HM Revenue & Customs

Employer Bulletin

Your route to the latest in payroll news

December 2015 Issue 57

Welcome

Hello and welcome to December's Employer Bulletin

There is a lot of information in this edition that will impact on your payroll process but I would like to draw your attention to the article on page 4, Making Tax Digital, which sets out the vision for a transformed tax system and the end of the tax return. This first discussion paper considers how HMRC can simplify payment arrangements for taxpayers. We will be seeking stakeholder views at a series of consultation events in January and February 2016, so if you have any comments or suggestions relating to the content of the discussion paper then please let me know.

On pages 2 and 3 you will find a summary of some of the announcements from the Chancellor's Autumn Statement on 25 November and page 3 also contains some important information if you are operating the relaxed 'on or before' reporting obligations.

If you are a new employer, want to refresh your knowledge about a certain topic, or have someone who is new to payroll you might also be interested in the wide range of webinars, e-learning, emails, and videos HMRC produce on employing people. The topics covered and the content of these products are regularly updated so you may want to bookmark this for future reference.

We will continue to use the Employer Bulletin to tell you about new products and changes which may affect you 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.

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

Alison Bainbridge
Editor

Contents

Chancellor's Autumn Statement

The Chancellor delivered his Autumn Statement on 25 November 2015. An overview summarising the main changes impacting HMRC has been published and this article provides a brief summary of some of the changes which may have an impact on your payroll obligations. More detailed articles covering other announcements can be found further on.

Income Tax Allowances

It was announced that the basic personal allowance for the tax year starting 6 April 2016 will be increased to £11,000 and the tax code for emergency use will be 1100L.

As a result there will be a general uplift of tax codes with suffix 'L' which will be increased by 40. HMRC will also issue individual tax codes for the tax year starting 6 April 2016 for some employees and employers should receive these by the end of March 2016. Full instructions on what to do for both employees with or without a tax code can be found on form P9X. This link will be updated in February to show form P9X(2016).

Income Tax bands and rates

The income tax rates and income tax bandwidths for the tax year starting 6 April 2016 are shown below:

Rate	%	Bandwidth
Basic Rate	20%	£1 to £32,000
Higher Rate	40%	£32001 to £150,000
Additional Rate	45%	£150,001 and above

National Insurance contributions (NICs) earnings limits and thresholds

The announcements confirmed the following National Insurance (NI) limits and thresholds for the tax year starting 6 April 2016

- the main rate of primary Class 1 NICs will remain unchanged at 12%
- the Class 1 secondary rate of NICs will remain unchanged at 13.8%. This rate also applies to Class 1A and Class 1B NICs
- the additional rate of primary Class 1 NICs will remain unchanged at 2%
- the Lower Earnings Limit will be £112 per week
- the Primary Threshold (for employees) will be £155 per week
- the Secondary Threshold (for employers) will be £156 per week
- the Upper Earnings Limit (UEL) will change to £827 per week
- the Upper Secondary Threshold (for employers) will be £827 per week
- the new Apprentice Upper Secondary Threshold (for employers) will be £827 per week*

* This has been introduced to facilitate the abolition of employer NICs for apprentices under the age of 25 from 6 April 2016, when employers will no longer be required to pay Class 1 Secondary NICs on earnings paid up to the Apprentice Upper Secondary Threshold to any apprentice under the age of 25.

The Apprenticeship Levy

At Summer Budget it was announced that three million new apprenticeships will be created by 2020, funded by a levy on large employers.

It was confirmed at Autumn Statement that the apprenticeship levy will come into effect in April 2017, at a rate of 0.5% of an employer's pay bill. A £15,000 allowance for employers will mean that the levy will only be paid on employers' pay bills over £3 million.

Less than 2% of UK employers will pay the levy.

Retention of diesel supplement

At Budget 2012, the government announced its intention to abolish the diesel supplement on company cars made available for private use, in anticipation of a new EU stricter air quality standard. However, it is only recently that the EU decided on a timeline to achieve expected air quality standards using the Real World Driving Emission tests (RDE). The government has now announced it is retaining the diesel supplement until 2020-21 meaning the appropriate percentage for diesel cars will continue to be 3% higher than other cars, up to a maximum appropriate percentage of 37%.

Salary Sacrifice

The government is concerned about the growth of salary sacrifice and flexible benefit arrangements and their fairness on the tax system and is considering what action, if any, is necessary to address these issues. Further evidence will be gathered from employers to inform its approach.

Employment Intermediaries and Tax Relief for Travel and Subsistence

Changes will be made from April 2016 to prevent certain temporary workers employed through an employment intermediary, such as a personal service company or umbrella company, from being eligible to claim tax relief or NICs disregard on their home to work travel.

The Government has responded to the final report of the OTS employment status review, published in March 2015 and is taking forward the majority of the report's recommendations. Further information will be provided as the changes progress.

Reporting PAYE information 'on or before' paying your employees

Following HMRC's review of the 'on or before' reporting obligation, the Government announced at Autumn Statement 2015 that the current two year temporary reporting relaxation will end as planned on 5 April 2016. The relaxation permitted employers who at 5 April 2014 employed no more than 9 employees, to report their PAYE information for the tax month 'on or before' the last payday in the tax month instead of 'on or before' each payday.

This means that after 5 April 2016 the only relaxations to the obligation to report 'on or before' are those which are listed in our Running payroll: sending an FPS after payday guidance. This aligns the reporting obligations for existing micro employers with all other employers who are currently required to report payments 'on or before' each payday. As a consequence 'Late reporting reason code E' will no longer be valid from 6 April 2016.

We will shortly be writing to employers who are currently using the temporary reporting relaxation to inform them that it is coming to an end and to tell them where they can obtain further help should they need it.

Further information about reporting PAYE 'on or before' is available in our Running payroll guidance whilst help on some common misunderstandings was published in the October 2015 edition of Employer Bulletin Issue 56.

Exclusion of Single-Director Companies from the National Insurance Contributions (NICs) 'Employment Allowance'

From 6 April 2016, if you're the only employee in a company, and also the director, your company will no longer be eligible for the NICs Employment Allowance.

HMRC is currently consulting on the draft legislation for this change. The consultation is open until 3 January 2016. To find out more and see how to contribute take a look at the consultation document.

How to correctly claim Employment Allowance

You could get up to £2,000 a year off your National Insurance bill if you're an employer.

If you are eligible to claim Employment Allowance you can claim through your payroll software by putting 'Yes' in the 'Employment Allowance indicator' field the next time you send an Employment Payment Summary (EPS) to HM Revenue and Customs (HMRC).

You only need to claim Employment allowance once and your claim will be ongoing – you do not need to claim every tax year.

If you have claimed Employment Allowance please do not amend the 'Employment Allowance indicator' field on your EPS to 'No' when the maximum annual relief has been claimed as this will remove your entitlement to the allowance. The only time you should amend this field to 'No' is if you are no longer eligible to claim the allowance.

Office of Tax Simplification - making tax easier

This is to let you know about two surveys which the Office of Tax Simplification (OTS) is running.

1. They want to hear about whether it would be helpful to more closely align Income Tax and National Insurance Contributions (NICs). If you want to send the OTS your views either contact them directly on ots-tax-nics@ots.gsi.gov.uk or else please take a few minutes to complete their survey.
2. Alongside, the OTS is looking into ways of making tax simpler for companies with under 10 employees. You can contact them directly on this topic at ots-smallcompanies@ots.gsi.gov.uk or otherwise please complete this short survey.

Making Tax Digital

At the March 2015 Budget, the government set out the vision for a modernised tax system, replacing tax returns with digital tax accounts for individuals and small businesses, changing the way HMRC obtains and uses information and how customers will interact with us. Since then, we have been developing the vision it set out and how we will deliver it.

In the Autumn Statement and Spending Review the government announced that it will invest £1.3bn in HMRC to transform it into one of the most digitally advanced tax administrations in the world.

We have since followed this up on 14th December with the publication of "Making Tax Digital", the document sets out the roadmap that was mentioned in March publication "Making tax easier:

The roadmap provides a relatively high level outline of how taxpayers' experience of dealing with HMRC will develop between now and 2021. The roadmap also sets out the high level journey taxpayers and HMRC will go on over the next few years, including the public consultation will contribute to developing the detail of changes to policy and how it is implemented.

Simplifying employee benefits and expenses

Following our consultation over the summer, the regulations which set out the rules for: the voluntary payrolling framework; removing the need to report reimbursed expenses on a form P11D; bespoke scale rates; and removing the £8,500 lower earnings threshold (and therefore P9D returns) have been published.

These regulations which amend the Income Tax (Pay As You Earn) Regulations 2003 can be found here.

The scale rate regulations are a standalone instrument, which can be found here.

Additional guidance about all of these measures will be published later in the year.

Payrolling

Employers who intend to payroll from April 2016, or those who already payroll under informal arrangements are reminded that they must register using HMRC's PBIK registration service in order to benefit from not having to complete P11D returns.

P11D(b) returns will still have to be made, and must include the total values of all payrolled and all non-payrolled benefits.

For more information visit our website.

Employer provided living accommodation

As announced at Autumn Statement, and in response to recommendations in the 2014 report by the Office of Tax Simplification (OTS) on employee benefits and expenses, the government has issued a call for evidence on the current tax treatment of employer provided living accommodation. The government will use the information collected to consider whether there is a case for making change to deliver simplification in this area. The call for evidence will be open from 9 December 2015 until 3 February 2016.

The government will be holding some meetings with interested stakeholders in January. If you would like to take part in these meetings please email employmentincome.policy@hmrc.gsi.gov.uk stating your name, contact details and availability.

Trivial benefits in kind

At Budget 2014 the Chancellor announced a package of reforms to simplify the taxation of benefits in kind (BiKs) and expenses. This included the introduction of a tax exemption for low value benefits in kind ('trivial BiKs').

Draft legislation to give effect to the exemption is included in Finance Bill 2016 which has been published for technical consultation from 9 December 2015 to 3 February 2016. The exemption will commence from 6 April 2016.

The tax exemption will only apply to trivial BiKs, such as Christmas or birthday gifts, where the BiK:

- is not cash or a cash-voucher;
- costs £50 or less;
- is not provided as part of a salary sacrifice or other contractual arrangement; and
- is not provided in recognition of services performed by the employee as part of their employment, or in anticipation of such services.

In response to comments received during an earlier consultation, trivial BiKs provided to directors or other office-holders of close companies will be subject to an annual cap of £300. A £300 annual cap will also apply to employees of the company who are part of the director's or other office-holder's family or household. Supplementary documents, including a Technical Note containing examples of how the cap will work, were published alongside Finance Bill 2016.

A matching exemption from National Insurance contributions (NICs) will also be introduced for trivial BiKs that attract a Class 1 NICs liability, such as some non-cash vouchers.

If you would like to take part in meetings to be held in January to discuss the draft legislation please e-mail employmentincome.policy@hmrc.gsi.gov.uk stating your name, contact details and availability.

Until the new exemption is introduced employers should continue to apply the guidance in Booklet 480, and in the Employment Income Manual at EIM21860. All agreements that are currently in place will still apply provided there has been no change in the circumstances.

Further details on the trivial BiKs exemption will be provided in spring 2016.

Scottish Rate of Income Tax - 4 months to go!

The Scottish Rate of Income Tax may affect the amount of Income Tax Scottish taxpayers will have to pay and comes in to force on 6 April 2016. A Scottish taxpayer is someone who lives in Scotland.

We ran articles in the June and October editions of the Employer Bulletin giving you some general information about the Scottish Rate of Income Tax and said we would keep you updated with progress.

What's New

From 2 December 2015, HMRC started contacting taxpayers living in Scotland where our records show that this is their main address, to inform them that they have been identified as a Scottish taxpayer. The Scottish Government will publish its Draft Budget on 16 December 2015 – the same date this Bulletin was published online. The Draft Budget will include proposals for the Scottish rate of Income Tax.

Being prepared for Scottish Rate of Income Tax – KEY FACTS

- HMRC are responsible for identifying Scottish taxpayers – not employers.
- Scottish taxpayers will have a tax code prefixed by an 'S'. Scottish tax codes will be issued to employers as part of the annual coding routines, so the correct rate of Income Tax can be deducted based on an individual's taxpayer status.
- You must ensure your payroll software is up to date and able to apply the new 'S' codes.
- You must apply the new 'S' tax code to all employees identified as being a Scottish taxpayer even if the rates of Income Tax in Scotland remain the same as rates in the rest of the UK.
- There will be no change to the way you report or make payments of Income Tax to HMRC, other than applying the 'S' tax code to Scottish taxpayer employees.
- Scottish taxpayers will be identified via address information that is held by HMRC so actively encourage your employees to update HMRC with address changes at www.gov.uk/tell-hmrc-change-of-details to ensure the tax they pay is accurate.

Tax Tables

The existing tables will be updated on GOV.UK in February 2016 to show the Scottish Rates of Income Tax (basic, additional, higher rates).

Scottish Rate of Income Tax calculations

Scottish Rate of Income Tax does not need to be shown separately on payslips or P60s but 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

Scottish rate news page

HMRC have developed a Scottish Rate of Income Tax news page to provide updates and the latest information to employers about the implementation of the Scottish Rate of Income Tax.

Income Tax Allowances - Tax Code Suffix Y

Age-related personal allowances have been frozen since 6 April 2012 to enable them to be phased out.

From 6 April 2016 the basic personal allowance will increase to £11,000. This increase will bring the basic personal allowance to a level higher than the maximum personal age allowance for customers born before 6 April 1938. As a result HMRC will no longer use suffix ‘Y’ on tax code notifications P2, P6 and P9 issued for the tax year beginning 6 April 2016.

As part of Annual Coding, all customers who continue to be liable to pay income tax and would previously have had a ‘Y’ suffix in their tax code, will be issued with a P2 Notice of Coding advising them of their new tax code.

Employers and pension providers will also receive a P9 coding notification for the tax year starting 6 April 2016 which will show the appropriate tax code to use for all customers affected.

HMRC’s systems will still accept a ‘Y’ suffix if submitted but we would ask that they are no longer used by employers and payroll agents.

How to report PAYE on time: penalty and appeal top tips

Here are some tips on avoiding some of the common mistakes that we’ve seen since the introduction of in-year filing penalties. Please note that when you receive an electronic message from us saying that we have successfully received your submission, it does not mean that it was correct and/or on time – it is simply an acknowledgement of receipt.

Accurately reporting PAYE in real time is important. This helps to ensure that your employees pay the right amount of tax, and is vital to the success of Universal Credit (UC). UC is designed to make work pay, will increase the financial benefits of work and provide you with a more flexible workforce. Late or inaccurate reporting can negatively impact on your employees’ UC payments as these are linked to the payroll information you report in real time. So:

- it is very important to report payroll in real time accurately and on time, as changes in earnings will affect the amount of UC your employees receive
- getting the right identity details for your new employees at the point of hiring is vital to PAYE and UC. For guidance relating to new employees, see Tell HMRC about a new employee below.

Reporting the correct number of hours worked

It is important to record the correct number of hours your employees have worked. This helps to ensure that they receive the right amount of benefits they are entitled to.

In the ‘Number of normal hours worked’ box on their Full Payment Submissions (FPS) some employers are selecting ‘E – Other’ as a matter of routine. You should **only** select ‘E – Other – if your employee does not have a regular pattern of employment or the payment relates to an occupational pension or annuity. Otherwise, you should record the hours worked as follows:

A – Up to 15.99 hours

B – 16-23.99 hours

C – 24-29.99 hours

D – 30 hours or more.

If you have selected 'E – Other' in earlier submissions but should instead have selected one of the other options, you do not need to resubmit your FPS. Instead, please ensure that you report the correct hours on your next FPS.

Reporting the correct pay frequency

It is important to select the correct pay frequency in your FPS when you change the frequency of how often you pay your employees. For example if you used to pay an employee irregularly and they work and get paid weekly you should change the 'Pay frequency' in your FPS to weekly.

Late reporting reason codes

- If you think you have a reasonable excuse for filing late you should use a **late reporting reason code**; use the code for **every payment** on the FPS where the circumstances apply.
- Use the late reporting reason code H if you need to make a correction to a previous submission you've made, and the payment date(s) you are reporting is a date earlier than the date you submit the FPS. This includes submissions that you have corrected and resubmitted because the initial submission was rejected.
- **Be careful with leavers and use late reporting reason H where appropriate.** An example might be where you're unable to report payroll information on time when an individual leaves your employment before the regular reporting date.
- **Use late reporting reason F where you report within 7 days as it was impractical to report on or before the pay day due to the nature of the work.**

For guidance relating to late reporting reasons see What payroll information to report to HMRC.

The payment date you report on your FPS should be the earlier of the date an employee is paid or the date they were entitled to that payment, not the payroll run date, or another date from your payroll system.

Don't forget that making payments to HMRC and reporting information about payments to employees are two separate obligations with different deadlines. So even if you sent your Tax, National Insurance and Student Loan payment to us on time, you can still be charged a penalty for late filing of payroll information. You should report information about payments to employees to us on or before the date that you pay your employees, not when you pay HMRC. See article on page 3 and further guidance is available at Pay employers' PAYE tax and National Insurance.

Don't ignore Generic Notification Service (GNS) electronic warning messages

These messages are intended to be a helpful service to notify you that you haven't filed on time.

We are taking a risk based approach to issuing filing and late payment penalties, focusing on the most persistent offenders. This means we may not charge penalties in all instances where employers don't file or pay on time. However the electronic messages give you a chance to review your submission process to ensure that things are correct in the future. You can check your messages in the same way you do if you receive electronic coding notifications, either by:

- Logging into PAYE Online and selecting the generic notifications from within the 'Notice summary' section
- Using the PAYE Desktop Viewer
- Using your commercial software – you should check with your software supplier that their product is compatible with accessing GNS messages.

Electronic Data Interchange (EDI) users may choose to receive GNS messages through either EDI or the internet if they have EDI outbound communication in place.

Do you use PAYE Online, and have you changed your email address

If you change your email address, don't forget to update PAYE Online to ensure you continue to receive emails alerts when we have issued Tax Codes, Generic Notifications etc.

Make sure your software is up to date. Before you make any electronic submission, make sure that you are using the latest available version of the software.

If you haven't paid anyone in a tax month you need to send an Employer Payment Summary (EPS) by the 19th of the following month to let us know this. For example if you don't pay any of your employees between 6th April and 5th May, send us an EPS by 19th May to tell us you made no payments during this period.

Although your EPS is due by 19th of the month, you may want to send your EPS before 11th of the month to avoid being sent a non-filing GNS message.

For guidance go to Running Payroll: reporting to HMRC: EPS.

Appealing against a penalty

Use the new online appeals service if you don't agree with your penalty
You can access this service through PAYE Online. Your appeal will be dealt with quicker and you will normally get a much faster decision than if you appeal in writing. We recommend you appeal online, but if you do appeal in writing, this will not affect the outcome of your appeal. When we have received your appeal we will send you a GNS message to let you know how your appeal is progressing.

When using the online appeals service, select the reason for your appeal from the drop down menu and avoid using 'Other' if there is a suitable alternative option. You should only use 'Other' if your reason for appeal doesn't fall into the categories in the online system. For example, if you were unable to report on time because your employee's payday was on a bank holiday and you didn't indicate a late reporting reason on the FPS when you reported the payment, then the appeal reason 'missed correction/easement' may be more appropriate. Or, if you experienced difficulty using your payroll package then the appeal reason 'IT difficulty' may be more appropriate. If we have any further queries about your appeal, we will let you know. You will have the opportunity to provide further facts to support your appeal in the additional information box.

Please be concise in your appeal explanation – there is a limit of 1,000 characters in the additional information field.

We don't charge a penalty for the first month in the tax year that you fail to file on time but you are still entitled to appeal against our decision. We call this the 'first unpenalised default' and it will be displayed on your penalty notice and on the online appeals service. Make sure you appeal against all of the defaults shown on your penalty notice, including the first unpenalised default, if you do not think our decision is correct. If your appeal is accepted, the unpenalised default will be carried forward to a later month, reducing the value of any future penalty charges you might incur.

Statutory Payment penalty reminder

HMRC will always seek to impose a penalty where entitlement to a Statutory Payment has been established and an employer fails to meet their liability to pay.

Any penalty HMRC charges will normally be in excess of the Statutory Payment the employer has failed to pay up to the legal maximum of £3,000.

Casual or short term employees

You need to tell HMRC when one of your employees leaves or retires, and deduct and pay the right tax and National Insurance. If you are increasing your staffing levels over the Christmas period remember to tell us when your employees start and leave on your Full Payment Submission (FPS). Please include their leaving details on the last FPS you pay them. If you aren't able to do this, then you should enter the leaving date details in the next FPS you send and ensure you add '0' in the 'Pay and tax in this period' fields. For further information please see our guidance on What to do when an employee leaves.

If your employees' pay day falls on a non-banking day – for example a weekend or bank holiday – you should send in your FPS on the next banking date but enter the regular payment date in the 'payment date' field and select 'Late payment reason' code G.

Irregular employments

Remember to use the irregular payment indicator on your FPS to indicate where an employee isn't paid regularly but is still on the payroll, for example they are a casual employee or you are not going to pay them for 3 months or more. You should only submit FPSs when a payment is made to the employee. For further guidance see What payroll information to report to HMRC.

Changing Payroll IDs

If you change an employee's Payroll ID for any reason (including changing your payroll software) you should make sure that you show the change on your next PAYE submission to HMRC. You do this by including the old Payroll ID, the new Payroll ID and checking the 'Payroll ID Change' indicator.

If you are unable to enter the old Payroll ID and check the 'Payroll ID Change' indicator for any reason, then you must ensure that the 'pay in period' and 'pay year to date' information is correct.

For example, for a change of payroll ID during the year, using a payment of £100 and pay year to date figure of £10,000, payments on the Full Payment Submission (FPS) should be shown as follows:

- Taxable pay in period = £100
- Taxable pay year to date = £10,100

If you change a Payroll ID you should also make sure all your FPSs have been submitted.

Please note: if you use HMRC's Basic PAYE Tools to report payroll information, you are required only to enter the new payroll ID in place of the old one and save the change; there is no indicator to check.

Are you still completing form P46?

Do you or your payroll team know form P46 is no longer used? This form has been replaced with the 'starter checklist' and you can use this to help you get the necessary information from your employee before their first pay day. It is good practice to get new employees to complete this on or before their first working day. Once you've collected information from your employee, you can work out their tax code and starter declaration code using HMRC's handy online tool. This provides you with all the information you need so you can set up your new employee with the correct tax code and starter declaration code on your payroll software. It's important to gather this information for the first Full Payment Submission to avoid payroll adjustments later on. You need to keep the information recorded on the Starter Checklist for the current and previous three tax years. Please do not send the checklist to HMRC.

How to correctly process payments after leaving - YouTube video now available!

It's important to remember that, when making a payment to an employee who has left, you need to correctly report this to HMRC.

A YouTube video has now been produced to help you correctly process any payments made to employees after they have left your employment i.e. after a P45 has been issued.

The video can be found on HMRC's YouTube channel by searching for 'Payments after leaving'.

Toolkits to reduce common errors

HMRC offers lots of help to employers, but did you know that there is a suite of toolkits that provide guidance on avoiding errors that HMRC frequently see in returns.

The toolkits are aimed mainly at tax agents and accountants, but they may also be a useful tool for employers. The two toolkits that may be of particular use are:

- Expenses and Benefits from Employment
- National Insurance Contributions and Statutory Payments.

The aim of the toolkits is to help employers to:

- ensure that returns are completed correctly, thereby minimising errors
- focus on the areas of possible error that HMRC consider key
- demonstrate reasonable care.

For more information about all of the toolkits please visit Tax Agent Toolkits.

Paying HMRC

PAYE Payment References

We have checked the payment references that we receive with electronic payments. Most employers provide the correct payment reference but some get it wrong. Payments with the correct reference are automatically allocated to the correct charge, appearing in your account quicker. Here are some tips to help.

Do get your PAYE reference number right

- **PAYE payment references should only be 13 or 17 characters long**, except for some penalty and interest references that are 14 characters long and begin with an X
- Use the correct payment reference. **If you pay on time all you need is your 13 character Accounts Office Reference** which will look similar to this example: 123PA00012345
- **Paying HMRC exceptionally early or late**, for monthly payers, means paying more than 14 days earlier or later than your payment is due. You need to **add an extra 4 numbers** to the end of your Accounts Office reference to tell us the tax year and tax month you are paying

  For example, making a late payment for the month ended 5 September 2015 your payment reference should be your 13 character Accounts Office reference followed by 1605. '16' tells us it's for the tax year ending 5 April 2016 and '05' tells us it's for month 5, due 22 September 2015. Enter all 17 characters without any spaces, so using the example from before it would look like this: 123PA000123451605

  For the current tax year the additional 4 numbers range from 1601 for a payment that was due on 22 May 2015, to 1612 for a payment that will be due on 22 April 2016
- If you've previously paid using the 17 character reference, remember to correct or remove the 4 numbers next time you pay otherwise your payment will be directed towards the same month as before.

For more help on paying HMRC, see Pay employers' PAYE and Paying HMRC.

Avoid these common mistakes

- Do not use your Employer reference to pay. As explained above, you should pay with your Accounts Office reference which is 13 characters long, adding 4 extra numbers when necessary.
- Do not put extra information such as the type of tax you are paying after your Accounts Office reference. The only thing you should add, if you are paying early or late, is the extra 4 numbers to tell us the tax year and tax month the payment is for. Your reference then becomes 17 characters long.
- Do not put the extra 4 numbers the wrong way round. Tax year followed by the tax month is correct. For example, adding 1604 tells us it is for tax year ending 5 April 20**16**, month **4**, due 22 August 2015.
- Do not add the same 4 numbers to your Accounts Office reference to pay other months as this will result in payments being incorrectly allocated. Either remove these if you are paying on time or update them to show the tax year and tax month you are paying.
- Do not use words instead of your Accounts Office reference number, for instance your company name, the type of tax being paid, or Month 1, M01, Quarter 2, Q02, M03/Q01 etc.

Annual issue of the Paying PAYE electronically letter and Employer Payment Booklet

We will soon be issuing letters and booklets ready for the new tax year which commences on 6th April 2016. During January, February and March each year HMRC send employers or their agents a new:

- P30B Paying PAYE electronically letter – issued to the majority who pay HMRC electronically, or a
- P30BC Employer Payment Booklet – issued to those whose payment method requires a payslip.

If you have started using an electronic payment method during the present tax year we will issue the paying electronically letter. This will confirm the reference you should be using and our Bank account details.

More advice and details of the available payment methods can be found on GOV.UK

Construction Industry Scheme

Under the Construction Industry Scheme (CIS), contractors deduct money from a subcontractor's payments and pass it to HM Revenue and Customs (HMRC).

The deductions count as advance payments towards the subcontractor's tax and National Insurance.

Registering as a contractor at the right time

If you want to start paying subcontractors for the first time you need to register with HMRC as a contractor. Please leave your registration until just before you pay your first subcontractor. That way you will not be at risk of receiving a penalty for any returns becoming due between the date you register and when you start paying subcontractors.

Periods of inactivity

If you are registered as a contractor you may have a period where you do not need to pay any subcontractors. Rather than submitting a series of nil returns for this period, you can ask HMRC to make your scheme inactive for up to six months.

You can do this online, by checking the box at section 8 of your latest paper return, or by calling the CIS Helpline. If you start paying subcontractors again during this six month period, simply start filing your returns again and this will end the period of inactivity.

Remember to start sending us returns again at the end of the inactive period, otherwise you may get a penalty if we are expecting a return from you and you don't send one.

You can renew or extend the period of inactivity beyond six months if you wish, but it may be simpler to ask us to close your scheme until such time that you start paying subcontractors again. That way you won't have to remember to ask us to extend the period again in the future. You can easily re-open your scheme whenever you need to.

Please do not send us any nil returns, either online or by paper, during the inactive period. If you do our computer system will assume that you want the period of inactivity to come to an end, and you may then get an unexpected penalty for the following month.

Nil returns

If you do not pay any subcontractors in a tax month you no longer need to send in a nil return. However, if you don't send us anything you must tell us that no return is due.

If you do not you may receive a late-filing penalty and a CIS specified charge, (an estimate of how much we think you should pay, based on your previous PAYE payment and filing history). Where this happens, please call the CIS Helpline to cancel the penalty and the CIS specified charge.

Registering as a new employer

When registering online as a new employer it is important that you only submit your details once. If you realise that you have made a mistake after you have registered online you should wait 24 hours after making your first application before submitting an amended application. This will help avoid the possibility of more than one employer record being set up for you.

Once your employer record has been set up, you may need to tell HMRC that some of your details have changed e.g. name or address. The quickest and easiest way to do this is by updating your Online Account. For changes to your scheme type you should contact the Employer Helpline. Please do not complete another online scheme application to notify us of any changes as this will result in another employer record being set up incorrectly.

Stop being an employer

If your business stops employing people you need to tell HMRC straightaway so we can close your PAYE scheme. You can do this by selecting the 'Final submission because scheme ceased' box and completing the 'Date scheme ceased' box on your final Full Payment Submission (FPS) or Employer Payment Summary (EPS). The date you enter must be the date the scheme ceased and cannot be a date in the future.

Note: You do not need to call or write to tell us you are no longer an employer once you have submitted your cessation details on your final submission.

Your employer record will be automatically closed providing we do not receive any returns relating to a pay period **after** the date of cessation, this includes any nil submissions.

If you need to correct any payroll errors on submissions that you made up to the date of cessation, you'll need to ensure that you have entered the correct pay period relating to the change on your amended submission. If you incorrectly enter a pay period after the date of cessation it could restart the employer record, and may result in the incorrect issue of late filing and late payment penalties.

Basic PAYE Tools

Microsoft has withdrawn support for the XP system

In 2014 Microsoft withdrew support for the XP operating system and as a result the Basic PAYE Tools (BPT) will no longer be able to support this system beyond the April 2016 release.

This message is therefore to allow you to update your systems as necessary before the April 2017 release of BPT.

What happens if I continue to use Windows XP?

If you continue to use Windows XP when the support has ended, our operators on the Online Services Helpdesk may not always be able to offer full technical support if you encounter difficulties with the installation or operation of BPT. Your computer will still work but it might also become more vulnerable to security risks and viruses. Internet Explorer 8 is also no longer supported, so if your Windows XP computer is connected to the Internet and you use Internet Explorer 8 to surf the web, you might be exposed to additional threats. As more software and hardware manufacturers continue to use more recent versions of Windows, you can expect to encounter more applications and devices that do not work with Windows XP.

Flexible drawdown facility

From April 2015 everyone has been able to choose how they access their pension savings in a more flexible way (flexible drawdown facility) and this needs to be reported to HMRC by Scheme Administrators.

BPT does not support flexible drawdown pension payments, therefore is not suitable for use by pension providers. However the Earlier Year Update (EYU) standalone functionality of BPT will be able to support flexible drawdown pensions from April 2016 as this can be used by any employer whose software package does not allow them to create an EYU.

BPT & Windows 10

BPT has been tested on Windows 10 and no compatibility issues have been found when running in Standard mode.

If a customer is not using any Assistive Technologies (such as a screen reader or speech input software) then it is strongly recommended that they use Basic PAYE Tools in Standard mode for the best possible user experience.

Windows 10 introduces a new web browser, Microsoft Edge. This browser is currently incompatible with Basic PAYE Tools when running in Assistive mode.

If a customer needs to use Basic PAYE Tools in Assistive mode they would need to use it in an already supported browser, such as Internet Explorer (still available in Windows 10), Mozilla Firefox or Google Chrome.

Business Tax Account

Over 2 million small and medium enterprises (SMEs) have used Business Tax Account (BTA) (previously known as 'Your Tax Account') which is an online service that's being developed to meet our business customers' needs. It's part of the foundation for the Making Tax Easier for small businesses initiative.

BTA is the main point through which SMEs can access and use other digital services so they're able to manage their tax affairs easily and quickly in a secure online space. There's a personalised homepage which provides an overview of all their tax records, a summary of current liabilities together with direct links to actions they need to take and transactions they need to complete.

We've introduced BTA in stages and over a period of time so we could take into account the feedback that you've given us along the way and provide you with exactly what you need. If you haven't already used BTA then the next time you log onto the Portal you may see a new page that confirms you can now use the service. All SMEs should be able to access BTA by March 2016.

Marriage Allowance

Marriage Allowance (MA) lets individuals transfer 10% of their Personal Allowance (currently £1,060) to their husband, wife or civil partner and can now be claimed by all eligible couples without the need to register first.

HMRC is keen that everyone who is eligible for Marriage Allowance is aware of it and knows that they can claim it now. Please encourage your employees to check their eligibility at www.gov.uk/marriage-allowance-guide or to claim the allowance at www.gov.uk/marriageallowance

Ending of Contracting-out

Contracting-out of the additional State Pension on a defined benefit (DB) basis will end on 5 April 2016. This means that from 6 April 2016 employees will automatically be brought back into the State Pension scheme and will no longer be able to use a contracted-out salary related (COSR) occupational pension scheme to contract out of the State Scheme.

Employees may, depending on their level of earnings, start to accrue entitlement to the new State Pension instead.

Eligibility for the contracted-out National Insurance contributions (NICs) rebate of 3.4% for employers and 1.4% for employees will also cease from this date.

The introduction of the new State Pension will bring with it some changes in what and how you report to HMRC:

- from 6 April 2016: You will not be able to use your Contracted-out Salary Related (COSR) occupational pension scheme to contract employees out of the new State Pension scheme
- there will no longer be a requirement to report the Employers Contracting-out Number (ECON) and Scheme Contracted-out Number (SCON) details on Full Payment Submission (FPS) for tax years commencing 6 April 2016 and onwards
- there will no longer be a requirement to separate the National Insurance (NI) earnings between the Primary Threshold (PT) and Upper Accrual Point (UAP) & UAP to Upper Earnings Limit (UEL)
- there will be a requirement to report NI earnings between the PT to UEL as there was prior to 2009
- there will be one less column to complete on forms P11 and P60. These forms will be updated in due course and will be available on the Basic PAYE Tools or can be ordered from the Employer orderline.

All HMRC systems will be amended to reflect these changes and the UAP data field will be removed from the FPS and Earlier Year Update (EYU).

All payroll software will need to be amended.

National Insurance Categories from 6 April 2016

Contracted-out National Insurance tables/categories D, E, I, K, L, N, O and V will be replaced by Standard National Insurance tables/categories A, B, J, M, P, Q, R, T, Y and Z.

National Insurance Categories from April 2015 for employees under age 21

Contracted-out National Insurance categories I, K and V will operate for the 2015-16 tax year only for individuals who are aged under 21 and are in contracted-out.

National Minimum Wage

New National Minimum Wage offenders named and shamed

On 23 October 2015 the Department for Business, Innovation & Skills named over 100 employers who failed to pay the National Minimum Wage (NMW) to its workers on the GOV.UK website. The naming scheme is intended as a deterrent to employers tempted to not pay the NMW to ensure that hardworking people receive the pay they are entitled to.

New NMW e-learning products published

HM Revenue and Customs has recently published a webinar and video about NMW on the GOV.UK website. They provide guidance on how to calculate NMW, what happens if you fail to pay it and how to get more help and support.

Student Loan Plan 1 threshold increase applying from 6 April 2016

The following information relates to the uprating of the existing student loan threshold (Plan 1 loan) from 6 April 2016.

Amending regulations (SI 2011/784) are in force which state that the annual repayment threshold will rise annually from 6 April 2012 by the Retail Prices Index (RPI).

The current threshold for the tax year ending 5 April 2016 is £17,335 and the Department for Business, Innovation and Skills have confirmed that from 6 April 2016 the threshold for pre 2012 loans will rise by 0.92% to £17,495.

This figure will apply to all current borrowers with pre 2012 loans (Plan 1 loans) for whom employers make Student Loan deductions.