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Mobility: UK social security

Tax alert

September 2025

United Kingdom

National Insurance contributions (NICs) — change in HMRC's treatment on cash bonuses for internationally mobile employees (IMEs) and permanent transfers (PTs)

Executive summary

- HMRC has published guidance which instructs employers to apportion cash bonuses according to the period an IME was subject to NICs during the period it was earned.
- HMRC believes it can apply this approach retrospectively (typically six years) and is asking employers to review the treatment over this period, and to make payroll adjustments where NICs have been under or overpaid.
- The guidance states that other cash payments, e.g., salary, termination payments and lump sum payments should also be apportioned for NICs where appropriate.
- This could have a significant impact for employers operating an 'all or nothing' (receipts basis) approach for NICs in terms of audit risk, cost, and administrative burden in respect of both IMEs and PTs on a go forward and historic basis.
- Dual social security contribution charges may arise where a treaty country does or has imposed contributions on the full (or partial) cash payment.

Background

- HMRC has been considering its approach to NICs on cash bonuses for IMEs for over 15 years and is aware that, due to a lack of clarity and consistency with its communications on this topic, some employers have adopted an 'all or nothing' approach and others have adopted an 'apportionment' approach on a consistent basis.
- HMRC had accepted both methods in the past when agreeing settlements of disclosures and audits.
- HMRC had also applied a 'practice not to collect' NICs on cash payments paid to an employee living and working outside the UK who is not subject to NICs at the time of payment.
- Following HMRC's Policy review, its interpretation of the legislation is NICs should be calculated on an apportionment basis.
- HMRC has not, however, given any guidance as to what 'earnings period' should apply (as it did with Employment Related Securities (ERS) awards charged to tax under Part 7 ITEPA 2003).
- HMRC has not, as yet, indicated to employers and payroll operators how this should practically be adopted, where a pay period includes both earnings that are chargeable and not chargeable to NICs.

Impact on employers

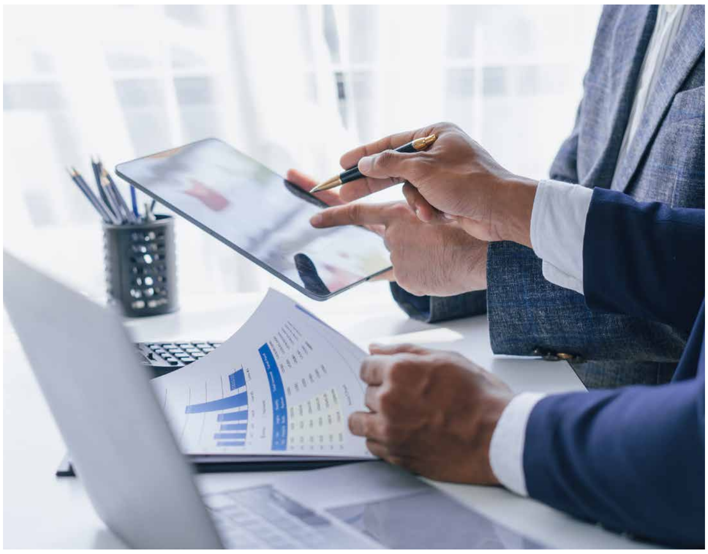
HMRC's approach is concerning as it has not explained how it has arrived at this conclusion, and retrospection is not welcome, particularly for employers who have:

- Disclosures, reviews, and audits with HMRC on hold subject to the completion of this Policy review
- Operated HMRC's 'practice not to collect' NICs for UK outbound IMEs
- Operated NICs consistently on an 'all or nothing' basis
- Used the concessionary cash basis for NICs (either with or without HMRC approval)

We expect HMRC to actively review this topic during audits and to pursue liabilities going back six years (potentially further in Scotland) where it believes under-reporting of NICs has occurred.

The shift for employers from 'all or nothing' to 'apportionment' could have the following prospective and retrospective implications:

- Resource and cost implications relevant to identifying impacted IMEs and/or PTs, obtaining and analysing cash bonus data (and other cash payments), and re-calculating NICs over the last six years (or potentially longer periods)
- Resource and cost of processing revised earnings for NICs, which could result in a neutral liability position for HMRC across UK inbound and outbound IME and/or PT demographics
- Revision of gross ups for both tax (UK or foreign) and NIC for impacted IMEs who are equalised
- Potential amendments to UK and foreign tax returns
- The inability to recover employee NICs for all years while not being able to set off employee NICs paid in error (in particular for PTs who are non-equalised)
- Impact on recharges both in and out of the UK and any Corporate Tax (CT) positions taken in UK and overseas – potential amendments to CT returns
    - Inability to allocate cost where cost centres are closed.
    - Tracking future payments to IMEs and PTs, undertaking complex calculations, and amending existing recharge and/or CT positions.



Actions for employers

- Review current practices: Assess the current approach to NICs on bonuses for IMEs and PTs to and from the UK.
- Where an 'all or nothing' approach has been taken historically, review and satisfy yourself that this is based on prior HMRC guidance specific to your business.
- Identify impacted population and quantify under/over reporting of NICs over the last six years where appropriate.
- Take corrective actions: payroll adjustments or preparation of disclosures to HMRC related to under and over-reporting of NICs for prior years.
- Implement process change in payroll to move to apportionment for NICs for 2025/26 and prepare for increased administrative efforts to identify and track post-leaver bonuses, recalculate NICs, and process these in payroll, along with amending corporate tax filings and internal cost recharging.
- Undertake post year end reconciliations through modified NICs or other arrangements to ensure NICs is reported on the appropriate amount of cash bonuses paid to IMEs.
- Prepare for HMRC to pivot toward scrutinising this topic during audits and business reviews, and potentially undertake a separate targeted campaign.

Next steps

Please reach out to any of the contacts detailed for further information and guidance on this matter.

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