and pension changes?

6 April brings a variety of changes to the tax rules.



The start of the tax year on Monday 6 April (Easter Monday) heralds a variety of changes to tax and pension rules, few of them welcome.

Dividend tax The rate of tax on dividends will increase by two percentage points if you pay tax at basic rate (8.75% to 10.75%) or higher rate (33.75% to 35.75%). The additional rate tax on dividends remains unchanged at 39.35%, as does the dividend allowance at just £500.

Making Tax Digital (MTD) for income tax This starts to operate for the self-employed and landlords who have qualifying income (broadly gross income) from both sources that exceeded £50,000 in 2024/25. MTD will require you to submit quarterly returns of income and expenses to HMRC using approved software.

Inheritance tax (IHT) reforms The new rules for agricultural and business IHT reliefs come into effect. Following changes announced in the Autumn 2025 Budget and two days before Christmas, the 100% relief allowance will be a combined £2,500,000 and will be transferable between surviving spouses and civil partners.

Venture capital trusts (VCTs) The rate of income tax relief for the

high risk investments will drop from 30% to 20%. At the same time, the size of companies covered by the scheme will double.

Capital gains tax (CGT) The rate of CGT on gains that qualify for business assets disposal relief will rise from 14% to 18%. Other rates of CGT remain unchanged, as does the annual exemption at £3,000.

National insurance contributions (NICs) If you work or live abroad, then you will not be able to pay voluntary Class 2 NICs (£3.65 a week) to accrue UK State pension for 2026/27 and subsequent years. You may be eligible to pay Class 3 NICs, but the cost is much higher at £18.40 a week.

State pension age (SPA) The phasing in of a new SPA of 67 will begin in April 2026. If you were born between 6 April 1960 and 5 March 1961, then your SPA will increase to between 66 years 1 month and 66 years 11 months. If you were born on or after 6 March 1961, your SPA will be at least 67.

If you would like more information on how any of these changes could affect you, please get in touch.

Cryptoasset disclosure

Despite running for over two years, HMRC's cryptoasset disclosure service has only generated just over £4 million in disclosures. An indication, perhaps, of the low level of awareness and compliance surrounding cryptoassets.

Most crypto gains are subject to capital gains tax (CGT), and HMRC suspects many cryptoasset investors have failed to report their gains when cryptoassets are sold or gifted:

- It might well be the case that people think crypto transactions are tax free, especially if it is simply the case of exchanging one type of cryptoasset for another.
- There is also a disposal if cryptoassets are used to pay for goods or services; easy to do when cryptoassets are added on to one of the specialised Visa cards, which can be used to spend any where in the world.

For example, an investor buys into a new cryptoasset using some of their Bitcoin. The new cryptoasset increases in value, so the investor converts back to Bitcoin. Both transactions are disposals, so CGT is due on gains in excess of the £3,000 exemption.

Compliance

HMRC has sent out over 100,000 letters prompting investors to

disclose their cryptoasset tax liabilities. However, it has, until recently, been quite easy for investors to avoid scrutiny by using international cryptoasset service providers, which were not required to share any information with HMRC.

New reporting requirements came into force on 1 January 2026. These apply when a crypto investor buys, sells, transfers or exchanges cryptoassets, although several countries that host providers have not yet signed up to the reporting requirements. Likewise, using a decentralised exchange might circumvent the new reporting rules.

Cryptoassets also pose a problem for inheritance tax (IHT). The assets form part of a deceased's estate, but access may not be possible when security involves private keys and passwords.

HMRC's detailed guidance on the new cryptoasset reporting requirements can be found from the link below:

<https://www.gov.uk/guidance/information-youll-need-to-give-to-uk-cryptoasset-service-providers>



Should you wish to discuss this News Update in further detail please contact BGM at: communications@bgm.co.uk

Disclaimer: This information provides an overview of the issues considered and is for general information only. It is not intended to provide advice and should not be relied upon in any specific transaction.