



HM Revenue
& Customs

Employee Benefits and Expenses – Abolition of the £8,500 threshold for lower paid employment and form P9D.

Consultation document

Publication date: 18 June 2014

Closing date for comments:

9 September 2014

Subject of this consultation:	Removal of the £8,500 threshold for Benefits in Kind (BiKs).
Scope of this consultation:	To identify which groups of employers, employees or 'office holders' will be affected by the abolition of the £8,500 threshold for BiKs and to hear views on whether those employees / employers who will be affected by this change should have some protection and if so what form that protection should take.
Who should read this:	The Government is interested in hearing from anyone with views on this subject including professional and representative bodies, accountancy bodies, but especially the voluntary sector, Ministers of Religion, and employees and employers who may be directly affected by the proposal.
Duration:	The consultation will run from 18 June 2014 to 9 September 2014.
Lead official:	Michael Adams, HMRC.
How to respond or enquire about this consultation:	Responses to the consultation can be e-mailed to the following address employmentincome.policy@hmrc.gsi.gov.uk . Alternatively written responses may be sent to Employment Income Policy Team, Room 1E/08, 100 Parliament Street, London, SW1A 2BQ.
Additional ways to be involved:	Meetings with external representatives will be arranged, if you are interested in attending such a meeting to put forward your views please make contact using the details shown above. If you require the text of this consultation document in Braille or Welsh then please use the contact details above.
After the consultation:	The Government will publish details of the consultation responses. An announcement is expected to be made at Autumn Statement 2014 on the decisions made by the Government for this policy change in the light of the responses made. This policy change is expected to feature as part of the Finance Bill 2015.
Getting to this stage:	This consultation document follows the announcement at Budget 2014 that the Government would be looking at ways to implement some of the recommendations of the Office for Tax Simplification, following their interim and final reports on employer provided benefits in kind and expenses.
Previous engagement:	A previous consultation [<i>Including Benefits in Kind and Expense Payments in the payroll – A Fresh Approach</i>] which ran from December 2007 to March 2008 touched upon the abolition of the £8,500 threshold. This related to the proposal that tax on all BiKs and taxable expenses should be collected through a mandatory payroll process. That proposal was not adopted at the time, although a separate consultation has today been launched on proposals that employers should be able to account for tax on BiKs in 'real time' through a voluntary payroll process.

Contents

1	Introduction	Page
2	Background	
3	Recent Developments	
4	Recommending abolition	
5	What are the effects of abolition of the £8,500 threshold	
6	Who might be affected by the abolition of the £8500 threshold?	
7	Dealing with the tax consequences of the abolition of the £8,500 threshold.	
8	Summary of Consultation questions	
9	The Consultation Process: How to Respond	
Annex A	List of Stakeholders Consulted	
Annex B	Legislation	

On request this document can be produced in Welsh and alternate formats including large print, audio and Braille formats

Foreword

This consultation represents the next step in taking forward some of the recommendations made by the Office of Tax Simplification following the excellent work they carried out in the review of employee benefits and expenses. The Government believes that the legislation we will introduce as a result will deliver real simplifications that improve businesses' and individual's experience of the tax system.

It is important that we get the structure and detail of this legislation absolutely right, so each of the consultation documents provides the Government with the opportunity to learn from those who will be directly affected. We want to hear from you so that we can draw on your experience and suggestions for the practical implementation of our proposals. That will ensure better legislation is implemented which is one of this Government's key objectives.

A handwritten signature in black ink, appearing to read 'David Gauke', with a stylized flourish at the end.

David Gauke

Exchequer Secretary to the Treasury

1. Introduction

1.1 At Budget 2014 the Chancellor announced a number of measures aimed at simplifying the administration of employee Benefits in Kind (BiKs) and expenses. This followed the Office of Tax Simplification (OTS) review of employee benefits and expenses¹.

1.2 The announcement included a core package of four measures for consultation with a view to introducing legislation in Finance Bill 2015.

1.3 The core package consists of the following changes:

- Abolishing the threshold for the taxation of BiKs for employees who earn less than £8,500 a year ('lower paid' employments), with action to mitigate the effects on any vulnerable groups disadvantaged by the reforms;
- Introducing a statutory exemption for trivial benefits;
- Introducing a system of voluntary payrolling for BiKs; and,
- Replacing the expenses dispensation regime with an exemption for paid and reimbursed expenses.

1.4 A separate consultation document is being published on each of these changes and consultation on all four will run for 12 weeks from 18 June to 9 September 2014.

1.5 The Chancellor also announced a review of the rules on travel and subsistence. This will launch later this summer and aims, over the longer term, to develop a set of rules that are clear and straight forward to use for employers, and are flexible enough to cater for 21st century working patterns.

1.6 As also announced at Budget 2014 a call for evidence on remuneration practices in the 21st century will be published alongside these consultations, seeking evidence to inform future policy development.

1.7 This document covers the proposal to simplify the tax system by **abolishing the £8,500 threshold** for Benefits in Kind (BiKs) so that all employees are treated in the same way in respect of their BiKs irrespective of how much they earn.

¹ The Office of Tax Simplification second report can be found at <https://www.gov.uk/government/publications/review-of-employee-benefits-and-expenses-second-report>

2. Background

2.1 In addition to an employee's wages or salary from their employment, the 'benefits code', introduced in 1948, brought a general tax charge on employer provided Benefits in Kind (BiKs).

2.2 A BiK is anything that is given to or provided for an employee or 'office holder' that is not cash pay. Unless exempt, BiKs are liable to tax, and (since 6 April 1991) with a few exceptions Class 1A National Insurance contributions (NICs). Class 1A NICs are paid by the employer only.

2.3 The original policy intention was to introduce a tax charge on BiKs but only for those employees in 'higher paid' employments, so that payment in cash or BiKs was for tax purposes treated in exactly the same way for this group of earners.

2.4 During the intervening years the threshold set for those in 'lower paid' employment has not kept pace with wage inflation, more recently remaining unchanged since 1979. Because the £8,500 threshold has not been increased for 35 years it has meant that the vast majority of employees (including those on the National Minimum Wage) who receive BiKs are now earning at a rate of £8,500 or more, and are liable to tax on the full range of BiKs provided by employers. The number of employees earning below the threshold continues to fall steadily.

Current rules

2.5 Most BiKs fall within the 'benefits code' when an individual is in an employment, earning income from their employment at a rate of £8,500 or more, or is in employment as a director of a company (with certain exceptions). The calculation for Class 1A NICs due is based on the taxable value of the BiK although certain items (such as redeemable cash vouchers) are already liable for Class 1 NICs.

2.6 Employers have to calculate whether an employee's total income from the employment including all BiKs and taxable expenses provided in a tax year is £8,500 or more, to establish whether they have to report the BiKs provided and if so on which form the report should be made.

2.7 Employers are required to report to HM Revenue & Customs (HMRC) details of taxable BiKs and expenses they provide to each employee earning at a rate of £8,500 or more, or all company directors irrespective of the earnings annually on form P11D.

Example 1 An employee has an employment package as shown below;

Salary £8,300, Medical insurance benefit £300, Total = £8,600

The employee will be liable to tax on the BiK as they are earning at a rate of £8,500 or more. The employer will complete form P11D showing the BiK after the end of the tax year and send this to HMRC (with a copy being given to the employee). The employer will be liable to pay Class 1A NICs at 13.8% on the value of the BiK of **£300**.

2.8 However the position is different if the employee is earning at a rate of less than £8,500 per year including their BiKs (referred to as 'lower paid employment'). In these cases, the employer has to complete form P9D instead.

2.9 Employees earning at a rate of less than £8,500 per year are not chargeable on most BiKs (the exceptions being provided 'Living Accommodation', 'Vouchers and Credit Cards'), but the total value of all their BiKs, expenses and cash pay are used to calculate whether the total income for the year is £8,500 or more.

Example 2 An employee has an employment package as shown below;

Salary £7,800, Medical insurance benefit £300, Total = £8,100

The BiK will not be liable to tax as the employee is earning at a rate of less than £8,500. The employer will also not be liable to pay Class 1A NICs on the BiK. The medical benefit of £300 does not need to be reported to HMRC by the employer on form P9D, but they will still need to keep records of the BiKs provided to the employee to support any checks HMRC may carry out.

2.10 The latest figures from HMRC administrative data show that only some 15,000 P9Ds were received by HMRC in the 2011/12 tax year (to 5 April) for those employees earning at a rate of less than £8,500.

2.11 BiKs are commonly provided by employers in order to attract and retain staff at all levels. Whilst maintaining the threshold at its current level has increasingly meant that people have come within the scope of the 'benefits code', this has not reduced the popularity of BiKs.

2.12 Once the preserve of middle or senior ranking employees, it is now common for employers to provide BiKs across the whole workforce irrespective of an employee's position within the organisation. Nearly 2 million employees were in receipt of BiKs in 1988. This had increased to 3.7 million² for 2010/11 based on the latest published national statistics. To put this into context the total number of people in employment was 30.43 million³ for the quarter ended March 2014.

2.13 There is an underlying policy principle that all employees should pay tax on their BiKs just as they do on their cash employment income such as wages or salary. This is so that those who are rewarded in non cash forms should not be personally advantaged compared with people who receive a similar level of income solely in cash, although employees do not pay NICs on the majority of BiKs (currently there is an employer only Class 1A NICs liability on most BiKs, although some attract Class 1 NICs liability).

'Payrolling' of BiKs

2.14 HMRC has published a separate consultation about allowing employers to voluntarily account for tax on their employee's BiKs through their payroll process in 'real time' (known as 'payrolling').

2.15 HMRC believes that the 'payrolling' of BiKs would be difficult for employers and HMRC to operate if there is any sort of threshold in place. This is because for those employees earning at a rate of less than £8,500 not all BiKs are liable to tax. The

² <https://www.gov.uk/government/collections/taxable-benefits-in-kind-and-expenses-payments-statistics>

³ <http://www.ons.gov.uk/ons/rel/lms/labour-market-statistics/may-2014/info-labour-market-statistics-may-2014.html>

employer would need to identify employees with BiKs that are subject to the £8,500 threshold and those which are not, estimating in advance what the employee's total income including the value of their BiKs is likely to be if their BiKs are 'payrolled'.

2.16 This would leave affected employers needing to run two separate systems side by side to achieve the right results in every case for employees earning at a rate below £8,500. Even then, if the employer's estimate of the employee's total income is incorrect the end result may still be an incorrect tax deduction. This would lead to the employer and HMRC having 'dual handling' with additional administration of the differing accounting procedures.

2.17 Equality of treatment when it comes to BiKs will make it much more likely that employers will wish to take up voluntary 'payrolling' leading to a further reduction in administrative burdens for both employers and HMRC.

3 Recent Developments

Increases in the level of the Personal Allowance

3.1 The Government considered whether it should remove the £8,500 threshold in 2008. It decided not to do so at the time because of the implications for a number of groups, including religious organisations and charitable bodies whose employees and office holders were relatively low paid. In 2008/09 the level of the Personal Allowance for those aged under 65 stood at £6,035.

3.2 Government policy in recent years has however seen significant rises in the level of the Personal Allowance and the point at which people start to pay tax. In 2010 at the beginning of this Parliament the Personal Allowance was £6,475 for those aged less than 65, and so still well below the £8,500 threshold.

3.3 By April 2014 the Personal Allowance had risen to £10,000 for those earning £100,000 or less and will rise again to £10,500 from April 2015. Significantly this now means that employees earning at a rate of less than £8,500 (including the value of their BiKs) in their main or sole employment, will not see any increase in tax on the value of their BiKs if the £8,500 threshold was entirely removed, unless they have other taxable income.

Reducing administrative burdens

3.4 There is a link between the £8,500 threshold and the administrative burdens associated with the annual completion of forms P11D and P9D. These forms have long been an irritant for employers and their agents who have asked for simplification of the process or indeed for the removal of the threshold with only one return (P11D) then being required for all employees with taxable BiKs.

3.5 HMRC has introduced digital ways of filing form P11D and P9D leading to reduced administrative burdens for employers, but the process of determining if an employee is earning at a rate of below £8,500, or at a rate of £8,500 or more, and in filing separate forms for each group is still seen as cumbersome.

3.6 Government policy is for the simplification of the way that businesses and individuals interact with all strands of government. The aim is administrative savings for all parties including employers, payroll bureaux, and professional advisors as well as Government departments such as HMRC. The abolition of the £8,500 threshold supports simplification.

Office of Tax Simplification

3.7 The Government launched the Office of Tax Simplification (OTS) on 20 July 2010 to provide the Government with independent advice on simplifying the UK tax system. During 2013 the OTS carried out a review of Employee Benefits and Expenses. As part of their investigative work the OTS talked to many hundreds of businesses both large and small. They also talked to professional bodies, professional advisors as well as officials in HM Treasury (HMT) and HMRC.

3.8 The OTS published an interim report into the tax treatment of employee BiKs and expenses on 8 August 2013, following that up with a second report published on 29 January 2014. One of the chapters of the OTS's second report examined the issues with the application of the £8,500 threshold and its relevance in today's workplace.

3.9 Some of the main challenges that the OTS highlighted with the current system were:

- Employers and their representatives expressed concerns about the burden of deciding whether or not BiKs need to be reported for their 'lower paid' employees.
- There are 2 different reporting forms P9D / P11D dependant upon whether an employee was earning at rate of less than £8,500, or £8,500 or more including the value of their BiKs.
- Some employers are already ignoring the £8,500 threshold and treating all employees the same when it comes to the reporting of BiKs as it was simpler to do this, even though this might result in additional tax / NICs being paid.

3.10 The option of increasing the £8,500 threshold was examined by the OTS in its second report into employee BiKs and expenses [*Review of employee benefits and expenses: Second report*]. The OTS however discounted increasing the threshold as an option, as ultimately it would not lead to simplification for employees, employers or HMRC.

3.11 Indeed, it would add to administrative burdens with employers having to test for the threshold in an increased number of cases. This would lead to further complexity with many more employees being regarded as in 'lower paid' employment, and subject to two different tax treatments as well as separate reporting obligations for employers. There would also be a significant cost to the Exchequer due to the reduction in tax and employer Class 1A NICs for employees who were earning at a rate below wherever the new threshold was set.

3.12 On the whole respondents to the OTS were critical of the £8,500 threshold, suggesting that it was unnecessary as very few employees are now paid below £8,500 in their main employment. The OTS recommended on balance that the £8,500 threshold should be abolished, but that the Government should explore whether mitigation should be offered to protect certain groups.

4 Recommending abolition

4.1 The Government gave careful consideration to a range of policy options that included:

- Leaving the threshold at its current level of £8,500
- Increasing the threshold from £8,500 (including future review of the threshold set); and
- Removing the £8,500 earnings threshold completely

4.2 Left in place, the economic value of the £8,500 threshold will continue to diminish until it becomes entirely irrelevant. However, until that point is reached the existence of a threshold will continue to present complexity for employers, employees and HMRC alike, and provide an obstacle to other reforms such as the 'payrolling' of BiKs.

4.3 Any upward lift in the level of the threshold would increase administration for employers as they would have to make a much greater number of calculations to check whether or not their employees were earning at a rate of less than, or more than any new threshold set.

4.4 The Government concluded that adopting the OTS recommendation to abolish the £8,500 threshold would deliver the greatest simplification for employers and HMRC. In addition to the simplification opportunities presented the £8,500 threshold is widely seen as being outdated and burdensome for employers.

Budget 2014 announcement and consultation

4.5 The Government is to take forward the OTS recommendation to abolish the £8,500 threshold. Legislation will be included in the next available Finance Bill to give effect to this. This decision means that all employees will be treated in the same way when it comes to their BiKs irrespective of their earnings.

4.6 The Government recognises that there may be some vulnerable groups of employees for whom abolition of the £8,500 threshold would mean additional liability to tax, and employers could also be impacted by additional Class 1A NICs.

4.7 The purpose of this consultation is to ascertain which groups of people or businesses will be affected by the abolition of the £8,500 threshold, and to ask whether some of these groups should be protected in some way.

4.8 The consultation is also seeking to identify how protection for specific groups might be provided in a way that does not in itself lead to increased complexity.

5 What are the effects of abolition of the £8,500 threshold?

5.1 Some of the effects of abolition are shown in the table below, with the impacts being shown separately for employers and employees.

Employers	Would no longer need to determine if an employee was earning at a rate of less than £8,500, or at a rate of £8,500 or more including the value of their BiKs.
Employers	Would no longer have separate reporting requirements to HMRC on forms P9D or P11D. All employees with BiKs would be reported to HMRC in exactly the same way.
Employers	Who wish to carry out voluntary 'payrolling' of their BiKs would not need to estimate their employee's earnings to decide if they are earning at a rate of £8,500 or less including all of their BiKs.
Employers	Would have additional Class 1A NICs to pay at 13.8% on the value of the BiKs for employees currently earning at a rate of £8,500 or less.
Employees	Who earn at a rate of £8,500 or less in their main employment and who have no other income, will have no additional tax to pay on their BiKs as the level of the Personal Allowance already exceeds this.
Employees	Who earn at a rate of £8,500 but have other income which uses up their Personal Allowance, will have additional tax to pay on their BiKs at their marginal rate of tax.

6 Who will be affected by the abolition of the £8500 threshold?

6.1 It is not possible at the moment to give a “comprehensive list” of all of the groups who may be affected by the abolition of the £8500 threshold in relation to the taxation of BiKs. One objective of this consultation is to identify such groups. However the list below gives an indication of who some of them might be. The Government is keen to hear from all groups and representative bodies about the abolition of the £8,500 threshold whether their sectors are represented in the list below or not.

Some Ministers of Religion on low income in receipt of BiKs
Some charity or voluntary sector employees on low income in receipt of BiKs
Some care workers on low income in receipt of BiKs
Employees with BiKs from a secondary employment where they currently earn at a rate of less than £8,500 in that employment
Employees with BiKs from an employment where they currently earn at a rate of less than £8,500 and where their Personal Allowance is used up against another source of income.
Employers with employees who have BiKs and who are earning at a rate of less than £8,500. These employers will have to pay additional Class 1A NICs.

Q1 If you believe you or your employees, or organisations you represent will be affected by the removal of the £8,500 threshold please provide examples of the type of employees affected and the work areas in which they are engaged.

Q2 Why is the removal of the £8,500 threshold likely to affect these groups of employees or employers? Please provide details of what you believe to be the likely impacts for these groups?

6.2 Existing statutory exemptions from tax and NICs will continue to apply and may provide some relief for groups affected by this policy change. There are two illustrations of this below.

Section 318 Tax (Earnings and Pensions) Act 2003 provides an exemption for employer provided childcare facilities such as workplace nurseries. There are certain conditions attached in order for the exemption to apply. This exemption might be used by (amongst others) part time employees earning at a rate of less than £8,500.

Section 320B Tax (Earnings and Pensions) Act 2003 provides an exemption for health screening or medical check-ups provided by an employer for an employee on one occasion during a 12 month period. This exemption might be used by employees working in (amongst others) the charity or voluntary sectors where required by their employer to have a period of service overseas.

6.3 Current exemptions will therefore be unaffected by the abolition of the £8,500 threshold, and there will be no new liability to tax for the employee, or Class 1A NICs for the employer where an exemption currently applies.

6.4 One option to help particular, small groups affected by the abolition of the £8,500 threshold would be to introduce some form of transitional protection. However, there is a balance to be struck between providing such protection and introducing another layer of complexity. The Government is interested in views as to whether some form of transitional protection should be offered, and if so, to whom and on what basis. Some of the issues that would need to be considered are:

- Which groups would be protected?
- How long would they be protected for?
- Would this only apply to existing employees, or would it also be available for new employees joining a particular group of employers?

Q3 Do you consider there is a principled case for some form of protection for particular groups of employees or employers likely to be affected by the removal of the £8,500 threshold? If so, which groups are they, and what form of protection should this take?

Q4 If you believe that some protection should be offered, how do you think this could be done in such a way as to avoid or minimise any additional complexity for employers?

7 Dealing with the tax consequences of the abolition of the £8,500 threshold

7.1 This section and two tables below set out the current reporting requirements for employers and how these might be impacted by the abolition of the £8,500 threshold.

Current Arrangements

Obligation	When
Submit a Full Payment Submission (FPS) to HMRC	On or before the date that a payment of earnings is made to an employee (except for employers who existed at 5 April 2014 with 9 employees or less – micro employers)
Submit an FPS to HMRC - Micro employers (see above)	On or before the date that a payment of earnings is made to an employee. Or on or before the last payday in the tax month (to the 5 th of the month) this is until 5 April 2016.
Make payment of tax and Class 1 NICs deducted and paid by cash or cheque to HMRC	By 19 th of each month
Make payment of tax and Class 1 NICs deducted and paid by a recognised means of electronic transfer to HMRC	By 22 nd of each month
Submit P9D or an agreed substitute for employees (excluding company directors) receiving BiKs and earning at a rate of less than £8,500 for the tax year	By 6 July following the end of the relevant tax year
Submit P11D or an agreed substitute for employees receiving BiKs earning at a rate of £8,500 or more, or all company directors irrespective of their earnings for the tax year	By 6 July following the end of the relevant tax year
Provide employees with a copy of the P9D / P11D information (or substitute) provided to HMRC.	By 6 July following the end of the relevant tax year
Submit return P11D(b) to HMRC showing the calculation of the Class 1A NICs due on BiKs provided to employees.	By 6 July following the end of the relevant tax year
Make payment of Class 1A NICs due and paid by cash or cheque to HMRC	By 19 July following the end of the tax year in which BiKs provided

Make payment of Class 1A NICs due and paid by a recognised means of electronic transfer to HMRC

By 22 July following the end of the tax year in which BiKs provided

7.2 Expenses and some BiKs are liable for Class 1 NICs (payable by both employee and employer). Where that is the case these are not reportable on form P11D(b) by the employer. The value is instead included in the payroll for Class 1 NICs purposes along with other earnings, and deducted from cash pay for each pay period and paid to HMRC through RTI.

Proposed Arrangements

7.3 If the proposal to abolish the £8,500 threshold for BiKs is adopted on its own there would largely be no change in the current reporting requirements for employers as outlined at paragraphs 7.1 and 7.2 above, except that form P9D would be abolished and the employer would instead complete forms P11D for all employees receiving BiKs irrespective of their earnings.

Proposed Arrangements if voluntary 'payrolling' is also adopted

7.4 If however, the abolition of the £8,500 threshold was adopted in conjunction with the employer also taking up the option to 'payroll' BiK's in real time, the changes in reporting requirements would be significantly reduced.

Obligation	Changed obligation
Submit a Full Payment Submission (FPS) to HMRC	The FPS would still be required as shown in the table above but any BiKs that were 'payrolled' would need to be identified separately on the FPS.
Submit an FPS to HMRC - Micro employers (see above)	The FPS would still be required as shown in the table above but any BiKs that were 'payrolled' would need to be identified separately on the FPS.
Submit P9D or an agreed substitute for employees (excluding company directors) receiving BiKs and earning at a rate of less than £8,500 for the tax year	P9D will be abolished and will no longer be required
Submit P11D or an agreed substitute for all employees receiving BiKs earning at a rate of £8,500 or more, or all company directors irrespective of their earnings for the tax year	If an employer was 'payrolling' their BiKs there would be no requirement to submit P11Ds to HMRC, as the BiK information had already been reported through RTI on the FPS.
Provide employees with a copy of the P9D / P11D information (or substitute) provided to HMRC.	This obligation becomes 'Provide employees with a copy of their BiK information provided to HMRC'.

7.5 All other obligations identified in the first table above remain unchanged. A separate consultation document on voluntary 'payrolling' is also published today [Employee Benefits and Expenses – Real Time collection of tax on benefits in kind and expenses].

7.6 **Legislative Change** – Primary legislation will be required to abolish the £8,500 threshold for BiKs which is currently in legislation⁴. Secondary legislation which provides for the separate reporting of BiKs on forms P9D for those employees earning at a rate of less than £8,500 will also need changing.

7.7 **Incomplete or Incorrect Returns** - These would be subject to the current enforcement and penalty procedures that apply to the Employers monthly returns for PAYE, Tax NICs and Related Payments (FPS).

Monitoring & Evaluation

7.8 The extent to which the proposals to remove the £8,500 earnings threshold would have an impact on business, and the effectiveness of HMRC at managing issues and developing procedures to achieve the objectives set out in the consultation paper will be monitored and evaluated by;

- Employer and employer representative's response to the new procedures/ requirements through regular employer forums;
- Feedback from employers on reductions in administration burdens and compliance costs;
- Feedback from employers on the cost of implementation and compliance;
- Our success in helping employers understand and comply with their obligations;
- Monitoring and evaluating the enquiries HMRC receives from employers or employees seeking further help or clarification on the changes;

⁴ Chapter 11, Part 3, Income Tax (Earnings and Pensions) Act 2003

8. Summary of Consultation Questions

Q1 If you believe you or your employees, or organisations you represent will be affected by the removal of the £8,500 threshold please provide examples of the type of employees affected and the work areas in which they are engaged.

Q2 Why is the removal of the £8,500 threshold likely to affect these groups of employees or employers? Please provide details of what you believe to be the likely impacts for these groups?

Q3 Do you consider there is a principled case for some form of protection for particular groups of employees or employers likely to be affected by the removal of the £8,500 threshold? If so, which groups are they, and what form of protection should this take?

Q4 If you believe that some protection should be offered, how do you think this could be done in such a way as to avoid or minimise any additional complexity for employers?

9. The Consultation Process

This consultation is being conducted in line with the Tax Consultation Framework. There are 5 stages to tax policy development:

- Stage 1 Setting out objectives and identifying options.
- Stage 2 Determining the best option and developing a framework for implementation including detailed policy design.
- Stage 3 Drafting legislation to effect the proposed change.
- Stage 4 Implementing and monitoring the change.
- Stage 5 Reviewing and evaluating the change.

This consultation is taking place during stage 2 of the process. The purpose of the consultation is to seek views on the detailed policy design and a framework for implementation of a specific proposal, rather than to seek views on alternative proposals.

How to Respond

If you have any queries or would like to respond to any of the issues raised in this impact assessment or the consultation document please send your responses by 9 September 2014, by e-mail if possible to employmentincome.policy@hmrc.gsi.gov.uk

or by post to:

Michael Adams
Employment Income Policy Team
Her Majesty's Revenue and Customs
Room 1E/08
100 Parliament Street
London
SW1A 2BQ

The consultation will run for 12 weeks from 18 June 2014.

This document can also be accessed from the HMRC Internet site at https://www.gov.uk/government/publications?departments%5B%5D=hm-revenue-customs&publication_filter_option=consultations. All responses will be acknowledged, but it will not be possible to give substantive replies to individual representations.

Paper copies of this document or copies in Welsh and alternative formats (large print, audio and Braille) may be obtained free of charge from the above address. This document can also be accessed from [HMRC Inside Government](#). All responses will be acknowledged, but it will not be possible to give substantive replies to individual representations.

When responding please say if you are a business, individual or representative body. In the case of representative bodies please provide information on the number and nature of people you represent.

Confidentiality

Information provided in response to this consultation, including personal information, may be published or disclosed in accordance with the access to information regimes. These are primarily the Freedom of Information Act 2000 (FOIA), the Data Protection Act 1998 (DPA) and the Environmental Information Regulations 2004.

If you want the information that you provide to be treated as confidential, please be aware that, under the FOIA, there is a statutory Code of Practice with which public authorities must comply and which deals with, amongst other things, obligations of confidence. In view of this it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on HM Revenue and Customs (HMRC).

HMRC will process your personal data in accordance with the DPA and in the majority of circumstances this will mean that your personal data will not be disclosed to third parties.

Consultation Principles

This consultation is being run in accordance with the Government's Consultation Principles.

The Consultation Principles are available on the Cabinet Office website: <http://www.cabinetoffice.gov.uk/resource-library/consultation-principles-guidance>

If you have any comments or complaints about the consultation process please contact:

Oliver Toop, Consultation Coordinator, Budget Team, HM Revenue & Customs, 100 Parliament Street, London, SW1A 2BQ.

Email: hmrc-consultation.co-ordinator@hmrc.gsi.gov.uk

Please do not send responses to the consultation to this address.

Annex A: Relevant (current) Government Legislation

Section 63(1) Income Tax (Earnings and Pensions) Act 2003
<http://www.legislation.gov.uk/ukpga/2003/1/section/63>

Sections 216 Income Tax (Earnings and Pensions) Act 2003
<http://www.legislation.gov.uk/ukpga/2003/1/section/216>

Sections 217 Income Tax (Earnings and Pensions) Act 2003
<http://www.legislation.gov.uk/ukpga/2003/1/section/217>

Sections 218 Income Tax (Earnings and Pensions) Act 2003
<http://www.legislation.gov.uk/ukpga/2003/1/section/218>

Sections 219 Income Tax (Earnings and Pensions) Act 2003
<http://www.legislation.gov.uk/ukpga/2003/1/section/219>

Sections 290A Income Tax (Earnings and Pensions) Act 2003
<http://www.legislation.gov.uk/uksi/2010/157/article/2/made>

Sections 290B Income Tax (Earnings and Pensions) Act 2003
<http://www.legislation.gov.uk/uksi/2010/157/article/2/made>

Regulation 85 Tax (Pay As You Earn) Regulations 2003
<http://www.legislation.gov.uk/uksi/2003/2682/regulation/85/made>

Section 10 Social Security Contributions and Benefits Act 1992
<http://www.legislation.gov.uk/ukpga/1992/4/section/10/enacted>

The list of legislation quoted above is not exhaustive.