

# Minutes of the Employment Consultation Forum

**Date:** 19 September 2013  
**Location:** 100 Parliament Street

Co-chair Wayne Sumner (WS) Head of Employer Engagement and Strategy  
Co-Chair Karen Thomson (KT) Chartered Institute of Payroll Professionals  
Secretary Carole Carter (CC) Employer Engagement

## Attendees:

|                     |    |   |
|---------------------|----|---|
| Peter Bickley       | PB | Institute of Chartered Accountants England and Wales    |
| Glen Collins        | GC | Association of Chartered and Certified Accountants      |
| Norman Green        | NG | British Computer Society                                |
| Helen Harvey        | HH | Payroll Bureau - Nanny Tax                              |
| Jon Henderson       | JH | Confederation of British Industry                       |
| Clive Johnson       | CJ | Association of Internal Accountants                     |
| Simon Parsons       | SP | Payroll Bureaux   |
| Jackie Petherbridge | JP | Federation of Small business and Private Sector Payroll |
| Nicola Pitcher      | NP | Chartered Institute of Taxation                         |
| Linda Pullan        | LP | Payroll Alliance  |
| Justine Riccomini   | JR | The Institute of Chartered Accountants of Scotland      |
| Alex Rowson         | AR | Business Application Software Developers Association    |
| Brian Stenhouse     | BS | Armstrong Watson  |
| Ian Whyteside       | IW | Association of Accounting Technicians                   |

## HMRC

|                   |    |               |
|-------------------|----|---------------|
| Suzanne West      | SW | Personal Tax  |
| Doug Stoneham     | DS | Personal Tax  |
| Pamela Mulholland | PM | Personal Tax  |
| Sue Thomson       | ST | Personal Tax  |
| Christine Ogden   | CO | DWP           |
| Andy Houghton     | AH | DWP           |
| Andrew Blackledge | AB | DWP           |
| Phil Nilson       | PN | RTI Programme |
| Jim Morgan        | JM | DMB           |
| Andrew Johnson    | AJ | DMB           |
| Sue Ellis         | SE | DMB           |

## Apologies:

|                  |  |
|------------------|--|
| Jason Piper      | Association of Chartered and Certified Accountants   |
| Iain Scott-Shore | Confederation of British Industry                    |
| Jane Turley      | International Association of Bookkeepers             |
| Trevor Blackmur  | Association of Taxation Technicians                  |
| Colin Ben Nathan | Chartered Institute of Taxation                      |
| Ken Voller       | Institute of Chartered Accountants England and Wales |

## 1. Welcome and Introductions

KT welcomed everybody to the meeting. Jon Henderson and Brian Stenhouse were attending their first ECF meeting. JH has replaced John Hampton representing CBI and BS attended on behalf of Armstrong Watson.

## 2 Scottish Rate Income Tax (SRIT)

SRIT was first discussed at this forum in June 2012. At that time an overview of the changes being introduced under the Scotland Act 2012 were discussed. SRIT forms part of this act along with Stamp Duty Land Tax and Landfill Tax.

DS attended today to give an update on what has happened over the last year to implement the changes required.

The Structure:

- From April 2016, all rates (basic, higher, additional) to be reduced by 10p in every £ for Scottish taxpayers and the Scottish Parliament will set the Scottish rate annually to replace this.
- The Scottish rate income tax will be paid over to the Scottish Government.
- Dividend and savings income will not be included.
- UK Government will control the wider income tax structure.
- HMRC will still administer and collect tax.

A Scottish taxpayer is someone who is one of the following:

- Resident in the UK for tax purposes and has their sole or main place of residence in Scotland.
- If they have more than one main place of residence in a year - must determine which has been their main place of residence for the longest. If this is in Scotland they are a Scottish taxpayer.
- A Scottish Parliamentarian.

In 2015:

- PAYE customers will be identified via address information held within the HMRC system.
- There will be direct customer contact with potential Scottish taxpayers to help individuals to understand their obligations in relation to the change.
- Tax codes will be issued as part of the annual coding routines to employers and pension providers so the correct rate of Income Tax can be deducted. Scottish tax codes will have a specific indicator to differentiate it from current tax codes. We anticipate this being with an 'S' prefix but this is not yet confirmed.

The members raised queries which DS has taken away to look at. These included:

- What will happen if someone changes Scottish taxpayer status in year? Will their new code be operated on a week 1/ month 1 basis? Will there be a fix for this throughout the year?
- Address changes - HMRC need to be able to capture the date of change, rather than the date of notification. Retrospective changes could be six months behind. Software developers will need to know the rules.
- Payroll Giving - how will this work if someone changes status in year?
- If separate amounts of UK/Scottish rate tax are shown on payslips there needs to be clear rules in respect of rounding.
- It was suggested that a group needs to be set up to look at avoidance issues - DS confirmed that this issue was being discussed with HMRC's compliance staff.
- Within this area concerns were raised about digitalisation - going forward individuals will be able to input changes of address and change codes.
- The responsibilities of agents needs to be considered ie, who is accountable if addresses are not changed.
- It was confirmed that it is the tax year not the calendar year that is used for determining Scottish taxpayer status.
- The changes could mean that two sets of tax tables would be needed if the Scottish rate was set at a figure other than 10 per cent. It is important that HMRC continue to provide manual tax tables.
- NG asked that HMRC consider the consequences of the starting rate of income tax that currently continues to apply in the UK but is not mentioned in the paper given to ECF. HMRC agreed to consider the possible consequences.

### **3. HMRC Update**

WS discussed the latest performance statistics which can be found at <https://www.gov.uk/government/publications/how-are-we-doing-hmrcs-april-to-june-2013-performance>

HMRC are looking at managing peak times such as Tax Credits.

We are currently looking at the Customer Experience measurements to better reflect the needs and priorities of our customers. The areas being looked at include accessibility, end-to-end resolution, Customer Perception of Quality and Customer Impact.

## **Intelligent Telephone Automation (ITA)**

The introduction of ITA is being phased in and HMRC plan to have the new system used across all our helplines by the end of 2013. This new system will respond to customers' speech rather than asking them to push a series of buttons.

WS confirmed that our waiting time target includes time to get through the current Intelligent Voice Recognition (IVR) menus.

## **Spending Review**

WS outlined the current Spending Review and how this will affect HMRC.

HMRC will receive more than £200 million over the next three years to achieve its ambitions to become an increasingly digital business. These are the areas we are working on for 2015:

- PAYE Online - a new service to help individual customers engage with HMRC
- Tax for My Business - building upon the Business Tax Dashboard to introduce new services for SMEs
- Agent Online Self Serve

## **4. Single Tier Pensions**

PM attended the meeting providing an overview of the changes that are coming in following Ministers announcement in the 2013 Budget that the Single-tier State Pension would be introduced from 6 April 2016 and the subsequent announcement by HMRC to mandate the Scheme Contracted Out Number (SCON) via RTI Submissions.

With the introduction of the Single Tier Pension the state additional pension scheme for people reaching state pension age after 5 April 2016 will end.

There will no longer be an additional state pension from which to contract-out of. This means category D National Insurance contributions and it's equivalents E, L, O and N will cease to exist from 5 April 2016.

It will be necessary for HMRC to close down all open periods of contracting-out on the individual National Insurance records of all affected employees (6.5 million).

The SCON is needed to ensure that the pension rights of these employees are accurate for the transition to the Single-tier Pension System.

Requiring the SCON to be reported under RTI will help employers and/or pension scheme administrators as they will not need to submit large volumes of contracted-out termination notices (in some cases running into millions) for those employees who are members of a contracted-out scheme as at 5 April 2016.

The recent HMRC announcement that the SCON number will be a mandatory requirement on the Full Payment Submission from 6 April 2014 prompted debate as some employer payroll departments expressed concern about the difficulties in providing this number. Concerns were also raised about the potential added burden this would cause.

PM agreed to consider the issues raised.

## **5. Direct Earnings Attachments**

DWP attended the meeting to give an outline of a recent pilot they have run with the help of CIPP. This link gives more information <https://www.gov.uk/make-benefit-debt-deductions>

It was agreed that the current guidance needs to be kept up-to-date however this involves other departments. The link below will take you to the forms and guidance pages where the current Attachment of Earnings handbook is located.

[http://hmctsformfinder.justice.gov.uk/HMCTS/GetForms.do?court\\_forms\\_num=&court\\_forms\\_title=attachment+orders&court\\_forms\\_category=](http://hmctsformfinder.justice.gov.uk/HMCTS/GetForms.do?court_forms_num=&court_forms_title=attachment+orders&court_forms_category=)

## **6. PAYE in Real Time**

PN attended and gave the latest update:

- RTI continues to go well and over 1.67 million PAYE schemes are now successfully reporting PAYE in real time.
- The migration of large employers - those with 5,000+ employees - continues to go well. At the time of the meeting, over 75 per cent of those expected to start filing in September had started. HMRC hopes to have virtually all employers filing in real time by October.
- 167,000 letters have now gone out as a follow-up to the letters issued in June to employers who appear to have missed at least one deadline for reporting in real time. Recipients should either start to report or notify HMRC that a scheme is no longer 'live'. Issue of these letters resulted in a spike in the number of hits on the HMRC website, so hopefully recipients will take the required action.
- The online survey to learn more about how employers and agents find the obligation to report 'on or before' employees are paid ends on 20 September. We have had 22,000 responses so far. HMRC will now analyse the results - alongside other feedback and insight work - and consider future options. Stakeholders will be kept abreast of developments and the expectation is that options will be put to Ministers in November.

### **Disputed Charges**

HMRC set up a dedicated team to identify the causes where schemes have had difficulties reconciling the difference between the tax we say is due and the tax they think is due. The main issues identified include:

- Timing - the point at which charges are available to view on the L&P Viewer.
- EPS - notification of deductions.
- Duplicate employments - HMRC have corrected the majority of the duplicate employments and are working with those employers where duplicate employments have occurred to better understand the reason why this happens.

HMRC has now published the findings from that work - see [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/245166/Reconciling\\_2013-14\\_PAYE\\_charges\\_REPORT.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/245166/Reconciling_2013-14_PAYE_charges_REPORT.pdf)

### **Generic Notification Service (GNS)**

HMRC expects to publish communications about this new service in October. Generic notifications are electronic messages designed to help employers keep PAYE up-to-date and avoid potential penalties in future.

We want employers to comply with their PAYE obligations rather than incur penalties. Therefore the aim of the notifications is to:

- Help employers use the rest of the year to get their processes and practices tested and in place ready for when penalties will apply, ie from 6 April 2014.
- Minimise the impact of penalties on both employers and HMRC staff.

Initially there will be four types of notice which - if appropriate - will be issued monthly:

1. Non Filing Notice - employers who appear not have sent one or more of the notices expected.
2. Late filing Notice - where an FPS is submitted late or appears to be late.
3. Late Payment notice (1) - employers don't appear to have paid in time or in full.
4. Late Payment Notice (2) - issued if 3 above doesn't bring payment up-to-date.

Following the roll out of these letters HMRC will look at extending this service further.

These will be viewable/accessible by a variety of means:

- EDI
- Commercial Software - would need to check with the provider
- Basic PAYE Tools (BPT)
- PAYE Online Services
- Email alerts - if registered an alert will be issued to advise that these notices are available
- PAYE Desk Top Viewer (PDV)

Generic Notifications will not replace other reminders, for example those from DMB, but will be issued in addition. Provided the appropriate authorisation is in place, agents will be able to view these notifications.

In October we will write to employers with non-standard schemes (Exam and Election) that need to start reporting from April 2014. This was publicised on the internet on 30 September - see <http://www.hmrc.gov.uk/news/rti-exam-elect-scheme.htm>

## **7. Debt Management and Banking (DMB)**

SE gave an overview of how DMB's approach to debt collection had changed under RTI, stressing the DMB role is to continue to collect taxes to support the economy. All employers with an apparent underpayment are now initially approached by DMB to confirm if they agree with the underpayment created from their RTI submissions. For those that do agree, DMB as usual will ask for payment and agree time to pay when appropriate.

For those that don't agree the underpayment, DMB try to resolve the issue. The advice and education they have given has resulted in a considerable drop in the number of repeat errors employers have made. If DMB cannot resolve, they will refer the matter to a dedicated team in PT Operations who have access to more detailed information and will engage as necessary with employers to resolve. While these investigations are ongoing, DMB will not attempt to collect the amount employers disagree with but do ask them to pay the amount due according to their payroll records.

Employers who don't submit anything for a month under RTI can expect to receive a specified charge. This is the same process as before RTI and these charges are based on an employer's previous returns or payments and can be legally collected.

In all cases where employers don't engage or refuse to pay, DMB's approach becomes progressively more assertive.

AJ outlined how the year to date figure is calculated on a monthly basis and how figures are then aggregated.

It was felt that part of the problem experienced by employers is in connection to corrections to prior periods. The figures for earlier months are not included. There is a perception that software is compounding the problem. Some software does not provide a payment summary.

JP suggested that a further electronic notification is needed through the GNS process - a notification advising that an overpayment has been made.

SE advised that for payments to be allocated correctly it remains paramount that the right Accounts Office reference is submitted together with the extra four digits (to indicate the month) for payments being made early or late. Without this detail, payments could be misallocated.

JP highlighted a problem when setting up payments through the banking system - there is no space to put the 4 digit tax month indicator references when setting up direct debits/standing orders. So allocation problems are going to continue until this can be resolved. Each bank has developed its own online system which differs from bank to bank. While HMRC would welcome uniformity and up-front validation, HMRC confirmed they have no influence over this.

Members suggested there should be the means to enable employers to move money/make payments on the web or some sort of structured email.

It was also suggested that a single reference number would help and members asked if there are any plans for alignment.

JM outlined the enforcement methods DMB have authority to use and the training staff undertake. He also said that a new service has been introduced to check the identity of a Field Force agent visiting a taxpayer's premises to collect outstanding payment. Members requested that better communication is needed around this.

Members felt that when employers seek help in respect of underpayments HMRC do not always demonstrate a helpful attitude. Employers want to comply and need help to get it right. They requested that staff be reminded of this.

#### **Post meeting notes**

Guidance has now been published on HMRC website detailing how to verify the identity of a field force officer visiting a customer's home or business premises - <http://www.hmrc.gov.uk/news/news120813.htm> The factsheet that field force officers will hand out to customers they visit can be found here <http://www.hmrc.gov.uk/factsheets/ffc1.pdf>

HMRC have also published Updated customer guidance explaining the make up of RTI charges and when the L&P viewer (also known as Business Tax dashboard) is updated. These are the relevant links: <http://www.hmrc.gov.uk/payerti/paying/deadline.htm>  
<http://www.hmrc.gov.uk/payerti/paying/pay-tax-dashboard.htm>

#### **8. AOB**

**64-8 Process** - an article will be included in the October Agent Update which will report on this workshop. When this comes out you will find it here <http://www.hmrc.gov.uk/agents/publications.htm>

Members highlighted the need to complete the consultation on funding reform for apprenticeships. CC issued the link to this document following the meeting. Debate ensued which showed there were concerns over option 2 in respect of employers claiming funding through the PAYE system.

Next meeting 5 December 2013