HM Revenue & Customs

Employer Bulletin

Your route to the latest in payroll news

December 2016 Issue 63

Welcome

Hello and welcome to the December edition of the Employer Bulletin

The Chancellor delivered his Autumn Statement to Parliament on 23 November and you will find a summary of the changes which may affect you, as an employer, on pages 2 and 3. Draft legislation and consultation documents have also been published to support these changes so please, if you're interested, take time out to have a look and let us have your comments.

On pages 4 and 5 there is an update about some of the changes being introduced to the expenses and benefits in kind (BiKs) processes and a reminder that there is no longer an income tax liability for low value BiKs.

We also have an article about the Apprenticeship Levy, which gives you links to a lot of further advice and guidance. So if you're not sure how the introduction of the levy affects you, or you want to know how to calculate and pay the levy and access your funds, have a look at the article on page 6.

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 you to meet your 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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Autumn Statement

The Chancellor announced a number of changes which might affect employers when he delivered his Autumn Statement on 23 November.

Most of these changes, summarised below, follow on from recent consultation exercises held in these areas and HMRC would like to thank all those who took part.

Draft legislation for many of the changes summarised below has been included in the draft provisions for Finance Bill 2017. We would once again welcome comments on this draft legislation, by 1 February. Contact points for comments can be found below.

Reform of the tax and National Insurance treatment of termination payments

The government will legislate in Finance Bill 2017 to tighten and clarify the tax treatment of termination payments. There will also be legislation in the National Insurance contributions (NICs) Bill 2017 to align the tax and NICs treatment of termination payments. The changes will take effect from 6 April 2018. Draft legislation on the tax treatment is shown in provision 9 of the draft provisions for Finance Bill 2017 and comments should be sent to employmentincome.policy@hmrc.gsi.gov.uk. Draft legislation to align the tax and National Insurance contributions treatment has been published and comments should be sent to consultation.nic@hmrc.gsi.gov.uk

Further information can be found in the tax information and impact note.

Time limit for 'making good' on benefits in kind

The government will legislate in Finance Bill 2017 to ensure that an employee who wants to 'make good' on a non-payrolled benefit in kind will have to make the payment to their employer by 6 July following the end of the tax year. The change will affect making good on a tax liability arising in the tax year beginning 6 April 2017 and subsequent years. Draft legislation is shown in provision 3 of the draft provisions for Finance Bill 2017 and comments should be sent to employmentincome.policy@hmrc.gsi.gov.uk

Further information can be found in the tax information and impact note.

Valuation of benefits-in-kind

The government will consider how benefits-in-kind are valued for tax purposes, publishing a consultation on employer-provided living accommodation and a call for evidence on all other benefits-in-kind at Budget 2017.

Extending tax relief for payments and benefits in respect of employee liabilities and indemnity insurance

The government will introduce legislation in Finance Bill 2017 to ensure that employees (or former employees) called to give evidence, for example at an inquiry, will be able to receive legal support funded by their employer tax-free. Currently only those requiring legal support because of allegations against them can use the tax relief. The changes will take effect from 6 April 2017. Draft legislation is shown in provisions 7 and 8 of the draft provisions for Finance Bill 2017 and comments should be sent to employmentincome.policy@hmrc.gsi.gov.uk

Further details can be found in the tax information and impact note.

Financial Advice Market Review: employer-arranged pensions advice

As announced at Budget 2016 in response to recommendations of the Financial Advice Market Review (FAMR), legislation will be introduced in Finance Bill 2017 for a new income tax and NICs exemption to cover the first £500 worth of pension advice provided to an employee in a tax year. It will allow advice on both pensions and general financial and tax issues relating to pensions, and will take effect from 6 April 2017. The previous, more limited exemption, will be revoked.

Draft legislation was published in provision 6 of the draft provisions for Finance Bill 2017 and comments should be sent to employmentincome.policy@hmrc.gsi.gov.uk

Further information can be found in the tax information and impact note.

Assets made available without transfer of ownership

The government will introduce provisions in Finance Bill 2017 to clarify existing legislation so that employees will only be taxed on business assets for the period that the asset is made available for their private use. This will take effect from 6 April 2017.

Draft legislation is shown in provision 5 of the draft provisions for Finance Bill 2017 and comments should be sent to employmentincome.policy@hmrc.gsi.gov.uk

Further details can be found in the tax information and impact note.

Salary Sacrifice

The Chancellor also announced in his Autumn Statement that he intends to legislate to remove the income tax and employer's Class 1A National Insurance contributions (NICs) advantages from salary sacrifice arrangements. In this context, salary sacrifice includes Benefits in Kind (BiKs) with a cash allowance option and flexible benefit packages with a cash option.

However, he will not limit the income tax and Class 1A NICs advantages for salary sacrifice for:

- payments by employers into registered pension schemes and employer provided pensions advice,
- childcare vouchers, workplace nurseries, and directly contracted employer provided childcare,
- bicycles and cyclist safety equipment (including Cycle to Work), and
- Ultra-Low Emission Cars (ULEVs) with emissions of no more than 75g CO_2/km, that are in the scope of the car benefit charge.

For all other BiKs provided through salary sacrifice arrangements, including currently tax exempt BiKs (such as mobile phones), the value of the BiK for income tax and Class 1A NICs will be the higher of the current taxable value or the cash foregone. There will not be a Class 1 NICs liability, unless one already exists on the benefit (such as in the case of vouchers).

Employers and employees are still free to use salary sacrifice, but with the tax and Class 1A NICs advantages removed.

The new rules will come into effect on 6 April 2017 but there will be transitional arrangements:

- All arrangements entered into before 6 April 2017 will remain under the pre-2017 valuation rules until the earlier of:
  - Change, renewal (including auto-renewal) or modification of the arrangement, or
  - April 2018 (April 2021 for cars with emissions of more than 75g CO_2/km, accommodation and school fees).
- The P46 (Car) will not be amended for tax year beginning 6 April 2017 so employers should continue to use the existing form. HMRC will make adjustments to employees' tax codes for the tax year beginning 6 April 2017 for car benefits based on the current rules. After the end of the 2017 to 2018 tax year, HMRC will use information provided on a new style form P11D to identify any cases where the new rules give rise to a different tax result. A new P46(Car) form will be introduced from 6 April 2018 for car changes from April 2018, which will give employers and software providers time to amend payroll software as necessary.

For further details please see the Tax Impact Information Note. We are running a technical consultation on the draft legislation and welcome your comments on this.

Do you provide services to a public sector client through your own Limited company?

The intermediaries' legislation requires individuals working through an intermediary (usually a person's own company) to pay broadly the same tax and National Insurance contributions (NICs) as employees, where they would have been an employee if they had provided their services directly. The intermediaries' legislation is often known as IR35.

In the Autumn Statement last month the Chancellor confirmed that the reforms to off-payroll working in the public sector will be going ahead, and will be implemented from April 2017. Many of you have been involved in the consultation which closed on 18 August, and we have now published our response document alongside draft legislation and guidance.

The changes do not introduce a new liability, but are designed to increase compliance with the existing rules. From April 2017 individuals working through their intermediary in the public sector will no longer be responsible for deciding whether the intermediaries' legislation applies and then paying the relevant tax and NICs. This responsibility will instead move to the public sector employer, agency, or third party that pays the worker's intermediary. The employer, agency or third party will decide if the rules apply to a contract and if so, make sure the relevant income tax and NICs are deducted and reported through PAYE in real time.

Preparations should be made now to make sure payroll systems can handle this change and be able to report the relevant PAYE information from the beginning of the 2017 to 2018 tax year.

HMRC will provide help for public sector employers and agencies and will introduce clear, objective tests for employers to use to decide at the point of hire whether or not they need to even consider the new rules and then to quickly and decisively identify those engagements that are clearly caught by the rules. For cases that are less clear cut, HMRC will develop a simple and straightforward digital tool to provide employers engaging an incorporated worker with a real-time HMRC view on whether or not the intermediaries' rules need to be applied.

We will continue to communicate with all stakeholders. If you would like to receive regular updates, please contact off-payroll.consultation@hmrc.gsi.gov.uk

Trivial benefits in kind

From 6 April 2016 a new exemption removed liability to income tax for low value benefits in kind (BiKs) also known as 'trivial BiKs'. Before this date, there was an administrative practice where employers could agree with HMRC that certain BiKs could be treated as trivial and did not need to be reported to HMRC at the end of the tax year. This administrative practice was replaced by the new exemption and no longer applies.

Guidance on the new exemption can be found in the the Employment Income Manual.

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

Changes have been made to the 'Employer-Financed Retirement Benefits' (Excluded Benefits for Tax Purposes) Regulations 2007 ('the EFRBS Regulations'). This ensures qualifying trivial BiKs provided to former employees, or to members of their family or household, also benefit from the exemption and are subject to the close company cap. The changes to the EFRBS Regulations came into force from 1 December 2016 and have effect from 6 April 2016.

Further guidance can be found in the Employment Income Manual.

Disregard from National Insurance contributions (NICs)

Regulations have also been brought into effect to disregard from earnings any exempt trivial BiKs that attract a Class 1 NICs liability, such as certain non-cash vouchers. The disregard will only apply to qualifying trivial BIKs provided on or after the 28 November 2016 and will not be retrospective.

Extension of voluntary payrolling

Following a consultation over the summer, regulations have been published to extend voluntary payrolling for the 2017 to 2018 tax year to include non-cash vouchers and credit tokens. From 6 April 2017, employers can payroll all benefits except employer provided living accommodation and interest free, and low interest, (beneficial) loans.

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

GOV.UK guidance will be updated before these changes come into effect.

Payrolling

Employers who intend to payroll from April 2017 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.

Tax relief for employees

Your employees may be able to claim tax relief if they have to use their own money, and you haven't reimbursed them, for travel or things that they must buy for their job.

For example:

- repairing or replacing small tools
- cleaning, repairing or replacing specialist clothing, such as a uniform or safety boots
- business mileage, (where an employee uses their own vehicle), or fuel costs, (if using a company car)
- travel and overnight expenses
- professional fees and subscriptions paid to some approved professional organisations.

It's free and easy for your employees to make a claim through HMRC. They just need to fill in a **form P87 'Tax relief for expenses of employment'**.

If they have a Personal Tax Account, they can access and send this form to us online. If they don't, they can print a copy of the form, fill it in and send it to us by post.

They can fill in form P87 online or print a copy at www.gov.uk/government/publications/income-tax-tax-relief-for-expenses-of-employment-p87

Collecting information about car and car fuel benefit via PAYE reporting

From April 2016, employers have been able to register to payroll car and car fuel benefits, meaning that the tax on the benefit is paid by the employee through their PAYE code in year and accounted for in real time by the employer.

Those employers who payroll car and fuel benefits are not required to report information about these benefits on forms P46 (Car) and P11D. We have indicated that we are developing alternative reporting mechanisms which we are planning to introduce from April 2018. From that date these employers will be required to report information about car and fuel benefits in their Full Payment Submission (FPS).

The introduction of the new requirements in April 2018 should allow employers the time they need to update their payroll systems and understand the new process to report the car data. In order to ensure a smooth transition to the new reporting requirements, employers can report the car data through their FPS from April 2017 if their payroll software facilitates this.

The reporting of car data for the tax year beginning 6 April 2017 is an entirely voluntary option and not a new requirement at this time. Voluntary reporting of the data will allow us to identify and resolve any issues with employers before the introduction of a mandatory reporting requirement.

Further information about reporting information on car and fuel benefits will be included in future Employer Bulletins and we will provide links to new guidance to support employers and their representatives who choose to report the information from 6 April 2017.

Apprenticeship levy - Paying the levy and how to spend your funds

Apprenticeships boost the skills of the workforce and benefit employers and individuals. They give young people the chance to build a better future by taking their first step on the employment ladder and those already in work the opportunity to progress further. From 6 April 2017, the way the government funds apprenticeships in England is changing, with the introduction of the apprenticeship levy.

Only employers with annual pay bills greater than £3 million, and some connected companies and charities with pay bills less than this amount, will be required to pay the apprenticeship levy. For the purposes of the levy, an 'employer' is defined as someone who is a secondary contributor, with liability to pay Class 1 secondary National Insurance contributions (NICs) on the earnings of their employees.

The apprenticeship levy applies to all employers operating in the UK, not just employers in England and not just employers already employing apprentices. However, because skills development is a devolved policy, authorities in each of the UK nations manage their own apprenticeship programmes and so Scotland, Northern Ireland and Wales will have different approaches on how funding is spent on apprenticeship training.

The apprenticeship levy is charged at a rate of 0.5% of your annual pay bill. All employers (subject to the rules on connection) will have an annual levy allowance of £15,000 to offset against their levy liability. **This means that only employers with a pay bill of over £3 million will have to pay and report the levy. However, where the connection rules apply, a pay bill less than £3 million may attract a levy liability, depending on how the levy allowance is shared** (connected companies and connected charities only have a single £15,000 levy allowance for the group).

If your pay bill is clearly less than £3 million and you have the full £15,000 levy allowance (i.e. the levy allowance isn't shared with another connected employer), no action is needed but you can still take on apprentices and receive generous support for the cost of their training and assessment from the government. But where it is close to £3 million you should monitor your pay bill throughout the tax year in case it increases and there becomes a liability to report and pay the levy.

Where companies/charities are connected, for example one with a pay bill of £2.5 million and the other with a pay bill of £3 million, as they are connected and have the £15,000 levy allowance to share between them, they will have a levy liability to pay and report.

HMRC will administer how you pay the levy, while the Department for Education, in partnership with the Skills Funding Agency, will administer how you access your funding. Levy-paying employers in England can register their account on the digital apprenticeship service from January to access their funds and manage and pay for their apprenticeships in one place. HMRC will calculate how much each employer will have to use through the English system using data that it already holds about the home address of their employees (for guidance on keeping this up to date please see page 7 of the Employer Bulletin). Non-levy employers will continue to pay providers directly for apprenticeships, but can still use the digital apprenticeship service to find and plan their apprenticeship training. Scotland, Northern Ireland and Wales will have their own mechanisms for spending levy funds.

For further information on:

- When you need to pay it
- How much you need to pay
- How to allocate your allowance
- Calculate what you owe
- Report how much you owe
- How to pay.

Please see the guidance on paying the apprenticeship levy.

The Skills Funding Agency have published information on how to estimate your apprenticeship funding and also the digital apprenticeship service.

What to do when an employee changes address

It is, and always has been, an individual's responsibility to notify HMRC of a change of address. If an employee informs you of a change of address, please encourage them to tell HMRC by updating their online Personal Tax Account. If they have not yet used their account they can register in a few minutes at www.gov.uk/personal-tax-account

In some cases the employee may not be able to do this and you as the employer can pass the information onto HMRC by completing the employee address boxes on your next Full Payment Submission (FPS).

HMRC will automatically update the employee record once 3 FPS submissions have been received with the updated address and they are all displayed in the same format. If it is not displayed in exactly the same format the address will not be updated.

Some addresses have been incorrectly completed resulting in errors on the employees' records. Incorrectly completed addresses could lead to mail we send to your employees not being delivered and may affect the payment of some benefits by the Department for Work and Pensions. It could even result in them paying the wrong amount of Income Tax.

If you do update an employee address using your FPS submission you must ensure you complete the address boxes correctly by

- not entering a foreign country on a UK address
- not making the employee address 'Care Of' the employer's address – enter the employee address
- not just entering a building name where there are multiple flats/apartments – enter the flat/apartment number as well
- not providing incomplete addresses details – enter the employees' full address.

Once a change of address is accepted we also update the Personal Tax Account for that employee.

A change of address will not be considered where any of the following has been indicated on the FPS for that employee

- Payment After Leaving
- One Off Payment
- Payment to Non-Individual.

A change of address provided on an Earlier Year Update will not be updated on our records.

Personal Savings Allowance changes from 6 April 2017

Further to the article published in Employer Bulletin, August 2016, there will be changes to HMRC systems from the tax year beginning 6 April 2017 which will alter the way that PSA calculations will be applied.

These changes will have no impact on your payroll processes.

PSA will continue to be applied, with basic rate taxpayers still eligible for up to £1,000 of savings income tax free, and £500 for higher rate taxpayers.

Individuals may see changes to the wording on P2s as PSA will no longer be identified as an 'allowance' but as a zero-rate tax band. The tax code will take into account any savings income which is taxable above the PSA limits.

A small number of individuals receiving a P2 may ask about their new tax code. If they need more information, taxpayers can use their Personal Tax Account to check details and to contact HMRC.

Paying HMRC

Don't overlook your December payment

The December payment deadline will soon be upon us. Any electronic payment for the tax period ended 5 December 2016 must clear into the HMRC account by 22 December. If you pay by cheque in the post, payment must reach the Accounts Office by 19 December.

If you shut down early for Christmas we want to remind you to pay on time or make arrangements to ensure your payment will be made on time. If you pay the right amount at the right time and use your 13 character Accounts office reference you should not incur Interest and Late Payment Penalties.

To find out more about paying HMRC see Pay employers' PAYE.

When and how to pay PAYE Video

If you haven't seen it already, the YouTube video – When and how to pay PAYE – is now available. It provides advice on how and when to pay PAYE, and the benefits of paying electronically.

For more videos, help and support on employing people see Webinars, e-learning, emails and videos on employing people.

PAYE reference format and payments

Whilst most employers pay using the correct payment reference (their 13 character Accounts Office reference) unfortunately we still receive some payments with an incorrect reference. HMRC has to manually allocate these payments which could delay your record being updated.

Always pay with your 13 character Accounts Office reference. When paying on time it is the only reference you need to accompany your normal PAYE payment.

It may be worth checking the information you use to send payments to HMRC to ensure

- you do **not** use the employer reference, usually in format 123/AB12345
- you use your 13 character Accounts Office reference
- it is input in the correct reference field
- it does not have spaces, slashes, dashes or letters between any of the characters
- you don't add your name, Tax/NIC, the month or other message after the reference
- if you add the extra 4 numbers to the end of your Accounts Office reference because you are paying very early or late, don't add spaces, slashes, dashes or letters before or after. Don't add the same 4 numbers to your Accounts Office reference to pay other months as this will result in payments being incorrectly allocated. For example adding 1709 to the end of your reference means you want the payment to be allocated to month 9 or quarter 3 of the 16 to 17 tax year, that is the for the tax period ending 5 January 2017
- remove the extra 4 numbers if you are paying on time or update them to show the tax year and tax month you are paying
- you no longer need to send separate payments for Tax and NIC, one total payment will be sufficient. This is because we already have the information from your RTI submission. If you currently make two payments per month or quarter, then one payment will be quicker and easier to follow in your records, and it may also help reduce your transaction costs.

Your payment will be correctly allocated provided you ensure your payment reference follows the correct format. For more advice about PAYE payment references see Pay employers' PAYE.

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

Next month we begin issuing letters and booklets ready for the new tax year which commences on 6 April 2017. 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.

For more advice and details of the available payment methods see Pay employers' PAYE.

Only use an official HMRC payslip

If you pay HMRC using a payslip at a bank or Post Office counter, it is very important that you only use the official payslip issued by HMRC.

Official HMRC payslips are those from the Payment Booklet, the bottom of other HMRC forms, and some single payslips are also issued by HMRC.

Banks and Post Offices can refuse to accept a home-made payslip or charge a fee when an unapproved payslip is presented. Also please note that a Transcash slip available in a Post Office won't include the correct information.

Some payments have not reached HMRC but have ended up in a Bank or Post Office suspense account due to incorrect bank account information on a payslip printed by payroll software. That and other problems mean home-made payslips have the potential to lose or delay your payment.

A payment delayed because an unofficial payslip has been used could mean your payment is received after the due date which could cost you money, so please only use official HMRC payslips or use a different payment method.

If you do not have a payslip there are alternative payment methods which are quicker and more secure. Alternatively if you are paying by post and you don't have a printed payslip from HMRC you can complete and print off a PAYE payment slip instead to post with your cheque to HMRC.

The January electronic payment deadline falls on a weekend

In January 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 before the payment deadline.

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

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

To find out more about paying HMRC electronically see Pay employers' PAYE.

Making payments safer and more cost effective for all our customers

As part of an HMRC wide exercise, from November 2016 customers who pay us by cheque sent through the post will be contacted by letter or phone to ask them to consider paying electronically by:

- online or telephone banking – Faster Payment, Bacs, CHAPS
- Direct Debit
- Debit or credit card online.

We are encouraging all customers to pay by electronic payment methods because they are safer and more secure – unlike cheques, electronic payments cannot be lost or intercepted and fraudulently cashed, provided the correct bank details and payment reference are used. Customers can be more confident that the payment will reach HMRC on time – no postal delays.

Details of where to find the alternative payment types available to customers on GOV.UK will be included in the letters or discussed during the phone call.

Limited Companies – Claiming Construction Industry Scheme deductions suffered in year

Following the introduction of reporting PAYE information in real time, we have found that some Limited companies, without gross payment status, do not realise they should claim back their Construction Industry Scheme (CIS) deductions suffered through their monthly payroll.

By submitting an Employer Payment Summary (EPS) to claim back your CIS deductions suffered you will receive a credit which we will use to reduce your in-year PAYE due. For further information please see our guidance; What you must do as a Construction Industry Scheme (CIS) contractor.

Waiting to submit your claim until the end of the year can cause delays in you receiving a refund and can result in interest being charged if the credit is used to clear other charges.

Only Limited companies, **without** gross payment status, should complete an EPS to claim back CIS deductions suffered. Sole traders, partnerships, Limited Liability Partnerships, and Limited companies **with** gross payment status must report CIS payments received through their Self Assessment or Corporation Tax returns.

Employment Intermediary reporting - tell us if you are no longer an employment intermediary to avoid penalties

Have you registered a business as an employment intermediary but not filed any quarterly returns yet?

If you are no longer an employment intermediary you need to let HMRC know.

For further information on how to do this please see:
Employment Status Manual – Employment Intermediary Reporting.

Penalties may be charged where quarterly reports are not submitted or you do not tell HMRC that you are no longer an employment intermediary.

The next quarterly reporting period finishes on 5 January 2017. If you want to avoid a penalty you need to take action by 5 February 2017.

Scottish Rate of Income tax

The Scottish rate of income tax came into force in April 2016. This allowed the Scottish Parliament to vary the rates of income tax paid by Scottish taxpayers on their earnings.

In February 2016 the Scottish Parliament set a rate of 10%, which meant, for the tax year beginning 6 April 2016, Scottish taxpayers pay tax at the same rates as taxpayers elsewhere in the UK.

However, further income tax powers have now been evolved which allow the Scottish Parliament full flexibility to set the income tax rates and limits applicable to the earnings of Scottish taxpayers.

This means any structure of rates/limits (including a 0% band) can be introduced – i.e. the Scottish Parliament do not have to follow basic/higher/additional rate structure applicable elsewhere in the UK.

These further powers will take effect from April 2017, and from that point all receipts from Scottish income taxes will from April 2017 go to the Scottish Government.

The Scottish Budget announcement is due on 15 December 2016 and will set out the Scottish Government's intended Scottish income tax bands and rates for the tax year starting 6 April 2017.

HMRC will communicate the Scottish Government's intended tax bands and rates to you soon after this date.

Please remind your employees of the importance of keeping HMRC informed of their correct address details, as this is crucial in determining whether or not they are a Scottish taxpayer. They can check and update their address details through their online Personal Tax Account. If they have not yet used their account they can register at www.gov.uk/personal-tax-account. It only takes a few minutes to register.

For further information please see – Issue briefing: Scottish Rate of Income Tax.

National Minimum and National Living Wage - Top five errors to avoid

The minimum wage a worker should get depends on their age and if they're an apprentice.

The National Minimum Wage is the minimum pay per hour almost all workers are entitled to. The National Living Wage is higher than the National Minimum Wage – workers get it if they're over 25.

It doesn't matter how small an employer, you still have to pay the correct minimum wage.

Here are some things to look out for to make sure your employees receive the correct rate of pay:

Rates

Are you paying the right rate? If not you run the risk of underpaying workers.

This can happen when employers fail to implement the annual rate increases, miss workers key birthdays as they move from one age band to another, or fail to apply the apprentice rates correctly.

Deductions

Are you making deductions from pay that take a worker's pay below NMW/NLW rates?

This can happen when you make deductions for items connected with the job such as uniforms, deductions for services provided by the employer such as meals or transport, or deductions for accommodation beyond the permitted accommodation off-set amount.

Additional pay

Are you including top ups to pay that do not count as pay for NMW/NLW purposes?

This can happen when you include payments such as shift allowances under certain circumstances or customer tips or bonuses when calculating a worker's pay for NMW/NLW purposes.

Status of the worker

Are you engaging people who should be classed as workers?

This can happen when employers mistakenly treat workers as volunteers, interns or self-employed. Please see – Who gets the minimum wage – to help you decide if an employee should be classed as a worker and therefore is entitled to the National Minimum Wage.

Use the Employment Status Indicator tool to check if a worker is self-employed.

Working time

Are you including all the time a worker is working?

If not you run the risk of unpaid working time, additional hours worked but not paid. These could be short but regular periods of time, for example time spent helping to shut up shop or clear security after a worker's shift has ended, or could be longer periods of time spent training or 'down time' waiting. Other working time errors can occur with travelling time if it's in connection with the worker's job, such as between assignments, and sleeping time.

For detailed guidance to help you calculate the correct rate of pay for your employees see – Calculating the minimum wage.

You can also watch our National Minimum Wage and National Living Wage 'Cutting the risk' recorded webinar here and look out for our live series of risk webinars coming soon.

Completion of Full Payment Submission

When taking on a new employee it is important that you record the correct start date on a Full Payment Submission (FPS) the first time you pay them. This information is used to calculate the estimated earnings for employees and missing or incorrect information could mean they pay the wrong amount of tax.

If any of your employees claim Universal Credit, missing or incorrect information from an FPS could also potentially affect the amount they receive.

HMRC Toolkits and videos

HMRC have 20, regularly refreshed Toolkits free to download that contain checklists to support the accurate completion of returns based on the most commonly found errors. If you have an Income Tax Self-Assessment Tax Return to submit you may find the Private and Personal Expenditure Toolkit useful or the Business Profits toolkit which covers general areas of risk if you use UK Generally Accepted Accounting Practice (UK GAAP). There are also a number of YouTube videos available to help you complete your Self-Assessment Tax Return.

Other toolkits address risks that are more specific to particular areas such as Directors' Loan Accounts or Capital Allowances for Plant and Machinery.

Do you own Land or Property?

If you own Land or property then you may be interested in the Capital Gains Tax for land & buildings toolkit – Capital Gains Tax is charged on capital gains arising on the disposal of asset. The Property Rental Toolkit may also be useful if you (or your company) own an interest in land or property that you receive rent or another income from.

Update on Tax-Free Childcare

Tax-Free Childcare launches for parents from early 2017 as a new Government scheme to help working families with their childcare costs.

The scheme will allow eligible parents to open online childcare accounts to make payments direct to their registered childcare providers. For every £8 parents pay in to these accounts, the Government will add £2, and the total amount in the account can only be spent on childcare. Parents can receive up to £2,000 in Government support per child, per year, or £4,000 for disabled children.

Are you a childcare provider?

Over 100,000 registered childcare providers across the UK have now received invitations to sign up to Tax-Free Childcare. Letters were posted throughout September and October, containing a unique sign up code.

As a childcare provider you need to sign up for Tax-Free Childcare to be able to receive payments from parents, via the scheme. You should act now to sign up, using your unique code contained in your invitation.

To sign up you will need your unique sign up code. Once you are in the secure site you will need to:

- Confirm your unique taxpayer reference (UTR) number; or your National Insurance number, if you are a nanny and don't have a UTR
- Provide bank details for the account you wish to receive Tax-Free Childcare payments into.

To sign up, and find out more, childcare providers should visit www.childcare-support.tax.service.gov.uk

And wider employers?

Employers should note that parents (or a household) cannot claim both childcare vouchers and Tax-Free Childcare – so you may get requests from your employees to cancel their current vouchers, as Tax-Free Childcare is introduced.

A guide has been produced for parents, which sets out how the current Employer-Supported Childcare scheme will remain open to new entrants until April 2018. After April 2018, parents already registered for Employer-Supported Childcare will be able to continue using it as long as you continue to offer it.

Your employees can find further information at www.gov.uk/government/news/tax-free-childcare-10-things-parents-should-know

Automatic re-enrolment - what you need to know

Every three years you need to put certain members of staff back into a pension scheme – even if they opted out when they were first automatically enrolled. This is called 're-enrolment'. You'll also need to complete a re-declaration of compliance to tell us how you've met your duties.

Re-enrolment and the re-declaration of compliance are legal requirements and if you don't act, you could be fined.

Watch The Pensions Regulator's (TPR) latest video that provides you with a quick overview of re-enrolment.

How TPR can help

Make sure TPR has your current contact details so they can send you information about your re-enrolment duties. You'll need to update this via the nominate a contact form, where you can also give them contact details of an adviser, if you're using one, who'll also receive updates from TPR.

There's new online guidance on re-enrolment and a recently published essential guide. It takes you through everything you need to know, from choosing your re-enrolment date to finding out who to assess and put back into a pension scheme.

Even if you're new to automatic enrolment, they also have a specific section on their website for employers like you that helps to identify your duties and when you need to do them by.

Do you produce, wholesale or retail alcohol?

Anyone producing or wholesaling alcohol who were selling alcohol to other businesses prior to 1 April 2016 should have registered with HMRC's Alcohol Wholesaler Registration Scheme (AWRS) by 31 March 2016. Wholesale businesses who start to sell alcohol to other businesses from 1 April 2016 onwards must be registered with the Scheme before trading and therefore need to make their application at least 45 days before their intended start date.

If retailers buy alcohol from UK suppliers to sell to the public they will need to check the businesses they buy from have registered for the AWRS and have a Unique Reference Number (URN). HMRC will provide an online look up service of approved wholesalers for retailers to check, which will be available from 1 April 2017. Retailers could risk being fined by HMRC and having their stock seized if they buy alcohol from an unapproved supplier.

To make sure the online look-up service is simple and easy to use HMRC would like to talk to anyone who is required to register for AWRS, has already registered with the scheme or will need to use the look up service when it becomes available.

Our researchers would particularly like to speak to

- Partnerships
- Small limited companies
- AWRS groups
- Retailers.

The research will be at a time to suit and can be carried out remotely. The session will last no longer than 1 hour and the team will chat to you about your experiences and ask you your thoughts on new designs.

If you would like to take part or have any questions please contact lynsey.richardson@digital.hmrc.gov.uk

You can obtain further information about the Alcohol Wholesaler Registration Scheme on GOV.UK