

HMRC ARRANGEMENTS FOR PERSONS THAT QUALIFY FOR AN EMPLOYMENT ALLOWANCE

1. These arrangements are made by HM Revenue and Customs (HMRC) under section 4 of the National Insurance Contributions Act 2014 (c. 7) and set out how a person who qualifies for an employment allowance can receive it by making deductions from their qualifying payments.
2. Unless otherwise stated terms used in these arrangements have the same meaning as in, or as used in, the National Insurance Contributions Act 2014. References to paragraph numbers are to paragraphs in these arrangements.
3. A person may receive an employment allowance for a tax year in that tax year by making deductions against their qualifying payments on a single Pay As You Earn (PAYE) scheme in accordance with these arrangements.
4. A person with more than one PAYE scheme for a tax year may only deduct an employment allowance from one PAYE scheme in that year and must not deduct an employment allowance from any other PAYE scheme in that tax year.
5. Before making any deduction of an employment allowance a person must give notice to HMRC of the PAYE scheme from which deductions will be made in accordance with paragraph 7, 8 or 9.
6. Subject to paragraph 9, a person need only give notice in accordance with paragraph 5 once and the notice will apply for that tax year and subsequent tax years until such time as the person changes their notice in accordance with paragraphs 11 to 17, the notified PAYE scheme closes or these arrangements are amended to provide that the notice given is no longer effective or required.
7. A person submitting PAYE returns online whose payroll software supports the Employer Payment Summary (EPS) must give notice by indicating that they wish to claim an employment allowance within their payroll software, where this indication appears in the EPS submitted to HMRC.
8. A person submitting PAYE returns online whose payroll software does not support the EPS must give notice by selecting “yes” against the employment allowance indicator within the HMRC Basic PAYE Tools package.
9. A person submitting paper PAYE returns must, on each occasion they submit a return, give notice by selecting “yes” to the question relating to an employment allowance on the paper EPS known as the form RT5.
10. Once notice has been given deductions for an employment allowance must be made from qualifying payments as they occur in the tax year.
11. Once notice has been given a person may not change their notice for a tax year within that tax year except in accordance with paragraphs 12, 13, 16 or 17.

12. A person may change their notice for a second or subsequent tax year in which they claim an employment allowance in accordance with paragraphs 14 and 15.
13. Where in a tax year two or more companies or two or more charities become connected with one another, in the subsequent tax year the companies or charities must decide which PAYE scheme they want to make deductions from and notify HMRC in accordance with paragraphs 14 and 15.
14. A change of notice for the purposes of paragraphs 12 and 13 must be made before the first qualifying payment is made in the tax year to which the change of notice relates.
15. A person may change their notice for the purposes of paragraphs 12 and 13, either within their software or, if they submit paper PAYE returns, using form RT5, by-
 - (a) for the PAYE scheme from which they no longer want to make deductions, selecting “no” (or giving a negative indication) for the employment allowance indicator for which they had previously selected “yes” (or gave a positive indication) under paragraphs 7 to 9; and
 - (b) selecting “yes” (or giving a positive indication) for the employment allowance indicator for the PAYE scheme from which they want to make deductions in accordance with paragraphs 7 to 9.
16. Where a person has notified HMRC of the PAYE scheme from which deductions of an employment allowance will be made and in that tax year discovers that they do not qualify for an employment allowance they must cease making deductions from that scheme and notify HMRC as soon as possible in accordance with paragraph 15(a).
17. Where a person discovers that they have notified HMRC of more than one PAYE scheme from which deductions of an employment allowance will be made they must cease making deductions from all but one scheme and notify HMRC as soon as possible in accordance with paragraph 15(a).