Payroll Legislation & Product Changes

2025-26 tax year

pegasus

Payroll Legislation & Product Changes guide
2025-26 tax year
Version 1.0
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Contents

Introduction

This release includes the payroll statutory changes for the 2024-25 tax year-end and the new 2025-26 tax year.

Product	Version	Updates
Pegasus Opera 3 / Pegasus Opera 3 SQL SE	2.99.00	There is no upgrade to Online Filing Manager this year. Therefore, you should continue to use Online Filing Manager (4.01.00) to send RTI (Real Time Information) submissions to HMRC (HM Revenue & Customs).

Audience

This guide is provided for Pegasus Partners and customers who need to understand the changes in the new tax year.

Pegasus Help Centre

These guides are available from the Pegasus Help Centre docs.pegasus.co.uk.

Rates and Bands guide	This guide explains the new rates and bands for NI, PAYE and Statutory Payments for the new tax year.
Installation guide	If you are unfamiliar with the installations, you should refer to the Pegasus Opera 3 (2.99.00) installation guide.
Implementation guide	This guide provides a high-level view of Pegasus Opera 3 and how to approach an implementation.
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 Pegasus Opera 3 (2.99.00).
Opera 3 Help	The F1 Help is installed with Pegasus Opera 3 and published to the Pegasus Help Centre.

Readme/Release Notes

The Readme or Release Notes are installed with the application. This includes a summary of the payroll changes, details of other non-payroll changes and late-breaking news.

Online Filing Manager

There is no upgrade to Online Filing Manager this year. Continue to use your existing Online Filing Manager software to send your RTI submissions to HMRC. For new installations of Pegasus Opera 3, you must also install Online Filing Manager - included with the Opera 3 installation files download.

Statutory Neonatal Care Pay/Leave (SNCP)

Applies to	Employees who work in England, Scotland, and Wales.
Effective	6th April 2025.
More information	For details about statutory neonatal care pay and leave, visit: [Parents to receive day one right to neonatal care leave and pay - GOV.UK](#)

Summary

The HMRC (His Majesty's Revenue & Customs) is set to introduce a new statutory allowance on behalf of the Department for Business and Trade (DBT) commencing April 2025. The Statutory Neonatal Care Pay and Leave (SNCP) is designed to provide support for parents whose newborns require neonatal care within the first 28 days post-birth.

Neonatal care leave will be available to employees from their first day in a new job and will apply to parents of babies who are admitted into hospital up to the age of 28 days, and who have a continuous stay in hospital of 7 full days or more.

SNCP offers qualifying parents up to 12 weeks of paid leave, which can be claimed flexibly based on individual circumstances. This allowance is structured to complement existing statutory entitlements, including maternity and paternity leave, thereby extending the support available during this critical period.

The introduction of SNCP addresses the need for parents to allocate additional time for infants requiring prolonged hospital care, mitigating the pressure to return to work prematurely. The administration of SNCP is anticipated to align with existing statutory payment processes, such as those established for Statutory Parental Bereavement Pay & Leave (SPBP).

SNCP has been implemented in Opera 3 as a manual process with a new Payment Profile required. SNCP payments will then be included in the P32, FPS and EPS. SNCP payment information is easily accessible through various views available from Payroll Processing such as the To-Date form and various payroll reports.

The payment follows the same administration process as other statutory payments such as SPBP. Payments will be paid out by employers and claimed back through payroll processes. Payments will be treated as earnings for tax and National Insurance Contributions purposes, as per all other Statutory Payments.

Software Changes

The PAYE, NI & Statutory Payments form includes fields to record the earnings-related percentage rate and the standard rate for SNCP. These are updated automatically along with the other statutory payment rates.

The FPS and EPS submissions also include details for SNCP.

FPS, EPS and NVR Changes

Applies to	Employees who work in England, Scotland, Wales and Northern Ireland.
Effective	6th April 2025.
More information	For details about FPS, EPS and NVR submissions, please refer to: [Payroll information to report to HMRC - GOV.UK](#)

Summary

The usual year-on-year uplift changes have been made, along with the following additions.

Software Changes

FPS

- Employee Workplace Code - the Place of Work Postcode entered into the Payroll Processing – Details & Bank (Additional Information tab), will be included if the employee has a NI letter associated with a Freeport or Investment Zone.

- Value of Statutory Neonatal Care pay (SNCP) to date
- Pension commencement excess lump sum indicator
- Standalone lump sum indicator

EPS

- Value of Statutory Neonatal Care Pay recovered year to date
- Value of NIC compensation on Statutory Neonatal Care Pay year to date

NVR

No change

Prior Year FPS Changes

Applies to	Employees who work in England, Scotland, Wales and Northern Ireland.
Effective	6th April 2025.
More information	For details about the prior year FPS changes, visit: https://www.gov.uk/search/all?keywords=Prior+Year+FPS+Changes

Summary

The Prior Year FPS form has been updated to have the ability to add Investment Zones that were implemented as part of the 2025 Payroll Upgrade.

Software Changes
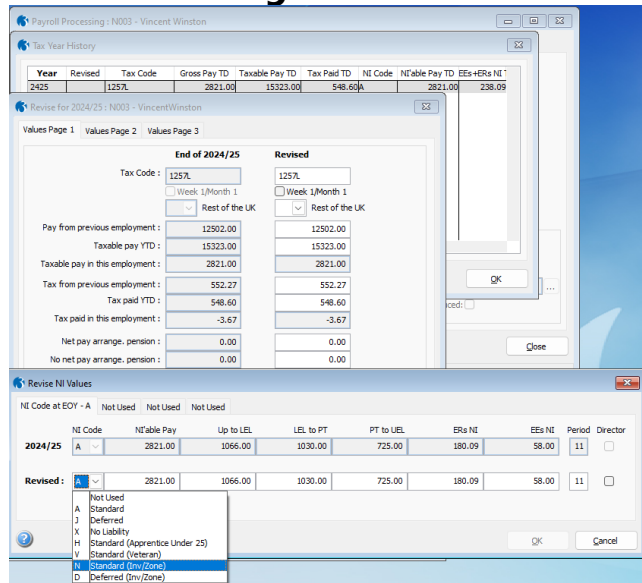
Lifetime Allowance (LTA)

Applies to	Employees who work in England, Scotland, and Wales.
Effective	6th April 2025.
More information	For details about the lifetime allowance, visit: [Find out the rules about Individual Lump Sum Allowances - GOV.UK](#)

Summary

In addition to the three existing indicators for the pension drawdown type, two more have been introduced in relation to LTA changes:

Software Changes

- Pension Commencement Excess Lump Sum (PCELS)
- Stand Alone Lump Sum (SALS)

Notes on the new checkboxes:

- The Pension Commencement Excess Lump Sum (PCELS) and Stand-Alone Lump Sum (SALS) are part of five checkboxes commonly referred to as the "Flexible Drawdown Pension types".
- From 2025/26, it will only be possible to process one Flexible Drawdown Pension type per pay period. As a result, the five boxes are mutually exclusive.
- As with the three existing Flexible Drawdown Pension types, the PCELS and SALS must be used with a Payment Profile that has the Flexible Pension checkbox set on.
- Following running the End of Year Cleardown (including the 2024/25 tax year end) the fields are reset to unticked and must be updated as necessary.
  As with the three existing Flexible Drawdown Pension types, the PCELS and SALS are recorded for HMRC in the Full Payment Submission

Employer Substitute Forms P60

Applies to	Employers and employees.
Effective	6th April 2025.
More information	For details about forms P60, visit https://www.gov.uk/government/publications/paye-draft-forms-specifications-for-substitute-forms-p60

Summary

The Form P60 is an annual tax form issued to taxpayers at the end of a relevant tax year. It contains exact information about the earnings, the PAYE and NICs paid during the specified tax year.

Software Changes

The following changes have been made for 2025/26 tax year:

- The Tax year has been updated to 2025

Place of Work Postcode

Applies to	Employees working in the UK.
Effective	6th April 2025.
More information	For details about place of work postcode, visit https://www.gov.uk/

Summary

For the 2025/26 tax year (and assumed onwards), HMRC have introduced the requirement to record the Postcode of the workplace in the Full Payment Submission (FPS) where the employee has a NI Code relating to either a Freeport or Investment Zone scheme.

Software Changes

A new field, **"Place of Work Postcode"** has been added to the Details & Bank form in Payroll processing.
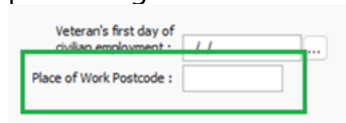
The field is only available where either Freeports or Investment Zones are in use. Although only effective from the start of the 2025/26 tax year, the field is available immediately upon upgrade to the release. Therefore, allowing Payroll staff the ability to update the employee fields in readiness for the new year.

It is possible to enter a postcode against an employee who is not assigned a NI code letter associated with either a Freeport or Investment Zone scheme, but the information is not passed to the Full Payment Submission.

Other Software Changes

Auto enrolment changes

The Pensions Regulator will announce any changes to the auto enrolment rates before they become effective, assumed on 6th April 2025 therefore the information is expected to be made available early in this year.

At the present time, The Pensions Regulator has not released detail of any auto enrolment changes for the 2025/26 tax year.

Statutory rates

The confirmed changes to tax bands, NI settings, Statutory payments (SSP, SMP, etc) have been implemented in readiness for the 2025/26 tax year. These include Scottish and Welsh tax bands, but they are subject to Parliamentary approval. Changes to student or post graduate loan thresholds have been confirmed.
Please refer to the Rates Bands guide for further information.

Optimisation

Optimisation changes have been introduced to the Full Payment Submission (FPS) in SE to manage the filing of extremely large data volume of employee information.

General Maintenance

Please ensure you use Infor Concierge to access the Customer Portal. The software is also available on the Infor Download Centre. The supporting documents for this release are on the Pegasus Help Centre.