



Welcome

Hello and welcome to another edition of the Employer Bulletin

There seems to be a lot of misunderstanding about what is meant by reporting PAYE information 'on or before' the employee is paid. To help clear this up, we've published on page 2 a few of the most common misconceptions – followed by the correct action to be taken.

On page 3 there is an article about payrolling employee expenses and benefits in kind. If you don't want to fill in forms P11D from 2017 why not have a look and see if payrolling would be better for you. But make sure you register your details with HMRC via the payroll registration service if you want to do this. There is a link to this contained within the article.

There's now only 6 months to go before the Scottish Rate of Income tax is introduced. If you want to know more about this and how it may affect your payroll processes, have a look at the article on page 10.

There are a lot of changes coming up in the near future which could have an impact on your payroll processes. We will continue to use the Employer Bulletin to tell you about these changes and to give you access to further information if you need it. You can make sure you don't miss any future updates by [signing up to receive our email alerts](#).

Doing so means we'll be able to send you an email each time a new edition of the Bulletin is published.

There is also a facility on GOV.UK where you can sign up to receive alerts when new or updated PAYE information is published. If you go to www.gov.uk/business-tax/payee there is a link in the top right hand corner which says 'Subscribe to email alerts'. There are no restrictions on the number of individuals who can register for these alerts, as long as they have their own individual email address. Subscribers to this facility will be notified each time any of the content listed on that page is updated. You can also follow us on twitter @HMRCBusiness

And finally our aim is to be able to deliver clear, consistent and timely information which is appropriate for employers and helps to meet their payroll obligations to HMRC. So, if you have any comments or suggestions about any of the content of the Employer Bulletin or would like to see a specific topic covered, please drop me a line at Alison.bainbridge@hmrc.gsi.gov.uk. Your feedback is always most welcome.

Alison

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Reporting your PAYE 'on or before' paying your employees: common misunderstandings

Recent feedback has shown that there are a number of misunderstandings about what reporting PAYE in real time 'on or before' paying employees actually means.

We've set these out below.

Misconception 1 - All employers with nine or fewer employees (micro employers) can always report on a monthly basis

There are two misconceptions here:

- a) The current relaxation isn't a permanent 'easement' of the PAYE reporting obligations and is due to come to an end on 5 April 2016.
- b) It is not open to all micro employers. To use the relaxation in the 2015 to 2016 tax year, employers must have been operating a PAYE scheme at 5 April 2014 and had nine or fewer employees at 6 April 2015. Where these conditions are met, the easement permits employers who pay their employees on a more frequent basis than monthly (for example weekly), to report their PAYE monthly 'on or before' the last payday in the tax month, rather than 'on or before' each time they pay their employees.

Some micro employers may be using this relaxation without realising it, assuming that this is how reporting PAYE in real time works.

However, there are some permanent exceptions to real time reporting which do permit you to report certain payments in specific circumstances later than when employees are paid. These are when payments are made on an ad hoc basis or exceptional basis and further details are listed in our [Running payroll: sending an FPS after payday guidance](#) under 'Situation' and 'When to report'.

Misconception 2 - RTI software won't allow weekly submissions to HMRC

RTI software should support PAYE being reported on the basis of your pay frequency e.g. if you pay weekly your software should enable you to report the PAYE weekly 'on or before' the day you pay your staff. Although some commercial software products may only allow monthly PAYE reporting, others (including HMRC's free Basic PAYE Tools) will allow more regular reporting. So if you do pay your employees more frequently ensure your software is able to support your reporting obligations.

Misconception 3 - You report your PAYE to HMRC at the same time as you pay HMRC

When you must report PAYE and when you must pay over the tax/NICs and other deductions you make from earnings are two separate obligations with two different deadlines. You report your PAYE to HMRC 'on or before' the date you pay your employees, not the date you pay HMRC. This latter obligation depends on the amount of the deductions and the method by which you pay HMRC. Further details can be found in our guidance [Pay employer's PAYE](#) on GOV.UK.

Misconception 4 - Delaying reporting PAYE means you can delay paying HMRC

Delaying reporting PAYE does not mean you can also delay your payment to HMRC and vice-versa. Delaying reporting your PAYE to coincide with when you pay over the deductions could mean you face a late filing penalty and if you don't pay on time you may also face a late payment penalty. So not meeting your PAYE reporting and HMRC payment deadlines will not offer more flexibility in managing cash flow and can lead to penalties.

Looking critically at your business practices and processes and then making some appropriate changes can be an effective way of ensuring that you report in real time. Here are some hints and tips which you might find helpful:

- Ensure your software and business processes are capable of being able to report 'on or before' paying employees. One of the reasons for RTI is to assist with timely information for Universal Credits so it is important that your employees understand the need to get time sheets and overtime records submitted in good time. If they don't, it may affect any Universal Credit payments to your employees
- Review your payroll software if it is unable to meet your reporting obligations e.g. it won't let you report on the same basis that you pay your staff
- Consider consulting with your employees to move from weekly paid to monthly paid. Although you don't have to change when you run your payroll, it may ease administration and help reduce the cost of processing your payroll
- Set up your own reminders (e.g. in Outlook or on your mobile phone) to help you report on time
- Report your PAYE early if you know you may not be around on the reporting date e.g. if you're going away on holiday – but don't report too early or you may need to send corrected PAYE reports to update HMRC
- Use direct debits and set up advance payments as soon as your final FPS submission for the month is made so that payment to HMRC isn't forgotten and is made by the deadline
- Guidance on 'Paying employees' and using the right 'payment date' was provided in the February 2015 edition of [Employer Bulletin Issue 52](#).

Report and deduct tax on Benefits in Kind in real time ('Payrolling')

From April 2016 the government is introducing a voluntary framework to allow you to payroll most employee benefits in kind (BiKs).

Payrolling

Payrolling is where the employer includes a notional value for employee BiKs as taxable pay into the regular payroll cycle. Including this value means that the income tax due on the BiK can be collected (and paid) in real time.

At the moment, tax for employee BiKs is collected through an adjustment to the employee's tax code. The way that tax codes work means that HMRC try to collect the right amount of tax at the right time. However, when BiKs start/stop or are changed there can be a delay in changing the tax code if HMRC are not informed promptly about the change and this may result in an employee under-or over-paying tax.

The benefits of Payrolling

One of the biggest benefits to employers is that if you payroll an employee's BiKs in line with the framework you will not need to submit forms P11D after the end of the tax year (other than for the BiKs shown below), or send P46(Car) returns (where you do presently).

You will be able to payroll all BiKs except:

- Living accommodation
- Beneficial loans
- Credit vouchers and tokens.

Another advantage is that an employer can include, adjust and remove the values for BiKs in real time which means that employees should not ordinarily under-or over-pay tax on their BiKs.

National Insurance contributions (NICs)

There is no change to the process for reporting and collecting Class 1A NICs. You will still need to complete a P11D(b) after the end of the tax year, but you will need to ensure that you include the values for both payrolled and non-payrolled BiKs.

Starting to payroll

If you want to start payroll for the first time (or you are payroll BiKs already under an agreement with HMRC), you will need to register with HMRC to let us know which BiKs you want to payroll. You can do this on the payroll registration service [here](#).

The BiKs are presented in the payroll registration service in the categories they are found on the P11D.

When you select to payroll a BiK, HMRC systems will automatically identify all of your employees with that BiK in their tax code. The BiK will be removed from the code and, where relevant, new codes will be issued. A flag will be placed on each employee's record where BiKs are being payrolled to stop the BiK being inadvertently reinstated if HMRC are contacted by the employee.

The presumption is that you will payroll the selected BiKs for all employees. If you don't want to payroll a particular employee or group of employees BiKs you will need to exclude them individually. You can do this through the payroll registration service.

You can only register to payroll future years (for example, you can register now to payroll BiKs for the tax year beginning 6 April 2016), and once the tax year has started you must continue to payroll them until the end of that tax year. However, once you have registered HMRC will assume that you will continue to payroll these BiKs for all future tax years unless you tell us otherwise (this can be done through the payroll registration service) – so you only need to register once.

At the moment Agents cannot directly access the service on behalf of clients to register the benefits or expenses they intend to or are already payroll for the tax year beginning 6 April 2016. We are working closely with the Agent Online Self Service project to allow access in the future and will keep you informed of developments.

How to payroll

Regulations already published (and to be finalised later this year) will set out how the payrolling framework will work. How we value a BiK is not changing at all – the rules for this are set out in the Income Tax (Earnings and Pensions) Act 2003. The notional value for the BiK only requires you to know the cash equivalent and how many pay periods there will be in the tax year.

The framework is designed to work for employers with different frequency pay periods (weekly, fortnightly, monthly etc).

The regulations will also set out what to do if you realise you have been payrolling the wrong amount or if the BiK changes during the tax year. They also provide for where an employee's income may drop so that the tax cannot be collected for one or more months and how payrolling interacts with the 50% of pay maximum tax deduction permitted.

Further information about payrolling and the payroll registration service can be found on GOV.UK.

Booklet 490 - Employee travel - a tax and National Insurance contributions guide

H M Revenue and Customs has recently published a revised and updated [Booklet 490 - Employee travel - a tax and National Insurance contributions guide](#) which explains the tax treatment of employee travel. The revised guide takes into account modern day working practices, and includes examples of how the tax treatment should be applied for particular circumstances.

Increase in National Minimum Wage rates

The [National Minimum Wage \(NMW\) rate](#) per hour depends on your age and whether you're an apprentice – you must be at least [school leaving age](#) to get it.

The rates have increased meaning the NMW applicable to pay reference periods starting on or after 1 October 2015 are as follows;

- the main adult rate (for workers aged 21 and over) is £6.70
- the rate for workers aged between 18 and 20 is £5.30
- the rate for workers aged under 18 is £3.87
- the rate for apprentices is £3.30*.

*This rate is for [apprentices](#) aged 16 to 18 and those aged 19 or over who are in their first year. All other apprentices are entitled to the National Minimum Wage for their age.

National living wage

From April 2016, the national living wage will be £7.20 an hour for workers aged 25 and older. The minimum wage will still apply for workers aged 24 and under.

PAYE payments

November electronic payment deadline falls on a weekend

In November the electronic payment deadline of the 22nd falls on a Sunday. To make sure your payment for that month reaches us on time, you need to have cleared funds in HMRC's account by the 20th unless you are able to arrange a Faster Payment to clear on or by the payment deadline.

Remember that it's your responsibility to make sure your payments are made on time and if your payment is late you may be charged interest and/or a late payment penalty.

So that you know what date to initiate your payment and make sure we receive it on time, you may need to speak to your bank/building society well in advance of making your payment to check single transaction, daily value limits and cut off times.

Find out more about [paying us electronically](#)

Employer overpayments of PAYE if you've paid HMRC too much

If you have overpaid because you entered the wrong amount when paying HMRC, made a duplicate payment or submitted an EPS that creates an overpayment, you can balance your account by paying less in your next payment of PAYE.

What you need to check now:

- that you have sent all the Full Payment Submissions (FPS) and Employer Payment Summaries (EPS), showing all employee payments
- that the 'year to date' figures are correct
- your PAYE account at HMRC Online services, go to www.gov.uk/business-tax/payee

Please note, the tax position on your PAYE account is updated overnight Monday to Friday and will only reflect returns and payments that have reached HMRC systems. It can take several days for payment information to be displayed. If your FPS is received on or before the 5th of the tax month it relates to, you will be able to see your charge from the 12th of the month. If you send a correction between 6th and 19th following the end of the tax month your charge will be updated on the 12th or within 2 days of receipt, whichever is the later.

Providing returns and payments have been made on time, and the correct payment reference has been used, your account should show the right charges and payments and the correct overall position by the start of the following month. Employers therefore need to allow sufficient time and ensure all relevant information is correctly displayed.

What to do if the employee payment information is wrong

You must correct it. To do this:

- for the current tax year, show the correct information on your next FPS and EPS – to find out how, see our guidance on [Correcting payroll errors](#)
- for an earlier year, send us an Earlier Year Update (EYU). If your payroll software doesn't have the facility to send an EYU, see our guidance on [Using Basic PAYE Tools with other software: Earlier Year Update](#)

We will update our records with this new information.

If your account is still in credit, please deduct the credit amount from your next payment so that the total paid to date figure equals the total tax, National Insurance and statutory deductions due. This may mean you don't need to make a payment next month/quarter.

Do you pay your PAYE quarterly?

Quarterly Payers – ensure you provide the correct payment reference

A quarterly payer is normally an employer that expects to pay less than £1,500 a month or £18,000 a year, and is therefore able to pay quarterly instead of monthly. The quarterly electronic payment deadlines are 22 July/October/January and April.

HMRC has made some changes to its payment allocation system and the following advice is provided to help with the correct allocation of payments by quarterly payers.

Quarterly Payers paying Quarterly

The best way is by making just one payment per quarter for the exact amount due.

If you make one payment per quarter just before the quarterly electronic payment deadline all you need to use as your payment reference is your 13 character Accounts office reference. This is the simplest way to pay and means you don't need to vary the payment reference you use each quarter.

Quarterly Payers paying very early or very late

If you pay very early or very late, you should add an extra 4 digits to the end of your 13 character Accounts office reference to help us allocate your payments correctly.

Please note if you pay late you may have to pay interest and/or a late payment penalty.

Quarter 2 payments (tax due for the period 6 July to 5 October) have to clear into our account on or before 22 October 2015. If your payment clears into our account very early which for quarter 2 would be before 6 August, or very late which would be after 5 November, your payment reference should be your 13-character Accounts Office reference followed by 1606.

'16' tells us it's for tax year ending 5 April 2016 and the '06' tells us it's for month 06 or quarter 2, due 22 October 2015. You need to enter all 17 characters without any spaces. You can see what numbers to add from the following examples.

For quarter 2 payments due to clear on or before 22 October 2015, add 1606.

For quarter 3 payments due to clear on or before 22 January 2016, add 1609.

For quarter 4 payments due to clear on or before 22 April 2016, add 1612.

For the following tax year, ending 5 April 2017, for quarter 1 payments due to clear on or before 22 July 2016 you would add 1703, then 1706 for the next quarter, and so on.

Quarterly Payers with earlier debts

If, exceptionally, you are a quarterly payer with earlier debts, if you can, it is better to make two payments. The first with your Accounts Office reference to pay your current quarter. The second adding 4 numbers to the end of your Accounts Office reference to tell us the tax year and tax month of the oldest debt you want to pay.

The separate payment will be automatically allocated to the older debt quicker. You can work out the 4 numbers to add by following the advice in the previous section. Alternatively if you want to pay a demand you have received, you can use the reference printed on the payslip.

Deadline for final IR35 payments and returns - tax year ending 5 April 2015

Intermediaries who have operated the [IR35 concession](#) to delay making a final return and payment for the tax year ending 5 April 2015, have until 31 January 2016 to submit accurate figures and pay any outstanding amounts.

This concession operates where a provisional return and payment have been submitted but cannot be confirmed because final figures were not known at the end of the 2014 to 2015 tax year.

Adjustments to the provisional return should be reported on an Earlier Year Update (EYU) and be submitted electronically to HMRC between 20 April 2015 and 31 January 2016. Interest will be charged on any balancing payment in the normal way, to the date of full payment. Please note, HMRC will not be issuing reminder letters.

Changes to HMRC bank accounts

From February 2016, HMRC will move its bank accounts to Barclays. Most taxpayers paying their bills electronically will be unaffected and do not need to do anything.

Customers who currently pay using Bank Giro or Transcash payslips should consider alternative ways to pay such as electronic payments.

From February 2016 customers making payments from overseas will need to use a new IBAN number when making payments through their bank.

This will be published on GOV.UK prior to February 2016. Any customer group likely to be affected by the changes will be contacted directly.

New employees - getting their PAYE starter declaration code and tax code right first time

Are you aware that a starter declaration should be completed by every new employee?

Both the starter declaration and tax codes need to be worked out in time for the first Full Payment Submission (FPS) for new employees. One of the most common reasons for incorrect tax codes is due to the starter declaration not being completed for the first FPS.

Where an incorrect starter declaration code or tax code is used, this will result in HMRC issuing an incorrect tax code. This then has to be corrected through your payroll so it is important to get it right first time. To help you, we have developed an [online tool](#) which will help you or your payroll provider submit the right starter code.

You'll need to get starter information from your employee so you can set them up with the right starter declaration code and tax code on your payroll software. Usually this information is on their P45 so it's important you remember to ask your new employee to bring this with them on their first day.

But what if my employee doesn't have a P45 or doesn't bring it with them?

If your employee doesn't have a P45 or doesn't bring it with them, you can get the information you need by asking your new employees to complete [a new starter checklist](#). This will provide you with all the information you need to get your new employees onto the right starter declaration code and tax code and avoid payroll adjustments later on. Experienced employers find it effective to get their new employees to complete this checklist on day 1 as part of their induction processes. They send starter declaration details to their payroll teams along with other essential payroll information e.g. National Insurance numbers, bank account details etc to ensure it gets to payroll on time.

So remember, be prepared to get all the right information in time for the first FPS submission.

Toolkits to reduce common errors in returns

Did you know that HM Revenue & Customs (HMRC) have a range of [20 free toolkits](#) to provide guidance on how to avoid making common errors that HMRC see in filed returns?

Whilst the toolkits are principally aimed at tax agents and advisers, they may also be of interest to employers. The most relevant toolkits for employers are likely to be:

- [Expenses and Benefits from Employment Toolkit](#)
- [National Insurance Contributions and Statutory Payments Toolkit](#).

The errors addressed by the toolkits are real errors that were identified by HMRC compliance staff in real returns filed by real customers. We want to ensure that the toolkits alert customers to current issues and genuine areas of potential risk so we regularly review the toolkits to check that the errors they cover are still those HMRC most commonly see in filed returns.

Changes in legislation and decisions made in decided cases and tribunals also require us to regularly review and refresh the toolkits. This is done by a team of technical specialists and departmental accountants who ensure that the toolkits give the most up to date insight into HMRC's views and thinking.

In addition to payroll you may also have responsibility for VAT and therefore be interested in the following toolkits.

- [VAT Input Tax](#)
- [VAT Output Tax](#)
- [VAT Partial Exemption](#)

Company car users can now update their details online

Instead of phoning or writing to HMRC, if you have any company car users they can now update their details online by using the [Check or update your company car tax service](#). Making these changes online mean that your employees no longer have to wait for HMRC to update their tax code. By encouraging your employees to use this digital service you should get fewer enquiries as an employer since the changes are made in real time.

Your employees can use the new digital car service to:

- **Amend** their company car benefits or change their car fuel details, for example if they change their company car
- **Remove** a company car benefit if they no longer have access to a company car
- **Add** a company car benefit if they start getting a company car for the first time.

The digital service isn't available to employees who are part of a car averaging or car sharing scheme, or who have their company benefits and expenses taxed through the company payroll (known as "payrolling").

Your employees must verify their identity to use this service for the first time. They will need:

- a valid UK passport and/or UK photocard driving licence
- access to their financial information.

The Check or update your company car tax service is now part of the new Personal Tax Account, which is currently being tested with customers. These secure digital tax accounts for individual customers will bring together each customer's details in one place, like an online bank account. Employees will be able to check their tax codes online and how they have been calculated. This will help reduce the burden on employers.

This new service was introduced in July 2015 and we'll be adding more services to it and aim to make it available to more customers by the end of this year. By 2020 everyone in the UK will have a Personal Tax Account.

Statutory Leave and Pay

Changes to adoption leave and pay from 5 April 2015

The Government has removed the qualifying period for statutory adoption leave. From April 2015 eligible employees can take statutory adoption leave from the first day of their employment (i.e. it is now a 'day 1 right' like maternity leave).

Adopters who [qualify for statutory adoption pay](#) will be paid at the earnings related rate in the first 6 weeks. The remaining 33 weeks will be paid at the lower of the earnings related rate or the flat rate (currently £139.58 a week) – mirroring the arrangements for statutory maternity leave and pay. The earnings related rate is calculated as 90% of the adopter's normal weekly earnings in the 8 week period leading up to the date the adopter is notified of a match with a child.

New groups of parents will qualify for leave and pay

Where their baby is due on or after 5 April 2015, the intended parents in a surrogacy arrangement may be eligible for adoption leave and pay where they intend to apply for and expect to obtain (or have already obtained) a Parental Order for their child under the Human Embryology and Fertilisation Act 2008.

Prospective adopters, that is, individuals who have been approved as suitable to adopt a child, may be eligible for adoption leave and pay where they have a child placed with them for fostering by a local authority with a view to them adopting that child. To be eligible for adoption leave and/or pay the child must be matched with the prospective adopter (who will potentially go on to adopt the child) on or after 5 April 2015.

The partner of the primary adopter and one of the Parental Order parents may be eligible for paternity leave and pay. Eligible Foster to Adopt and Parental Order Parents can apply to their employers for Statutory Paternity Pay and Leave using Form SC4. The form can now be viewed or downloaded from GOV.UK at [Statutory Paternity Pay and Leave: becoming an adoptive or parental order parent \(SC4\)](#).

Time off to attend appointments

From 5 April 2015 eligible employees and agency workers with 12 weeks service are entitled to time off to attend adoption appointments in the period between being notified of a match and the child being placed with the family:

- Single adopters are entitled to paid time off to attend up to 5 adoption appointments
- In the case of joint adoptions (i.e. a couple who have been jointly matched to adopt the child) one of the adopters is entitled to paid time off to attend up to 5 adoption appointments. The other adopter may be entitled to unpaid time off work to attend up to 2 adoption appointments.

Where there are joint adopters, the adopter who took paid time off to attend adoption appointments cannot claim paternity leave and pay.

On 1 October 2014 Parental Order parents became entitled to take unpaid leave to enable them to accompany the surrogate mother to up to 2 of her antenatal appointments. This is subject to meeting certain criteria, including a 12 week qualifying period of service where the Parental Order parent is an agency worker.

Percentage Threshold Scheme

Employers entitled to compensation under the Percentage Threshold Scheme who have not yet claimed must do so before **5 April 2016**.

Percentage Threshold Scheme provided a measure of compensation for employers faced with high levels of sick absence. An employer was entitled to recover some of the Statutory Sick Pay (SSP) actually paid to their employees in respect of periods to 5 April 2014 if the total amount of SSP paid in a tax month was greater than a set percentage of their gross Class 1 National Insurance contributions (NICs), (employers' and employees'), liability for that tax month.

The amount the employer can recover is the SSP they have paid over and above the set percentage threshold of their NICs liability.

Further information can be found in the [Statutory Sick Pay \(SSP\): employer guide](#).

Abolition of employers Class 1 National Insurance Contributions (NICs) for apprentices under the age of 25

If you employ an apprentice who is under age of 25, from 6 April 2016 you may no longer have to pay employer Class 1 NICs on their earnings up to the new Apprentice Upper Secondary Threshold (aligned with the Upper Secondary Threshold for the tax year beginning 6 April 2016).

A [technical consultation](#) on the draft secondary legislation to define an apprentice for the purposes of this relief has taken place and it is proposed that if your apprentice;

- is under 25 years old
- is working towards a Government recognised apprenticeship in the UK which follows a government approved framework/standard
- has a written agreement, giving the government recognised apprentice framework or standard, with a start and expected completion date (This will be an agreement between the employer, apprentice and training provider).

you will be able to apply the apprentice NICs zero-rate from April 2016 using NICs category H – Apprentice standard rate contributions.

We will continue to keep you updated through the Employer Bulletin and guidance for employers will be available on GOV.UK early in 2016.

Scottish Rate of Income Tax

- 6 months to go!

The Scottish Rate of Income Tax (SRIT) is the amount of income tax Scottish taxpayers will have to pay and will come in to force on 6 April 2016.

We ran an article in the [June edition of the Employer Bulletin](#) giving you some general information about Scottish Rate of Income Tax and said we would keep you updated with progress. The following information gives you the current position in terms of payroll procedures.

Payment after leaving

There are no changes to this process as a result of the Scottish Rate of Income Tax. If one of your employees is a Scottish taxpayer and on a '0T' code, then the working assumption is that it will be prefixed by an 'S'.

0T tax code is currently applied to those customers who receive a payment after leaving so it will depend upon what type of tax code was in operation at the time of leaving;

- if it was a rest of the UK tax code (e.g. 1000L), '0T' would be applied
- if it was a Scottish tax code (e.g. S1000L) 'S0T' would be applied.

Reporting this through RTI will be done in exactly the same way as it is now: where you have to pay a person after already giving them a P45, show the original date of leaving on the FPS, completing the "Payment After Leaving" indicator. A further P45 should not be issued (an employer will still however need to provide documentary evidence of the payment).

If there is any change of address subsequently that might change this then it will be picked up and any adjustments made through any new employment or reconciliation after the end of the tax year.

Payroll Software Developers

The information relating to Scottish Rate of Income Tax has been included in the latest technical packs for Real Time Information, [internet submissions](#) and Real Time Information, [Electronic Data Interchange](#) published on GOV.UK.

The changes for Scottish Rate of Income Tax are as follows:

- The 'SVR' Field has been renamed 'Tax Regime'
- Tax Regime will incorporate 1 alpha character 'S'
- This will be concatenated (bundled together) to show S1060L.

For more information see our guidance on

[Scottish Rate of Income Tax calculations: developer update and test data](#)

Tax Tables

The existing tables will be updated to show the Scottish Rates of Income Tax (basic, additional, higher rates).

PAYE Settlement Agreements (PSA)

Employers will need to account for both rest of the UK and Scottish Rates of Income Tax in relation to PSAs. This means employers will need to identify employees chargeable at the rest of the UK basic/higher/additional rates and also at the Scottish basic/higher/additional rates as part of making their PSA calculation. Further guidance will be made available on GOV.UK.

Scottish Rate of Income Tax calculations

For transparency the Scottish Rate of Income Tax will be visible on Annual tax summaries, HMRC calculators and within the digital Personal Tax Account. Further information will be made available on GOV.UK.

Pension schemes operating PAYE

If the Scottish Rate of Income Tax is different to the Income Tax operated by the rest of the UK then as a PAYE operator you will already know if the person being taxed is a Scottish taxpayer in order to collect the correct PAYE via the tax code received from HMRC. HMRC would expect you as a Registered Pension Scheme Administrators (RPSA) operating PAYE, to adjust your IT systems to collect the right amount of Income Tax.

Pension schemes operating net pay

Where Pension scheme members pay contributions to their employer's pension scheme under the net pay arrangement, the correct rate of tax relief on their contributions will be claimed.

Pension schemes operating relief at source

The Government has agreed that from April 2016 until April 2018, Registered Pension Scheme Administrators (RPSAs) can continue to claim relief at source (RAS) at the rest of the UK basic rate for all scheme members, irrespective of any difference between the Scottish and the rest of the UK basic rates. This is to allow time to prepare your systems. However we would expect you to inform your members about the implications of the Scottish Rate of Income Tax and its impact on RAS.

If the Scottish Government choose to vary the Scottish Rate of Income Tax for the tax years beginning 6 April 2016 or 6 April 2017, HMRC will reconcile any difference in RAS for Scottish taxpayers by adjusting their tax liability through the Self-Assessment process or through PAYE coding.

For the tax year beginning 6 April 2018 onwards, HMRC will notify RPSAs of the rate of RAS to apply for both Scottish scheme members and those in the rest of the UK, enabling RPSAs to claim RAS at the correct rate.

Scottish rate news page

HMRC have developed a [Scottish Rate of Income Tax news page](#) to provide updates and the latest information to employers on the implementation of the Scottish Rate of Income Tax.

Automatic enrolment: employers keep up to date

The law on workplace pensions has changed. Every employer with at least one member of staff now has new duties, including enrolling those who are eligible into a workplace pension scheme and contributing towards it. This is called automatic enrolment.

Large and medium employers have now been through this process and over 5 million employees who weren't previously saving are now contributing to their futures. It is now the turn of the small and micro employers to begin their automatic enrolment journey in significant numbers.

The Pensions Regulator's [website](#) is a great place for these small and micro employers to start. The regulator urges employers to visit their website where they'll find information tailored to them that will help employers through their automatic enrolment journey.

The regulator also produces regular e-newsletters customised for employers, which provides news, guidance and practical information about automatic enrolment straight to their inbox.

[Sign up](#) to receive this e-newsletter to make sure you're as up to date as possible with automatic enrolment.