



Law & Policy Group

GRIST

UK: Termination payment costs to change in April 2020

*By Mercer's Fiona Webster and Stephanie Rosseau
10 Feb 2020*

The cost of termination payments for United Kingdom employers could increase from 6 Apr 2020 when employers will have to pay National Insurance Contributions (NICs) of 13.8% on any part of an employee's termination payment exceeding £30,000. Currently, employers only pay income tax on payments to compensate employees for employment loss if the amount exceeds £30,000. The introduction of NICs on termination payments was announced by the government in 2017, but its implementation was postponed from 2018 until 2020.

Employers should adjust their payroll processes — and factor in the change — when negotiating termination payments after 6 April.

Related resources

- [Employment income manual](#) (HMRC, 5 Feb 2020)
- [Income tax and national insurance contributions: Treatment of termination payments](#) (UK government, 5 Dec 2016)

Note: Mercer is not engaged in the practice of law, accounting or medicine. Any commentary in this article does not constitute and is not a substitute for legal, tax or medical advice. Readers of this article should consult a legal, tax or medical expert for advice on those matters.