HM Revenue & Customs

Employer Bulletin

Your route to the latest in payroll news

April 2016 Issue 59

Welcome

Hello and welcome to April's Bulletin

The Chancellor delivered his Budget on 16 March and on page 2 of this edition you'll find a link to all the tax-related documents uploaded to GOV.UK following the Budget. On the same page is an article about an announcement about the van benefit charge for zero emission vans. If you have employees who drive such vans – and who also have access to those vehicles for private use – HMRC would like you to send certain information to us as soon as possible. The address it should be sent to is on page 2.

As the 5th April has passed, most of you should have made your final PAYE submissions for the 2015-2016 tax year. If you haven't yet done so, you need to act quickly. There's some helpful information on page 10 to guide you through what needs to be done. It's also getting to the time of year when employers need to think about reporting Expenses and Benefits for the tax year ending 5 April 2016. The deadline for submitting these returns – on forms P9D, P11D and P11D(b) – is 6 July 2016. The article on page 3 will help you through the process.

There's an article on page 6 explaining that – if you provide company cars to your employees – they can update their details online through an online service in their Personal Tax Account (PTA). However, regardless of whether they have company cars, we'd encourage you to tell your employees to register to use their PTA. It only takes a few minutes and individuals can use their PTA to view information about their income tax and tell us online about changes that may affect the tax they pay.

I'll finish this editorial by making the usual pleas: first of all, please 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

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Budget announcements

The Chancellor delivered his Budget on 16 March 2016. Listed below are some of the announcements which will be of particular interest to those operating payroll. For information on all the tax-related measures announced please see: Budget 2016: tax-related documents.

Rates and Thresholds for employers for 2016 to 2017

Details of the PAYE and NICs rates, thresholds and limits are available at Rates and thresholds for employers 2016 to 2017.

For 2016 to 2017 tax codes, you should continue to use the information provided on the form P9X (2016) 'Tax codes to use from 6 April 2016' to enter the correct tax code on the employee's payroll record. Form P9X is available online to download or print. There are no changes to the April 2016 versions of Payroll software and Tax Tables which should be used from 6 April 2016.

Changes to Car fuel charge, van and van fuel benefit.

The current van benefit charge exemption for zero emission vans is being phased out between April 2015 and April 2020. The Chancellor also announced that the van benefit charge rate for zero emission vans will remain at 20% for the 2016-17.

Action Required

HMRC needs to ensure that any employee who satisfies the criteria has the correct amount of van benefit charge in their tax code. So, if you have employees who drive vans with zero emissions and they have access to these vehicles for private use, please send an email containing the information below to mailbox.zeroemissionvans@hmrc.gsi.gov.uk

- Employer name and contact details (Telephone number)
- Employer PAYE reference
- Employee name
- Employee National Insurance number

Providing this information to HMRC will ensure your employees pay the right amount of tax.

Employer-provided pensions advice exemption

This announcement increased the amount of exemption for employer-provided financial advice for pensions from £150 to £500. From 6 April 2017, where an employer provides financial advice to an employee on pensions, the first £500 of such advice will be exempt from income tax and Class 1A employer-only National Insurance Contributions.

Employers will no longer need to report to HMRC the first £500 of independent financial advice on pensions that they provide to their employees

Extending Voluntary Payrolling

Following earlier announcements about the introduction of legislation to support voluntary payrolling of some benefits in kind from April 2016, it was announced in the Budget that from April 2017 employers will also be able to include non-cash vouchers and credit tokens.

Removal of 'fair bargain' from Benefits code

Legislation will be introduced in Finance Bill 2016 to take effect from the start of the 2016-2017 tax year.

This clarifies HMRC's view that 'fair bargain' does not apply to certain taxable benefits in kind where the charge is based on tax rules that specify how the benefit in kind should be calculated. Fair bargain is only applicable to general taxable benefits where the taxable amount is based on the cost to the employer of providing the benefit.

Reporting Expenses and Benefits in Kind for the tax year ending 5 April 2016

Helping you to get it right first time

The deadline for reporting Expenses and Benefits in Kind information to HMRC for the tax year ending 5 April 2016 is 6 July 2016. The following article is designed to help you with the completion and submission of forms P9D, P11D and P11D(b). Errors in the completion of these forms can cause delays in processing and subsequent problems with employees' tax codes, so it is important that HMRC can process these first time without the need to contact you. The following information should help you to get things right first time.

P11D requirements

Full guidance is available here Expenses and benefits for employers but if you submit your P11D information in list format rather than on P11D forms, then you must:

- Present your list in a font size no smaller than 11-point Arial when printed
- Sort your list by employee, not by type of benefit
- Include your employer reference
- Include each employee's name, National Insurance number or date of birth and gender
- Include all the expenses and benefits provided to an employee on the same list – we cannot accept separate lists for each benefit
- Show the code letters assigned to each benefit as on form P11D – these are the letters in the dark blue boxes at the left of each section of the form.

Where every employee entry on the list contains payrolled expenses and benefits, each of its pages should be clearly marked 'PAYROLLED'. Where only certain employees on a list have had expenses and benefits payrolled, you should clearly mark 'PAYROLLED' against each of those employees. This will help prevent the information being included in your employees' tax codes in error.

P11D(b)

Where an employer files a paper form P11D(b) which includes a Class 1A National Insurance (CL1A) charge amount, the declaration on the form must include a signature that is written in ink (called a 'wet signature'). HMRC will also not accept a form that is a photocopy, a scanned image of a completed form, or a form that includes a stamp of a signature.

A paper form P11D(b) that includes a CL1A charge amount and is submitted without a 'wet signature' will be rejected and returned to the employer for correction. If the employer returns the corrected form to HMRC after the due date of 6 July following the end of the tax year, this may result in a late filing penalty.

Amended P11Ds/P11D(b)s

Where an employer submits a further form P11D to amend the expenses and benefits previously reported for an employee, the form should not only show the amended amounts/items, but it must include any amounts/items previously submitted on the original form that were correctly reported. Where an employer submits a further form P11D(b) to amend a Class 1A National Insurance charge, the form must also show the revised CL1A position and not just the amount of the amendment.

Paying Class 1A National Insurance contributions

To allocate your payment for Class 1A NIC for the tax year ended 5 April 2016 correctly use your 13 character Accounts Office reference followed by 1613. For example if your Accounts Office reference is 123PA00123456, you would use 123PA001234561613. Use your own Accounts Office reference followed by 1613, not the example used here. Adding 1613 is important because 16 tells us the payment is for the tax year ended 5 April 2016, and 13 lets us know the payment is for Class 1A NIC.

Please note not all payment methods have the month 13 option. If your regular payment method does not allow this it would be better to use another method to directly allocate a payment to your Class 1A NIC charge. Further information about making payments of Class 1A NIC is available on GOV.UK.

Free online Toolkits to reduce errors

We also produce free online Toolkits that give support and guidance to help avoid some of the common errors we see in completed returns. The Toolkits are principally aimed at tax professionals and accountants but they may also be useful to individual businesses, particularly if they run their own payroll.

Forms P11D and S336 claims

The submission of a S336 claim is the responsibility of the individual employee but when this is attached to the original paper P11D and submitted by an employer on behalf of an employee, the S336 claim and the P11D should be sent to:

HM Revenue & Customs (NIC&EO)
Room BP2101
Tynemouth House
Benton Park View
Longbenton
Newcastle upon Tyne
NE98 1ZZ.

On receipt, HMRC will keep the S336 claim attached to the P11D to ensure the two are processed together at the same time.

Where a S336 claim is submitted separately on a form P87, form P810 or in letter format and is not attached to an original P11D, it should be clearly headed **S336 CLAIM** and have a copy of the P11D attached if possible, (the P11D should be noted as a copy). This will help HMRC to identify these cases as quickly as possible and send them for processing. The S336 claim with the copy of the P11D attached should be sent to:

Pay As You Earn and Self-Assessment
HM Revenue & Customs
BX9 1AS.

Expenses exemption replaces dispensations from 6 April 2016

As explained in February's Bulletin, from April 2016 a change in legislation means dispensations will cease to exist. Employers who wish to pay or reimburse employees expenses after 5 April 2016 will be able to do so without deducting tax or NICs from those payments, where the expense would qualify for a deduction and meet the conditions for payment.

Trivial Benefits in Kind

From 6 April 2016 a new exemption removes liability to income tax for low value Benefits in Kind ('trivial BiKs'). This new exemption is being legislated as part of Finance Bill 2016 (FB16) and is subject to Parliamentary approval. The previous administrative practice where employers could agree with HMRC that certain BiKs could be treated as trivial and did not need to be returned to HMRC at the end of the tax year no longer applies.

Draft guidance on the new exemption has been published on GOV.UK. This guidance will be incorporated in HMRC's Employment Income Manual later in the year after FB16 receives Royal Assent.

General conditions

To qualify as a 'trivial BiK' conditions A-D must be met:

- Condition A – the BiK must not be cash or a cash-voucher;
- Condition B – the BiK must cost £50 or less;
- Condition C – the BiK must not be provided as part of a salary sacrifice or other contractual arrangement; and
- Condition D – the BiK must not be provided in recognition of services performed by the employee as part of their employment, or in anticipation of such services.

There is no limit to the number of trivial BiKs that can be provided to an employee in a tax year where all conditions are met, unless Condition E applies (see below).

Close companies

Condition E applies an annual £300 cap where a trivial BiK (that meets conditions A to D) is provided by an employer that is a close company to an employee who is a:

- director or other office-holder of the close company, or
- member of the family or household of a director or other office-holder of the close company.

Former employees

Subject to the parliamentary process, after FB16 receives Royal Assent changes will be made to the 'Employer-Financed' Retirement Benefits (Excluded Benefits for Tax Purposes) Regulations 2007' ('the EFRBS Regulations'). This will ensure qualifying trivial BiKs provided to former employees also benefit from the exemption and are subject to the close company cap. Once the EFRBS Regulations are amended, their application will be backdated to the start of the tax year.

Disregard from National Insurance contributions (NICs)

Regulations will also be introduced after FB16 receives Royal Assent to disregard from earnings any exempt trivial BiKs that attract a Class 1 NICs liability. The NICs Regulations containing the Class 1 disregard will only apply to qualifying trivial BIKs provided after the NICs Regulations are given effect. This means there will be a short period of misalignment when Class 1 NICs will be due and payable in respect of any trivial BiKs that are, at the time of provision, still treated as earnings for tax purposes.

Scottish Rate of Income Tax

The Scottish Rate of Income tax (SRIT) came in to force on 6 April 2016.

What does this mean:

From 6 April 2016 people who live in Scotland will pay a proportion of their income tax to the Scottish government. This is a change from the current system, where all income tax is paid to the UK government to fund spending across the UK.

How it works?

All the main rates of income tax will be reduced by ten percentage points for Scottish taxpayers and this reduction will be replaced by the Scottish Rate of Income Tax.

The rate was announced on 16 December 2015 as 10% and agreed by the Scottish Parliament in February 2016. This means that Scottish taxpayers will pay income tax at the same rates as the rest of the UK.

HMRC will administer the Scottish Rate of Income Tax as part of the UK income tax system. Scottish Taxpayers will receive a new 'S' tax code.

Who does it apply to?

The definition of a Scottish taxpayer is based on where an individual lives in the course of a tax year. Scottish taxpayer status applies for a whole tax year – it's not possible to be a Scottish taxpayer for part of a tax year.

For most taxpayers, the location where they live will be obvious, but there will be less straightforward cases – for example, where people have more than one home, or have moved into or out of Scotland during the year. HMRC has provided guidance to help in these circumstances.

A person can only be a Scottish taxpayer if they are resident in the UK for tax purposes. Detailed guidance on who the Scottish Rate of Income Tax will apply to is available at Scottish taxpayer technical guidance.

Key Messages for Employers:

- HMRC is responsible for identifying Scottish taxpayers – not employers.
- Scottish taxpayers will be identified using address information that is held by HMRC so please actively encourage your employees to update HMRC with address changes at www.gov.uk/tell-hmrc-change-of-details This will ensure the tax they pay is accurate.
- You must report the 'S' code if sent to you by HMRC – your IT systems should have been adjusted to enable you to report the 'S' code and appropriate tax.
- If you're given a P45 with a Scottish tax code follow the current process. If a new starter doesn't give you a P45, or you're unsure which tax code to apply, use the rest of the UK tax code and rate. HMRC will tell you if you need to change the tax code.
- If your employee thinks they have the wrong tax code, ask them to check the guidance on "Who is a Scottish taxpayer" and then get in touch with us to update their details.
- You don't need to show the Scottish rate separately on the P60 or payslips but you should show a Scottish tax code.

Please note: We have become aware of an issue whereby some customers – expecting to receive the new Scottish 'S' code for employees – did not see this information when downloading into their third party software.

We identified and subsequently fixed the problem that was preventing the 'S' prefix on tax codes being shown on the P9s in third party software or the PAYE Desktop Viewer.

This corrective action resulted in the reissue of all P9s for schemes which contained any Scottish tax codes and which were accessed via the Data Provisioning Service.

The reissue of the P9s was completed on 21 March 2016.

An email alert was issued notifying employers that a new P9 was available. **If you haven't already done so, you should download the P9 information again to make sure that you have the correct codes for your employees.**

PAYE Settlement Agreements

For the 2016-2017 tax year, as the rates of income tax for Scottish taxpayers remain in line with the rest of the UK, employers don't need to show for Scottish taxpayers either the breakdown of the Scottish rate and the UK elements of their tax payments (ie for basic rate taxpayers 10% to UK Government and 10% to Scottish Government) or a breakdown of those taxable at Scottish basic/higher/additional rates.

However, if and when there is a difference in rates, the PAYE Settlement Agreement calculation forms, guidance and calculators will be amended to enable employers to calculate the number of Scottish taxpayers chargeable to income tax at the basic/higher/additional rates.

Company car users can update their details online

Instead of phoning or writing to HMRC, your employees can update their company car details online through the check or update your company car tax online service in their Personal Tax Account. Updating a company car is just one aspect of the Personal Tax Account, which individuals can use to view information about their income tax and tell us online about changes that may affect the tax they pay.

If any of your employees have not yet used their account they can register in a few minutes at https://www.gov.uk/personal-tax-account

There are now four YouTube videos available on GOV.UK that give more information about each function available through the online service:

- Check the information online to see the information HMRC has about your company car and car fuel benefits;
- Add a company car benefit to add company car benefit to your tax code for the first time;
- Remove a company car benefit to remove company car benefit from your tax code if you no longer have access to it; or
- Replace a company car benefit to update your company car benefit or car fuel benefit.

Making these changes online means that your employees don't have to wait for HMRC to update their tax code. It also means that if your employees use the online service, as an employer you should get fewer enquiries. Your employees can see the tax code changes they make online to their company car and these are made in real time, which means they're less likely to approach their HR or payroll departments.

Some employers are now working with HMRC to promote the company car service to their employees. Please contact us at personaltaxaccount.support@hmrc.gsi.gov.uk if you are also interested in a wider promotion of Personal Tax Accounts with your employees.

The check or update your company car tax service isn't available to employees who are part of a car averaging scheme or who have their benefits taxed through their company payroll (known as 'payrolling').

New version of HMRC'S Basic PAYE Tools available from 1 April 2016

The new version of Basic PAYE Tools (BPT) was released to employers on 1 April for the tax year starting on 6 April 2016. The release number is 16.0.16076.450. Employers will receive an automatic prompt via BPT informing them the new download is available.

BPT re-design

The BPT have been redesigned to be year specific to accommodate the changes to the new state pension. As part of the redesign there are at least two new screens that will be unfamiliar to employers. Full details of these can be found in the BPT main user guide on the internet.

Webinars

There will be a webinar for employers using BPT detailing and explaining the End of Year tasks required. Employers are reminded that their final Full Payment Submission must be submitted **on or before** their employees' last payday of the tax year if they are to avoid late-filing penalties. Their final payment must be received before 22 April (or 19 April if paying by post) if employers are to avoid late-payment penalties and interest charged on payments for the 2015-2016 tax year made after that date.

Completing P60s for the 2015-2016 tax year

Employers will not be able to complete P60s for their employees for the 2015-2016 tax year until they have downloaded the new release in April, as the facility is not available for that year until after the end of the tax year.

Flexible drawdown facility

As reported in previous Employer Bulletins, BPT is not supporting the flexible drawdown pension payments. However employers can still use BPT to run their payroll but will need to calculate and document pension payments separately. Help in calculating pension amounts can be found on the pension regulators website.

Zero-rate of employer Class 1 National Insurance contributions (NICs) for apprentices under the age of 25

From 6 April, if you employ an apprentice who is under the age of 25, you may no longer have to pay employer Class 1 NICs on their earnings up to the new Apprentice Upper Secondary Threshold, which will be £43,000 a year for the tax year 2016-2017.

The relief applies to both existing and new apprentices. To qualify, your apprentice must be under 25 years old, and working towards an apprenticeship in the UK which follows a government approved framework or standard.

Full guidance for employers on how to apply the relief is available on GOV.UK.

Updated PAYE Desktop Viewer

A new version of the PAYE Desktop Viewer – version 2.42 – is now available.

The new version allows employers and agents to view tax codes for the Scottish Rate of Income Tax – see page 5 – and the new notices advising which student loan plan their employee has – see page 8.

Ending of Contracting-out

Contracting-out of the additional State Pension on a defined benefit (DB) basis ended on 5 April 2016. This means that from 6 April 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 also stopped from this date.

The effect on employers

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.

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.

Student Loans

You can minimise the impact on your time when dealing with employees who have student loans by:

- Regularly checking your inbox for online notices
- Implementing SL1 and SL2 notices at the first available payday
- Checking carefully that you are making deductions against the correct plan type (you'll find the plan type information on form SL1, the starter checklist or by asking your employee)
- Asking your employee to contact Student Loan Company if they don't know their plan type.

Full details on introduction of plan type can be found in February's Employer Bulletin

New from April 2016 – Employer Prompts for Student Loan Deductions

What is an employer prompt?

From 6 April 2016 HMRC will send a generic notification if you don't report any student loan deductions for a specific employee when a deduction is expected in your payroll submission. The generic notification is a prompt for you to check and make the correct deductions for future pay periods.

The notifications will be titled: No Student Loan Deduction Prompt 1
No Student Loan Deduction Prompt 2.

Where will I find a student loan prompt if I've been sent one?

The prompt will be delivered to your inbox along with your GNS messages. You should check your inbox regularly to ensure you can act on any prompts.

What should I do if I receive a student loan prompt?

If you receive a prompt instructing you to start student loan deductions, you will need to ask your employee which plan type they are repaying, or refer to the SL1 Start Notice if you have it. You should record this in your payroll software to ensure deductions start at the next available payday using the correct plan type.

What happens if I don't act on a student loan prompt?

If your next payroll submission doesn't show a student loan deduction we will send you a second prompt. If you don't act on the second prompt, we may contact you by telephone to ensure you start to make deductions. This may be time consuming for you, and could impact on your employee's student loan repayments.

If you need help, more information about student loan deductions see – Student loans: information for employers and employees (CSL2).

Employment Allowance – Single Director Companies

From 6th April 2016, if you are a limited company where the director is the only employee who is paid earnings above the secondary threshold, you will no longer be eligible to claim the Employment Allowance.

You must ensure you pay the full amount of employer class 1 National Insurance from 6th April 2016, without deducting the Employment Allowance. You may need to adjust your payroll software to do this. If you stop your Employment Allowance claim, please ensure you also send in an Employer Payment Summary (EPS) confirming this as part of your regular payroll submissions. These changes do not affect any claims you have made for the Employment Allowance in previous years.

Changes in the year

If over the course of the tax year from April 6th 2016, your circumstances change and your company either employs a further employee earning above the secondary threshold, or increases the earnings of existing employees to above the secondary threshold, then you may claim the Employment Allowance for the whole tax year. The existing or additional employee must be paid above the secondary threshold so that the company has an employer Class 1 National Insurance liability for more than one earner. If your company employs a further director, provided their pay exceeds the annual secondary threshold (£8,112 or pro rata in 2016-2017) then the Employment Allowance can be claimed for the whole tax year.

Further information

Further information about Employment Allowance can be found at www.gov.uk/employment-allowance

National Living Wage

From April 2016, all workers aged 25 and over are legally entitled to at least £7.20 per hour.

Take these four steps to be ready for the change:

1. Check you know who is eligible in your organisation. Find out on GOV. UK's employment status page.
2. Take the appropriate payroll action. Find useful guidance in HMRC's tutorials.
3. Let your staff know about their new pay rate.
4. Check your staff under 25 are earning at least the right rate of National Minimum Wage.

You can find out everything you need to know about the new National Living Wage, including the new rates of pay, on the employers' National Minimum Wage page. If you still have any queries that are not addressed visit our Acas page for further information and assistance.

Helping HMRC to pay the right amount of tax credits

HMRC uses the information you provide on your PAYE submissions to calculate and pay any tax credits your employees are entitled to. It's important, therefore, that the information you provide is both timely and accurate.

Some of the errors employers make which can lead to employees getting incorrect tax credits payments include:

- Not reporting accurately the hours the employee normally works
- Not reporting the correct annual occupational pension rate
- Not identifying Trivial Commutation Payments (there is a box you should tick when an employee has taken their Occupational Pension as a lump sum).

HMRC also sees common errors on submissions which affect the tax your employees pay. The Tax Agent Toolkits provide guidance on avoiding these errors, The toolkits are aimed mainly at tax agents and accountants, but they may also be useful for employers.

Statutory Sick Pay and the Percentage Threshold Scheme

The Percentage Threshold Scheme, which allowed employers in certain circumstances to reclaim any Statutory Sick Pay (SSP) they'd paid to their employees, came to an end on 5 April 2014.

Employers had until **5 April 2016** to recover any SSP paid in respect of periods up to 5 April 2014. As this date has now passed employers should no longer make any claims for recovery of SSP.

End of year reporting

Completing the End Of Year Checklist is no longer mandatory

From 6 March 2016 HMRC will accept a final Full Payment Submission (FPS) or Employer Payment Summary (EPS) for the tax year ending 5 April 2016 with or without a completed checklist.

The final checklist on the FPS or EPS is no longer mandatory.

Some payroll software products may still require completion of the final checklist, however if employers are in doubt, they should check the position with their software provider.

In cases where employers do have to complete the checklist to enable their software to actually make their final submission, they should ensure that they complete it accurately.

The EOY Checklist has now been removed from our Basic PAYE Tools.

Tips on preparing to make your final submissions for the tax year ending 5 April 2016

Send your final payroll report

You should send your final FPS on or before your employees' last payday of the tax year.

Put 'Yes' in the 'Final submission for year' field in your payroll software.

When to send an Employer Payment Summary

You should send your final report in an EPS instead of an FPS if any of the following apply

- Your payroll software doesn't allow you to send your final report in an FPS
- You forgot to put 'Yes' in the 'Final submission for year' in your last FPS
- You didn't pay anyone in the final pay period of the tax year
- If you need to make a correction this should be done on an FPS using late reporting reason H for each payment being corrected.

When to send an Earlier Year Update (EYU)

If you find you need to make a correction to an employee's record and this doesn't come to light until after 19 April then you should use an EYU. The EYU should show the difference between the last reported final figure and the correct final figure(s) for the tax year. Don't send the year to date figures.

Webinars

HMRC is hosting a series of webinars dedicated to completion of annual tasks and how to submit your final Full Payment Submission or Employer Payment Summary. If you would like to sign up to attend our *Payroll: annual reporting and tasks* webinar, please go to Webinars, e-learning, emails and videos on employing people. You can find details of all our employer-related webinars here.

Reporting benefits provided

The removal of the checklist does not affect an employer's obligation to report on time:

- all expenses and benefits provided on forms P11D and P9D
- the amount of Class 1A National Insurance due on all the expenses and benefits provided on form P11D(b).

Where no benefits have been paid during the tax year ending 5 April 2016 and a form P11D(B) or P11D(B) reminder is received, employers can either:

- submit a 'nil' return
- complete the '2015-16 Employer – No return of Class 1A' form

to advise us that they have no P11D to submit and no Class 1A return to make. The online 'no return to make' form will be available from 6 April 2016.

The deadline for submitting returns of Expenses and Benefits forms [P11D, P9D and P11D(b)] is 6 July 2016.

Contractor Monthly Returns & Subcontractor Verifications

What is changing? Currently, within the Construction Industry Scheme (CIS), over 85% of contractors and their authorised agents send us their CIS returns online. It is quick and easy to do. After April 2016, everyone will have to use the online service and HMRC will no longer accept any paper CIS returns from that date.

This change is one of a series of improvements we are making to CIS to increase efficiency and accuracy and to reduce administration. Other changes will introduce the facility to amend returns online and an online message/alert service which will include notifications for when:

- 'return inactivity' periods are beginning or coming to an end,
- returns are expected from you but not we've not yet received them, and
- there are apparent errors on your return.

We will also be making improvements to the online verification service, as contractors will have to use our online system to verify their subcontractors from April 2017.

Contractors and agents who currently send their returns online do not need to do anything at this time. We will be updating the CIS web pages shortly to provide more information on the new amendment and messaging service.

Contractors and agents who currently send paper returns will need to register for online services in advance to be ready for the April 2016 changes. You will then have two online filing options and may use:

- the HMRC online filing application (if you have about 50 or fewer subcontractors), or
- a commercial software package.

If you are unable to use the online service, please write to us at: National Insurance Contributions and Employers Office, HMRC, BX9 1BX explaining the circumstances and we will then contact you with more information.

Agent Toolkits - tools to help avoid common errors in returns

To help when completing PAYE end of year returns HMRC has reviewed, refreshed and republished the Expenses and Benefits from Employment Toolkit. This provides guidance on how to avoid making the errors that HMRC sees most commonly on filed returns.

We have also updated the National Insurance Contributions and Statutory Payments Toolkit.

The toolkits are principally aimed at tax agents and advisers, but they may also be of interest to employers – especially those mentioned above.

In addition, if you have responsibility for completing VAT returns, you may find the following VAT toolkits useful:

- VAT Input Tax
- VAT Output Tax
- AT Partial Exemption.

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

Employees travelling to interviews, promotion boards and grievance panels

We understand that some employers are paying or reimbursing employees' costs for travelling to interviews, promotion boards, grievance panels – and other such events – but not charging these payments to tax and National Insurance Contributions (NICs). This may be because employers are either uncertain of the rules that apply to travel costs in these situations or that they may have incorrectly felt that the travel would qualify for a tax deduction as 'business' travel.

Some employers may also have been applying the terms of their dispensation to these costs and not charging them to tax or NIC.

The rules under which tax relief can be allowed for travel specify that the expenses must be for travel carried out while undertaking the duties of the employment, e.g. a travelling appointment, or for travel to a place they must attend for work purposes (a temporary workplace). Tax relief is only due where your employees can show that they were attending that workplace to actually perform the duties of the employment.

When your employees are travelling to attend an interview, promotion board, grievance panel or other such event, they will not be able to show that the expense is being incurred for travel to a workplace to perform the duties of the employment. In other words, it will not be a requirement of the job that your employees attend such events. The travel cannot, therefore, be classed as 'official' or 'business' travel and will not qualify for tax relief. Whether paid prior to 6 April 2016 when dispensations apply, or after, when dispensations cease to exist, you cannot pay or reimburse such expenses without deducting tax and NICs from those payments.

Please note that expenses will include travel, accommodation and related subsistence costs.

Full guidance on travel expenses can be found in the Employment Income Manual.

Week 53, 54 & 56 Payments and the consequences for your employees

There are occasions where an employee can underpay tax even though employers have operated PAYE correctly and the employee's tax code is correct.

Underpayments can happen when there are more than 52 pay days in a tax year when the employee is weekly paid; more than 26 pay days in a tax year for fortnightly paid; and more than 13 pay days in a tax year when an employee is paid every 4 weeks.

This extra pay day is called Week 53 for weekly paid employees; Week 54 for fortnightly paid employees; or Week 56 for 4-weekly paid employees.

Background

All individuals are entitled to an annual tax-free allowance (Personal Allowance) and PAYE operates in a way which normally allocates this personal allowance in 52 weekly or 12 monthly proportions. In situations where an employer operates a 4-weekly payroll there will generally be 13 pay days in a year (52 weeks divided by 4) and the employees are allocated 4 weeks' worth of allowances against each pay. There are occasions when, depending on when the pay days fall, 14 payments are due rather than 13.

On these rare occasions HMRC allows employers to give the employee an extra proportion of personal allowance so that the employees take home pay is not adversely affected. This means that over the tax year, the employee receives more than the statutory personal allowance for the year. Once the tax year ends, HMRC must take steps to recover the extra personal allowance given to the employee.

The resulting underpayment of tax is then collected through an adjustment in the following year's tax code allowing the underpayment to be collected in smaller, more manageable instalments across the tax year.

When this happens employees often complain to HMRC and the employer is accused of failing to operate PAYE correctly even though they have deducted tax in accordance with the PAYE regulations.

The way forward

HMRC is working to come up with a solution to this long standing problem and we will keep you informed of progress via the Employer Bulletin.

In the meantime, if you expect that you will be making an extra payment in the tax year it would be helpful if you could explain the situation to your employees.

For further information see Payroll: annual reporting and tasks

Extra support for businesses affected by the agency and employment intermediaries' rules

HMRC has set up a team – the Employment Intermediaries Coordination Unit (EICU) – to help agencies and similar labour supply businesses comply with the PAYE, NIC and tax liability rules.

Background

PAYE and National Insurance Contributions (NICs)

In April 2014 the Government introduced tightened PAYE and NICs rules for agencies and similar businesses supplying workers to work for their clients. The agency or a similar third party business supplying workers to clients is treated as an employer and must deduct PAYE and NIC unless it can show there is no right to supervision, direction or control – known as 'SDC' – over the worker. See the guidance here.

Special reporting requirements

Then, in April 2015, HMRC launched an employment intermediary reporting requirement for people supplying workers to clients but who are outside the 2014 'agency' rules. They have to send a return to HMRC with details of the workers supplied and of who they are paying for those workers.Broadly, if you supply two or more workers to a client and they are not taxed under PAYE then your business needs to send a return. For guidance for businesses with these rules see What this means for an intermediary.

Compliance – and the introduction of automated penalties

Since the reporting requirement was introduced in April 2015, HMRC has operated a so-called 'soft landing' approach, giving business time to adjust to the new rules. From 5 August 2016 – when the first quarterly information report for the 2016-2017 tax year must be filed – HMRC will start to charge automated penalties for late returns. Penalties are £250 for a late return, rising to £500 then £1,000 for subsequent late returns. People who do not file a return may be charged a penalty of up to £3,000.

EICU Support

HMRC knows that most businesses are keen to get things right and does not want to impose penalties. Our EIC Unit is therefore designed to provide extra support. It will talk you through the special reporting requirements where staff are outside PAYE and NIC. Telephone the Unit on 03000 555995.

The Pensions Regulator's latest Automatic Enrolment numbers

The Pensions Regulator's (TPR's) latest Automatic Enrolment (AE) report contains the most recent figures on how employers are meeting their legal duties. It also gives an insight into the changing nature of the AE landscape, as smaller employers start to automatically enrol their staff into workplace pensions.

Where TPR had to issue fines, it was generally as a result of employers underestimating the time it might take them to prepare, and leaving it too late.

The report also shows that 90% of the first small employers required to put their staff into a workplace pension have now complied with the law. This paves the way for other small and micro employers and shows that a workplace pension can be set up by all, including the very smallest employers, using the tools on TPR's website.

TPR's interactive Duties Checker tool has been designed especially for small and micro employers to help them work out what they need to do and when, to fulfil their legal duties.

By answering some simple questions, employers can find out if they need to put any staff into a pension scheme and, if so, the steps they will need to take to get everything sorted. Take a look at it the Duties Checker.

Employer-Supported Childcare - changes from April 2018

The government is introducing Tax-Free Childcare (TFC) to support working families. Tax and NICs reliefs for Employer-Supported Childcare schemes offering childcare vouchers and directly contracted childcare will cease for new entrants from April 2018.

Tax-Free Childcare

Tax-Free Childcare will be available to around 2 million families across the UK to help with the cost of childcare. Working parents will have access to up to £2,000 of childcare support per year, per child, via a new, simple, online system. The new scheme will be run by HMRC, in partnership with National Savings & Investments.

Tax-Free Childcare will be introduced from early 2017. It will offer help with childcare costs to significantly more families, supporting parents in their decision to return to the workplace or increase their working hours.

There is no statutory employer role within this new scheme. However, you can still help your employees if you wish to do so, for example by directing your employees to online advice about the scheme or by making contributions into their childcare accounts. More guidance about the role employers can play in the scheme will be set out well ahead of launch.

Employer-Supported Childcare

At Budget 2016, the government confirmed that the tax and NICs relief for existing Employer-Supported Childcare schemes offering childcare vouchers and directly contracted childcare will be withdrawn for new entrants from 6 April 2018. Workplace nurseries will not be affected by the changes.

Employees who are current members of your Employer-Supported Childcare scheme can continue to use the scheme while they remain in your employment and you continue to offer it. Alternatively, some of your staff may wish to move to Tax-Free Childcare – but families cannot receive support through both schemes at the same time.

There will be help and advice so parents can understand the benefits of each scheme – including an online calculator, which will be available well before Tax-Free Childcare is launched.

For more information see Help with childcare costs.

Printable Version of the Starter Checklist now available

The Starter Checklist is used to gather information employers need when taking on a new employee. The information will help you complete your first Full Payment Submission for the employee.

There are two versions available. There is an online version which can be filled in on screen but, for those who prefer it, HMRC also provides a printable version which is designed to be filled in manually.

For more information on taking on new employees visit webinars-emails-and-videos-on-employing-people

PAYE payments

Here's three resolutions for the new tax year

Check your payment reference, payment amount and payment date

The new tax year is a good time to check you're using the correct payment reference, paying the right amount, and paying HMRC at the right time. Getting these right can save you time and money.

Time – because if you provide the correct payment reference your payment should reach your HMRC account faster so there is less chance of unnecessary contact.

Money – because if you pay in full and on time you won't have to pay any interest charges or late payment penalties.

1. 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.
   - **Never leave gaps in your reference**, even if the demand you receive shows reference gaps.
   - **Monthly payers**

   An 'on time' payment due on or before 22nd should clear into the HMRC account between the 6th and the 22nd of the month following the end of the tax month to which it relates.

   If the payment is earlier, or very late (clearing after the 5th of the month following the 22nd), you would need to add an extra 4 numbers to the end of your Accounts Office reference to tell us the tax year and tax month the payment is for. Remember to change or remove the extra 4 numbers when no longer applicable.

   For example when making a very early payment for the month ended 5 May 2016 (2016-17 month 1) your payment reference should be your 13-character Accounts Office reference followed by 1701. '17' tells us it's for tax year ending 5 April 2017 and the '01' tells us it's for month 1, due 22 May 2016. Enter all 17 characters without any spaces.

   - **Quarterly payers**

   (Employers who are allowed to pay HMRC quarterly, although some pay more often.) An 'on time' payment clears into the HMRC account in the 2nd or 3rd tax month of the quarter, or between the 6th and the 22nd of the month following the end of the tax quarter to which it relates.

   If the payment is earlier, or very late (clearing after the 5th of the month following the 22nd), you would need to add an extra 4 numbers to the end of your Accounts Office reference to tell us the tax year and quarter the payment is for. Remember to change or remove the extra 4 numbers when no longer applicable.

   For example adding 1612 would tell us the payment was for the final quarter of tax year ending 5 April 2016. 1703 indicates a payment for 2016-2017 quarter 1, 1706 for quarter 2, 1709 for quarter 3 and 1712 for quarter 4.

2. Pay in full

   Make sure you pay over to HMRC the amount shown as owing as reported on your Full Payment Submission (FPS) in the previous tax month, minus the reductions on any Employer Payment Summary (EPS) you sent before the 19th in the current tax month.

3. Pay on time

   Make your payment early enough so it clears into the HMRC account on or before the due date, the 22nd of the month (or reaches HMRC by the 19th if paying by post).

   Remember Bacs Direct Credit don't operate on non-bank working days. If you pay by Bacs make sure your payment arrives on the last working day before the 22nd when the 22nd falls on a weekend or Bank holiday.

   For more information about paying PAYE, see Pay employers' PAYE.

The May electronic payment deadline falls on a weekend

In May 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 to 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.

Please check your address is correct and includes your Postcode

Whenever you receive post from HMRC please check we have used your correct address. If we haven't please update your details by using your HMRC online account.

This action is especially important if you receive an Employer Payment Booklet but it applies for any output you may receive from HMRC because an accurate Postcode not only helps with postal delivery but also minimises costs.

For further information please see: Tell HMRC about a change to your business.