



Welcome

Hello and welcome to the February edition of the Employer Bulletin

It's that time of year again when you will be starting to think about preparing for the end of the tax year and all the requirements that come along with it. The article on page 2 gives you a few tips about things to remember and directs you to further information if you need it. We've also got a whole range of products to supplement our guidance and the article on page 9 has details of some of the products you might find useful at this time of year.

HMRC is committed to transforming the tax system and making tax simpler for employers and employees. As part of this work, from May we will start to use the real time information you send us to make automatic adjustments to PAYE tax codes as they happen. For more information about this have a look at the article on page 4.

We will continue to use the Employer Bulletin to tell you about new products and changes which may affect you and to give you access to further information if you need it.

You can make sure you don't miss any future updates by [signing up to receive our email alerts](#). Doing so means we'll be able to send you an email each time a new edition of the Bulletin is published. You can also follow us on twitter [@HMRCBusiness](#)

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

Alison Bainbridge
Editor

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End of year reporting

It's time to prepare for making your last Full Payment Submission (FPS) or Employer Payment Summary (EPS) of the year.

You can find more information on what to include on an FPS in our guidance:

[What payroll information to report to HMRC](#)

You should send your last FPS of the year on or before your employees' last payday for the tax year. You need to put 'Yes' in the 'Final submission for the year' field in your payroll software. This tells us you've sent us everything you expected to send for the tax year ending 5 April 2017, and we can finalise our records for you and your employees.

You can find more information about [on or before' reporting](#) on GOV.UK and in our guidance [CWG2: Further guide to PAYE and National Insurance contributions](#).

Some commercial payroll software won't let you put the 'Yes' indicator on an FPS. If that's the case, send your last FPS and then send an EPS with the indicator ticked. You can also send an EPS with the indicator ticked if you forgot to put the indicator on your last FPS, you didn't pay anyone in the final pay period of the tax year or you sent your final FPS early and you didn't pay anyone for one or more full tax months in the last tax year.

You will also need to give your employees a P60 if they are in your employment on 5 April 2017. You've got until 31 May 2017 to do this.

Avoiding a penalty

You need to send your last FPS for the tax year no later than the last payday for your employee. This is the day your employee was entitled to receive their pay or the day you actually paid them if this was earlier.

If you're not going to pay anyone again this tax year, remember to send an EPS with the indicator ticked to show you didn't pay anyone in the final pay period and it's the final submission. You have until 19 April to do this but you'll get a reminder from the Generic Notification Service if you file it after 11 April.

Remember to check that you've put the right pay date and pay frequency on your FPS. If you use the wrong day or the wrong frequency, you may get a penalty and it may cause difficulties for any of your employees who are Universal Credit claimants.

If you make a mistake

If you notice that you've made a mistake on an FPS, you can correct this by sending another FPS up to 19 April. Use the late reporting reason code H if you need to make a correction to a previous submission where the payment date on the FPS is earlier than the date you submit the latest FPS.

If you notice the mistake after 19 April you still need to correct it, but you will have to use an Earlier Year Update.

If you need to complete an Earlier Year Update (EYU) it's important that you report it correctly to HMRC. A [YouTube video](#) has now been produced to give you instructions on how and when to complete the EYU.

Reporting expenses and benefits

Don't forget that you'll also need to tell us about any expenses and benefits your employees received during the tax year ending 5 April 2017.

If you are payrolling expenses and benefits in kind you'll need to send;

- A P11D for any benefits you've not payrolled
- A P11D(b) to tell us about the Employer Class 1A NICs due on all benefits (including the payrolled ones).

You'll also need to give your employee a letter telling them which benefits were payrolled, and telling them the amount of the benefit.

Please also see the article on page 3 for further information on Payrolling.

If you are not payrolling expenses and benefits in kind you'll need to send;

- A P11D for all benefits
- A P11D(b).

If you've had a reminder to send a P11D/P11D(b) but you didn't pay any benefits, you can either;

- submit a 'nil' return
- complete the '2016-2017 Employer – No return of Class 1A' form (available from 6 April 2017).

Avoiding a penalty

The deadline for filing your expenses and benefits reports is the 6 July 2017. If you file late you may receive late filing penalties.

Further guidance

You can find further information on the end of year tasks by going to [Payroll: annual reporting and tasks](#).

Expenses Exemption - year-end reporting procedures

From 6 April 2016, an exemption was introduced for amounts which would otherwise be deductible. Employers no longer need to apply to HMRC for a dispensation in relation to employment expenses or benefits-in-kind (BiKs) that they pay, reimburse or provide to employees where the employee would be able to claim a fully matching tax deduction. Neither does the employer need to report paid or reimbursed expenses where they meet conditions under the new legislation. For further details, please see EIM30210 onwards: [Exemption for amounts which would otherwise be deductible](#).

Page 11 of the [October edition of Employer Bulletin](#) set out guidance for non-deductible and non-exempt expenses.

The following guidance provides further advice for employer year-end procedures.

Reporting requirements

Employers should be operating a system for checking that employees are, in fact, incurring and paying expenses of the same amount claimed by employees and, at the point of reimbursement, be satisfying themselves that the expenses are not taxable. These include payments made in accordance with the Income Tax (Approved Expenses) Regulations 2015 (benchmark scale rates) and bespoke rates agreed under an approval notice. Please see [EIM30240](#) and [EIM30250](#) for further guidance.

If the employer is satisfied the exemption applies in full, the expenses and BiKs should not be reported on form P11D.

Employers will need to report taxable expenses and taxable BiKs, or expenses and BiKs that are provided under a relevant salary sacrifice arrangement ([EIM30230](#)).

Section N on form P11D should be used to report:

- mixed-use expenses where the business use is not clearly identifiable;
- where employers have been unable to correctly deduct tax through payroll;
- to continue to report expenses that are fully taxable where the employer has not registered for on-line payrolling.

Employment expenses and BiKs that are taxable

Where employers have paid or reimbursed employee expenses and BiKs that are taxable, they should be treated as earnings and paid after deduction of tax and National Insurance contributions (NICs). National Insurance treatment of common expenses and benefits can be found in our guidance: [Class 1A National Insurance contributions on benefits in kind](#).

BiKs that are taxable: employers registered for online payrolling of BiKs

Where employers registered for online payrolling before 6 April 2016 and provide employees with taxable BiKs, they should report tax on these BiKs via the payroll throughout the year and account for associated Class 1A NICs on the P11D(b) by 6 July following the year end. These employers will only need to complete forms P11D to declare non-payrolled BiKs.

To note: P9Ds were abolished from 6 April 2016.

Mixed-use employment expenses/BiKs

When dealing with expenses and benefits where there is a mix of private and business use, and where the business-related amount is clearly identifiable, the business-related amount will be tax-free and employers should:

- for expenses, tax and subject to Class 1 NICs the private use amount. If the business element cannot be identified, then they should tax and subject the whole amount through the payroll;
- for BiKs accounted for through online payrolling, tax and subject to Class 1A NICs and report on the P11D(b) by 6 July following the year end;
- for BiKs not accounted through online payrolling, report the BiKs on the P11D and subject to Class 1 NICs, or Class 1A, as appropriate.

Employees will need to claim a tax deduction from HMRC for the part that is exempt.

To note: BiKs that are partially exempt should have been taxed in full through the payroll where the employer has registered for payrolling with the Class 1A accounted for via P11D(b). If the employer has not registered for payrolling, the employer needs to complete and submit a P11D for each relevant employee and relevant benefit. Employees will need to make a claim to HMRC for a tax deduction for the part that is exempt. See **a note for employees below**.

Further guidance on reporting and paying expenses and benefits for employers, including further information on payrolling and what to report for each type of expense, can be found at: [Expenses and benefits for employers – GOV.UK](#)

A note for employees

Where an employer has fully taxed a mixed-use employment expense throughout the year, employees may be entitled to claim tax relief for the exempt part of an allowable expense at the year end. Employees can make the claim online or by completing form P87. For employees already registered for Self-Assessment (SA), or where the amount of the claim exceeds £2,500, employees will need to register for SA and complete and submit a SA return. Further guidance on making a claim for tax relief can be found at: [Claim Income Tax reliefs – GOV.UK](#)

HMRC and Health and Safety Executive working together for you – growing your business

As your business starts to grow or you take on more employees you'll face new issues and concerns. HMRC and the Health and Safety Executive are delivering two live webinar about the typical situations you are likely to face. They will look at some of the questions you may have on health and safety issues and how an employer can payroll expenses and benefits and will guide you through the answers.

The first webinar will be on 15 February 2017 at 10am and if you would like to take part please register [here](#).

The second will be on March 16 2017 at 10am and if you would like to take part in this one please register [here](#).

Paying the right amount of tax through PAYE

We are making tax simpler for employers and employees. From May, HMRC will use the real time information you give us to make automatic adjustments to Pay As You Earn (PAYE) tax codes as they happen, rather than waiting until the end of the tax year.

This is the next logical step and brings the old annual tax cycle up to date with the digital age, helping people pay the right tax on their income as they earn it.

Our new approach will offer far more certainty, will reduce unexpected tax bills and ensure more customers end the tax year having paid the right amount of tax. We'll be updating most of our customer's tax codes as soon as we hear about a change in their circumstances, using information we receive from their employers or pension providers. For most people, there will be no more waiting for a payment of overpaid tax and no more unexpected bills at the end of the year.

This is part of HMRC's work to transform the tax system, as set out in Making Tax Digital at the Autumn Statement 2015.

What this means for you

Until May things will continue as they are. Once we make the change we will send employee's tax code notifications at the point we know that their circumstances have changed. We'll continue to send a copy direct to your employee and send the notifications to you as we do now so, from that point of view, nothing will change. It should also reduce contact from your employees regarding under or overpayments of tax that arise as a result of some of these tax code changes.

In the short term you may receive some employee enquiries relating to tax code changes as customers get used to this change. All your employees can see information regarding their tax code, and how it is calculated, instantly by accessing their Personal Tax Account at www.gov.uk/personal-tax-account Here they can check if all the information we hold is up to date, advise us of any changes needed and raise any questions through a secure link.

The Personal Tax Account allows your employees to understand more about their tax affairs and longer term can help reduce the number of approaches made by your employees.

Further support

Over the next few weeks we'll be creating a pack of information to help you and your employees through this change. It will explain the key benefits, where you can learn more, and access images and text that may support you as and when you need to talk to your people. This pack can easily be shared with your employees as an answer to any of the questions they may raise.

We're also exploring the option of hosting a webinar explaining the changes we're making to PAYE in 2017-18.

We will publish further details about both of these products in future editions of the Employer Bulletin.

P9 Notice of Coding

Email Notification and accessing 2017-2018 P9 Notice of Coding

Email notifications will be sent from 18 February to 5 March advising that the P9 notices of coding for the tax year starting 5 April 2017 can be viewed online. When logging into the online account to view the P9 notices, please ensure the correct tax year is selected, 2017-2018.

If the P9 notices are still not showing please log out and log back into the account the following day. This should allow the P9s to be viewed online.

Reprint requests for paper P9 coding notices

We have started to send out paper P9 coding notices this month and expect to end on or around 17 March 2017, however you may still receive notifications as late as 20 March.

If you do not receive your paper P9 notices in time for the first pay period after 6 April 2017, you can request a duplicate from the Employer Helpline on 0300 200 3200.

However, a request for a duplicate can only be made in respect of a full employer scheme and is not available for individual tax codes.

We will deal with your request as soon as possible but please allow 14 working days before contacting the Employer Helpline again. If your request involves a change of media type, (for example from paper to internet), please allow an extra five working days to give us time for our systems to update.

Payroll your employees' expenses and benefits and save time - Register now

Did you know you can include employees' expenses and benefits in their pay? It's called payroll and means most expenses and benefits can be taxed through your payroll instead of your employees' tax code. It could save you time too as you won't have to send a form P11D after the end of the tax year for the payrolled expenses and benefits.

You should note that if you payroll car and fuel benefits you won't need to report information about these on forms P46(Car) and P11D. However, we told you about our planned approach to collecting information about car and car fuel benefits through your Full Payment Submission in the [December edition of the Employer Bulletin](#) and further guidance will be published soon. The introduction of these new requirements in April 2018 should allow you the time to update your payroll systems and understand the new process.

In order to ensure a smooth transition, you can report the car data voluntarily through your FPS from 6 April 2017 if your payroll software allows this.

If you want to payroll your expenses and benefits you'll need to let us know before the start of the tax year for which you want to payroll. Just register before 6 April 2017 for 2017-2018 tax year using HMRC's [payrolling benefits and expenses online service](#). Register now and give yourself more time to check your software and tell your staff before 6 April 2017.

If you provide benefits in kind under salary sacrifice arrangements please see the article on page 3 for further information about what you need to do if you payroll these benefits from April 2017.

To find out more join one of our live interactive [webinars](#).

Or if you can't make a live session watch our short video [Payrolling benefits in kind an-overview](#).

Summary of previously announced changes which come into effect from 6 April 2017

This is a reminder of some of the changes announced in previous Budgets and Autumn Statements which come in to effect from the tax year starting 6 April 2017.

Assets made available to employees without transfer

As announced at Autumn Statement 2016, Finance Bill 2017 will include a detailed method of calculating the taxable value (cash equivalent) of an asset provided to an employee which is made available for private use. This means that employees will just pay tax for those days on which the asset is available for private use. This will provide clarity for both employers and employees. The measure will take effect from 6 April 2017.

Employer-arranged pensions advice exemption

As announced at Budget 2016, Finance Bill 2017 will include a new income tax exemption and National Insurance contributions (NICs) disregard to cover the first £500 worth of pension advice provided or paid by an employer to an employee in a tax year. It will allow advice on both pensions and general financial and tax issues relating to pensions. The measure will take effect from 6 April 2017.

Legal support

As announced at Autumn Statement 2016, Finance Bill 2017 will ensure that all 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. The measure will take effect from 6 April 2017.

Sporting testimonials and benefit matches

As announced at Autumn Statement 2015, legislation was introduced to confirm that income from sporting testimonials and benefit matches for employed sportspersons, irrespective of whether they are arranged by the sportsperson's club or by an independent testimonial committee is chargeable to income tax under PAYE.

This applies where the testimonial was granted or awarded on 25 November 2015 or later, for income from events taking place on or after 6 April 2017.

An exemption of £100,000 will be available to set against testimonial income received, either from an individual match or a series of events in a testimonial year. The exemption is available provided that there is no contractual entitlement or customary right to the sporting testimonial or benefit match, and that it is being arranged by an independent testimonial committee.

Making good

As announced at Autumn Statement 2016, Finance Bill 2017 will align the dates for making good on benefits-in-kind which are not accounted for in real time through PAYE (benefits-in-kind which are not payrolled).

The date for making good on non-payrolled benefits-in-kind will be 6 July after the end of the tax year in which the benefit-in-kind is received. The taxable value of the benefit-in-kind will be reduced or removed if making good takes place by that date.

The current rules will continue to apply to a benefit-in-kind chargeable to tax in 2016-2017 or earlier years. The change will have effect for making good on a tax liability that would arise in tax year 2017-2018 or after.

Further details, including an outline of the current law, can be found in our policy paper – [Dates for 'making good' on benefits-in-kind](#).

Company car and van taxation

[New rates are available for the appropriate percentage](#), used to calculate company car taxation, which will take effect from 6 April 2017.

The van benefit charge, car fuel benefit charge and van fuel benefit charge will increase from 6 April 2017. [The new rates](#) are available on GOV.UK

The [draft legislation documents for Finance Bill 2017](#) have been published on GOV.UK

Apprenticeship levy - are you ready?

Apprenticeships are at the heart of the Government's drive to equip people of all ages with the skills that the country and employers need. They provide the opportunity, and the means, to help address the skills shortages reported by many industries.

The government has embarked on a large-scale programme to reform the way apprenticeships are delivered and funded in England. Getting apprenticeships right for the changing workplace depends on involvement and investment from employers.

This focus on greater employer ownership and increasing the opportunities available to individuals means that it's a crucial time for apprenticeships. The apprenticeship levy, coming into effect from 6 April 2017, will put apprenticeship funding on a sustainable footing and fund growth in the apprenticeship programme.

Which employers will be required to pay the levy?

For the purpose of the levy an "employer" is defined as someone who is a secondary contributor with liability to pay Class 1 secondary National Insurance contributions on the earnings of their employees.

The levy will apply to all employers operating in the UK regardless of sector, location or whether they currently employ apprentices. It will be charged at 0.5% of an employer's annual pay bill but an annual levy allowance of £15,000 is available to each employer, or group of connected companies or charities, to offset against their liability. **This means that only employers with an annual pay bill of over £3 million and connected companies and charities who have annual pay bills over this amount will be required to report and pay.**

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), you won't pay the levy but you can still take on apprentices and receive generous support for the cost of their training and assessment from the government. If your annual pay bill is close to £3 million, you should monitor it throughout the tax year in case there becomes a liability to report.

Next steps for paying the apprenticeship levy

If your organisation is liable to pay you should now prepare for the introduction of the levy.

From April 2017, you must report and pay the amount due to HMRC. You will be able to do this through your normal payroll processes. Your apprenticeship levy must be reported on the Employer Payment Summary (EPS) within 14 days after the end of each tax month. This means the first apprenticeship levy report **must be made by no later 19 May 2017.**

If you start reporting the levy, you must continue to report until the end of that tax year, even if your pay bill reduces and you no longer have any levy to pay. You should pay the levy at the same time as you submit your usual PAYE payment, by the 19th of the month (or 22nd if you pay electronically).

Next steps for accessing apprenticeship funds

The Skills Funding Agency (SFA) are now inviting all levy-paying employers to [register on the new apprenticeship service](#), through which you can plan, manage and pay for your apprenticeships online.

You will need to have The Government Gateway login details for the PAYE schemes you want to include in your account and details for each organisation that will be making an agreement with a training provider for apprenticeship training, including their Companies House or charity number (if you have one).

If you can't share the login details with people outside of the payroll team, you can register for the apprenticeship service on their behalf. Once registered you will be able to give them the necessary permissions to manage your organisation's apprenticeship service account going forward.

If you use an external agent or bureau to run your payroll you will still be able to use your organisation's Government Gateway login details when you register. This will not affect the HMRC activities that your external payroll agent or bureau completes on your behalf.

If you are registering on behalf of multiple connected companies or charities, you need to think about the structure of your organisations and PAYE schemes and how you're going to spend your funds.

You'll need to register every organisation that will make an agreement with a training provider for apprenticeship training.

Full details on [calculating, reporting and paying the apprenticeship levy](#) are available and also details on the [wider apprenticeship funding reforms and the apprenticeship service](#).

Changes to the valuation of Benefits in Kind

The way many Benefits in Kind (BiKs) are valued is changing when an employee has a choice between cash and a BiK. This includes cash allowances (such as a car allowance), flexible benefit packages with a cash alternative, and salary sacrifice and salary exchange schemes (known as Optional Remuneration Arrangements – OpRAs).

From 6 April 2017, where an employee has a choice, the BiK will be valued at the higher of the cash foregone or the current taxable value, for both income tax and employer NICs (and employee NICs where a charge already exists). This applies to all BiKs, including currently exempt BiKs.

However, there are no changes to pensions, pension advice, childcare vouchers, workplace nurseries, directly contracted childcare, Cycle to Work, or cars with emissions of 75g CO₂/km or less.

Arrangements between an employee and employer, which are binding on both parties and entered into on or before 5 April 2017, are protected until the earlier of:

- a variation in the terms of the BiK, or renewal of the contract, or
- the employee changes employer, or
- 6 April 2018, or
- 6 April 2021 for cars (with emissions of more than 75g CO₂/km) and accommodation.

School fees will be protected until April 2021, for that child, if an arrangement is in place on or before 5 April 2017.

Separately, there will be a Call for Evidence on valuation of BiKs in general in the spring.

The P11D for 2017-2018 will be amended to include these changes. Payrolling employers will need to payroll the correct figure during the year including when an employee starts or as employees move into the new rules.

Construction Industry Scheme – subcontractor verifications

What is changing?

In February 2016 we told you about some improvements we were going to make to the Construction Industry Scheme (CIS) online verification service. During our technical consultation exercise in December 2015, we also told you that our proposal was for verifications to become mandatory, and that from April 2017, contractors must use an approved method of electronic communication to verify their subcontractors.

This means from April 2017 HMRC will no longer accept any telephone calls to verify subcontractors and from then you must verify subcontractors using:

- the free [HMRC CIS online service](#), or
- [commercial CIS software](#).

This change is one of a series of improvements we have made to CIS to increase efficiency and accuracy, and to reduce administration. These have also included the ability to amend returns online, and the addition of an online message/alert service.

Direct Recovery of Debts on PAYE debts

The Direct Recovery of Debts (DRD) power allows HMRC to recover cash directly from the bank and building society accounts, and funds held in cash in Individual Savings Accounts (ISAs), of debtors who owe £1,000 or more – subject to certain safeguards.

DRD has been in operation for most of the main taxes since 2015 and from early 2017 has been expanded to include PAYE debts

For further information please see – [Issue Briefing: Direct recovery of debts](#).

Help and support for employers

We have developed a range of products to provide help and support for employers when carrying out specific tasks and dealing with HMRC in general.

YouTube videos

We have a number of YouTube videos showing the key payroll tasks employers come across and how to deal with them. The videos are aimed at new employers but employers and agents in general, and those new to payroll, may also find them helpful.

- [New employers – the basics](#)
What is PAYE (including what is pay), how to tell HMRC you've taken on your first employee, PAYE starter checklist and what's a tax code
- [When and how to pay PAYE](#)
How to pay regularly and on time to avoid interest and potential penalties and benefits of paying electronically
- [Payroll software and sending reports to HMRC](#)
Choosing payroll software, setting it up and sending online reports on Full Payment Submission and Employer Payment Summary
- [How to send your final PAYE submission](#)
Details on deadlines, submitting PAYE reports and using Basic PAYE Toolkit (BPT) /other software
- [Earlier Year Update](#)
How and when to complete an Earlier Year Update (EYU)
- [How to issue P60s](#)
Deadline dates, using BPT/other software, printing or emailing P60s and keeping P60s safe.

For all the latest HMRC employer videos please visit our [Help for employers](#) playlist for further help and support.

General help and support

We have produced a wide range of [YouTube videos](#) as a way of providing businesses and individuals with additional advice and support when dealing with HMRC.

The following is a selection of some of the videos that have been published recently:

- [How to correctly report your Payroll if your business is involved in a Merger or Succession](#)
It is important that if your business is involved in a Merger or Succession that the correct process is followed for reporting your Payroll to HMRC. This video provides step by step instructions on the correct process to follow
- [How to Claim Tax refunds for Employment Expenses](#)
Have you reimbursed your employees for using their own money for travel or things they've had to buy for the purpose of their job? If not, our YouTube video will tell them all they need to know about claiming tax back
- [Employed or Self Employed](#)
This video provides some simple and user friendly information to help check whether an individual is engaged on the correct terms, employed or self-employed.

We intend to supplement this product with a longer, more detailed, employer webinar in the coming months which will build on the information provided in the YouTube video and also lend more focus towards what engagers, as well as workers, can do to minimise the risk of miscategorising the status of their workforce.

Further information on employment status can be found in the [Employment Status Manual](#) and an [online tool](#) is also available which can help start to determine the correct employment status of a worker.

For the latest HMRC video updates please subscribe to [HMRC YouTube playlist](#) or visit our [HMRC webinars, email alerts and videos](#) for further help and support.

Forms P60 and P45

Did you know that you can send forms P60 and P45 – to your employees electronically?

Sending these forms electronically means you will no longer need to phone HMRC requesting paper versions and may help save you time and money by not having to use manual processes to complete and distribute them.

Paying HMRC

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

We are part way through the bulk issue of 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 (P30B 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 you the paying electronically letter. This will confirm the reference you should be using and our bank account details.

P30B Paying PAYE electronically letter

The P30B letter is issued to employers who pay electronically without a payslip. It should arrive in time to make your first payment in May/June/July 2017. If it doesn't your PAYE Accounts Office reference remains unchanged and should be used when making your PAYE payment. More advice and details of the available payment methods can be found at www.gov.uk/pay-pay-tax

P30BC Employer Payment Booklet

If you still use payslips you should receive your Employer Payment Booklet (P30BC) in good time to make your first payment in May/June/July 2017.

If you haven't received a payment booklet, why not start paying using an electronic payment option, see the advice at www.gov.uk/pay-pay-tax, or contact HMRC on 0300 200 3401 to see if we can issue a duplicate booklet. If you are unable to pay electronically, a [replacement payment slip](#) is available which you can print off and post with a cheque to HMRC.

Remember it is your responsibility to pay in full and on time to avoid the possibility of a late payment penalty and interest being charged.

Only use current official HMRC payslips

HMRC changed banking supplier last year to Barclays Bank.

Some customers are using old payslips that show outdated information. Currently these are being accepted, but once the associated bank accounts are closed payments made with old payslips will reject, resulting in a delay in processing payments.

Please therefore ensure you only use current official HMRC payslips.

Could you change over to an electronic payment method?

We are encouraging all customers to pay using the following methods:

- Online or telephone banking, which includes Faster Payments, Bacs and CHAPS
- Direct Debit
- Debit or credit card online.

Benefits of paying this way are:

- It's more secure
- It'll save you time and expense of going to the Post Office or Bank.

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

The April electronic payment deadline falls on a weekend

In April the electronic payment deadline of the 22nd falls on a Saturday.

To make sure your payment for that month reaches us on time, you need to have cleared funds in HMRC's account by the 21st unless you are able to arrange a Faster Payment to clear on the payment deadline.

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

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

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

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

In the December edition of the Employer Bulletin, (page 3), we told you that the reforms to off-payroll working, (often known as IR35 or the Intermediaries legislation), in the public sector would be going ahead. These changes mean 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 appropriate tax and National Insurance contributions (NICs). This responsibility will instead move to the public authority client, agency, or third party that pays the worker's intermediary, and they will also now become responsible for making sure that, where the rules apply, the relevant income tax and NICs are deducted and reported through PAYE in real time. The public authority client is required to tell any agency or third party its view as to whether the rules apply.

Consultation on the draft legislation will close on 17 February 2017. Many thanks to all of those who took part in our roundtables and sent written responses. We will take all your comments into account in the final draft legislation.

Work is continuing on the development of the new Employment Status Service, and the online tool should be available for use in March.

We have launched an [off-payroll working in the public sector page](#) on GOV.UK where you can find guidance for fee-payers, PSCs and public authorities to use, and links to material such as the technical note. The page will also cover key areas including:

- Background to the reform
- Who will be affected
- Public authorities definition
- When will the reform apply
- How the reform will work in practice
- What people can do between now and 6 April 2017 to prepare for the reform
- Responsibilities (Worker operating through an intermediary/Fee-payers/Public Authorities)
- Employment Status Service.

This GOV.UK page will be updated with further information, including the link to the Employment Status Service, as these become available.

National Minimum and National Living Wage increases

Employers need to get ready for the increase in the National Minimum and National Living Wage on 1 April.

[The hourly minimum wage](#) a worker is entitled to depends on their age and whether they are an apprentice.

The National Living Wage for those aged 25 and over will increase from £7.20 to £7.50 per hour.

The National Minimum Wage rates will also increase:

- for 21 to 24 year olds – from £6.95 per hour to £7.05
- for 18 to 20 year olds – from £5.55 per hour to £5.60
- for 16 to 17 year olds – from £4.00 per hour to £4.05
- for apprentices aged 16 to 18 and those aged 19 or over if they are in their first year – from £3.40 per hour to £3.50.

The daily accommodation offset will increase from £6.00 to £6.40.

Understand your responsibilities – with our new e-learning [Paying your workers the minimum wage](#).

The guide explains who can get the minimum wage, what counts as working time, how much to pay and what happens if workers aren't paid correctly.

This interactive guide is flexible and easy to use – broken down into short sections so you can work through it at your own pace.

Last month the Government also [announced a new awareness campaign](#) to ensure workers know how much they are legally entitled to.

Calculation of 'net taxable earnings' and negative earnings

Under S128 ITA 2007 a person may make a claim for employment loss relief against general income if the person is in employment or holds an office in a tax year, and makes a loss in the employment or office in the tax year, (the loss-making year).

S11 (3) ITEPA 2003 explains that loss relief may be available under S128 ITA 2007 in particular circumstances. One such circumstance is where the answer to the formula TE (Taxable Earnings) minus DE (Deductions from Earnings) is negative because DE is greater than TE.

Usually where the total amount that qualifies for a deduction from earnings is greater than the total amount of earnings from employment, the deductible amount will be restricted so that the answer to TE minus DE is nil. However in exceptional circumstances, it is possible for employment loss relief to be available.

S11 (3) ITEPA 2003 introduced the concept that the total amount of taxable earnings from that employment may be negative. The matter was the subject of the Upper Tribunal case of HMRC v Julian Martin.

In that case, Mr Martin received a payment of money (the Signing Bonus) from his employer in consideration for Mr Martin agreeing a new contract of employment which reflected the employer's wish for Mr Martin to remain with that company for a further period of at least 5 years. The terms of the contract included a claw-back provision which required, in certain circumstances, such as the early termination of the contract, that Mr Martin pay an amount of money back to the company.

Many organisations use forfeiture or clawback in their remuneration policies to align reward with promoting the organisation's long-term success. This would generally be in the form of the requirement to repay signing-on bonuses, training fees or termination payments and may result in situations similar to that which arose in Mr Martin's case.

Although the phrase 'negative taxable earnings' does not appear in the legislation, the Judge in the HMRC v Julian Martin case construed it to refer to an item (typically a payment by an employee to his employer) which is brought into account in computing the total amount of earnings in accordance with the formula contained within S11 (1) ITEPA 2003.

As a consequence of the judgement HMRC have introduced new guidance on the concept and definition of negative earnings and how we interpret the Upper Tribunal decision, which includes a number of practical examples.

Guidance on negative earnings issue and the judgement in the Upper Tribunal case of HMRC v Julian Martin can be found in the [Employment Income Manual](#).

Scottish income tax update

The Scottish rate of income tax was implemented on 6 April 2016 and this month the Scottish Parliament will be setting the rates and thresholds for the 2017 to 2018 tax year.

For the majority of our customers the implementation has been successful. Scottish taxpayers have been correctly identified and given an S tax code based on the address we hold on our systems. If your employees have moved home recently please ask them to tell us their new address – this can be done online at www.gov.uk/tell-hmrc-change-of-details or through their [Personal Tax Account](#).

We are aware that some employers are not operating the correct tax code. To help prevent this, it is imperative that all employers use the latest payroll software which is aligned with the latest HMRC PAYE Desktop Viewer version 2.43.

We will continue to review and validate Scottish residential addresses where appropriate, which may result in a Scottish tax code being generated. A large number of P9 coding notices will be issued between 18 February and early March 2017.

Employers must ensure their payroll software is up to date prior to 18 February 2017 to be able to apply the correct tax code. If you are unsure how to include Scottish codes on your payroll systems, you may need to contact your software provider.

Payments by employer on account of tax where deduction is not possible and S222 ITEPA 2003

Where an employer makes a notional payment of PAYE income; that is a payment that does not involve the transfer of money from the employer to the employee, the employer is required to operate PAYE on the value of the notional payment. To reflect the fact that the employee who has received a notional payment is in a better position than an employee who has received his or her PAYE income net of PAYE Tax, a charge under S222 ITEPA 2003, may arise on the employee who is in receipt of a notional payment, if he or she has not made good to the employer the PAYE tax due from the notional payment within a specified timeframe.

Over the years many issues and changes have arisen in relation to the charge under S222 ITEPA 2003, for example, the definition of making good, time limits for making good, the presence of indemnities and the Judicial guidance taken from the Court of Appeal case of Chilcott and others v HMRC and the First Tier Tribunal case of Manning. To reflect this HMRC have updated and introduced new guidance in order to clarify the various issues that have arisen in respect of notional payments made to employees and the corresponding charge under S222 ITEPA 2003.

Guidance on the changes and clarification of the issues can be found in the [Employment Income Manual](#).

Automatic enrolment updates

Are you up to speed with automatic enrolment? Read on for some tips and information about how to meet your legal duties.

The Pensions Regulator (TPR) has a tool to help users of HMRC's Basic PAYE Tools (BPT) work out the amount each member of staff needs to pay into a pension scheme.

All you need to do is use the [Duties Checker](#) on TPR's website to find out if you have to provide a pension scheme for your staff, then access the tool in the 'check your payroll processes' section.

Although it is recommended that you use payroll software or ask your pension scheme for help, the assessment and contribution calculating tool is there for those with no other options.

Missed your staging date? Act now!

If you've realised you're late meeting your duties, don't bury your head in the sand and risk a fine. You'll need to tell TPR straight away, and then work towards putting your staff back in the position they would have been if you'd complied on time.

[Find out what happens if you don't comply](#), and what you need to do to put it right.

No eligible staff to enrol? Bring your staging date forward

If you've assessed your staff and found out you've no one to put into a pension scheme, why not bring your staging date forward and complete your declaration of compliance early? You [can let TPR know you want to bring your date forward](#) on the same form you use to declare your compliance and tick automatic enrolment off your to-do list.

Student Loan thresholds from 6 April 2017

From 6 April 2017 the student loan repayment threshold for plan 1 will change to £17,775. The Plan 2 threshold will remain at £21,000. The SL1 Start Notice or starter checklist declaration will let you know which plan type you should use.

If you receive an SL1 start notice for someone for whom you are already making deductions, check that you are using the plan type shown on the latest SL1 and update this if necessary.

Starter Checklist

The Starter Checklist is a good way of helping you to identify if a new employee needs to repay a student loan.

This information will help you to start deductions using the correct plan type from the first available pay date. [The starter checklist](#) was updated in April 2016 and contains the correct questions for you to ask your employee. Check to make sure you are using the [latest version](#).