

Additional guidance for new/changed data items applicable from April 2014

Late PAYE reporting reason (data item 154):

This data item allows employers to provide a reason why they have not reported payroll information on or before an employee is paid.

The employer should provide a late PAYE reporting reason for each payment separately where a genuine reason is applicable.

All data submitted will still be subject to the usual HMRC compliance checks for accuracy.

HMRC will use the reason supplied to help determine whether any late filing penalties are due, so it is very important that the employer selects the category that is applicable, rather than simply select category G (see table below). HMRC will monitor employers who claim late reporting reasons persistently and on a larger scale and will assess whether such persistent reporting presents a risk that warrants further investigation.

The table below explains the interaction between the late PAYE reporting reason and how the system identifies whether a potential filing failure has occurred. Where the system recognises a failure, it will then consider whether it needs to issue a generic notification message informing the submitter that there has been a potential filing failure based on the logic in the table below. If appropriate, it will also issue an initial default paper letter to the employer. At the end of the quarter, if the failure leads to the tax month being in default, the system will issue a penalty, subject to a few exceptions as under the previous penalty regime.

Late PAYE reporting reason	When the system will identify a potential filing failure
A: Notional payment: Payment to Expat by third party or overseas employer	If a Full Payment Submission (FPS) is received more than 14 days after the end of the tax month in which the payment was made
B: Notional payment: Employment related security	If an FPS is received more than 14 days after the end of the tax month in which the payment was made
C: Notional payment: Other	If an FPS is received more than 14 days after the end of the tax month in which the payment was made
D: Payment subject to Class 1 NICs but P11D/P9D for tax	If an FPS is received more than 14 days after the end of the tax month in which the payment was made
E: No requirement to maintain a Deductions Working Sheet	If an FPS is received more than 7 days after the date of payment
F: Impractical to report work done on the day	If an FPS is received more than 7 days after the date of payment
G: Reasonable excuse	An automatic late filing penalty will not arise
H: Correction to earlier submission	An automatic late filing penalty will not arise

Generally, a 'reasonable excuse' is when some unforeseeable or unusual event beyond the employer's control has prevented them from filing the return on time. It is not possible to give a precise list of what is reasonable, but some examples of 'reasonable excuse' may include:

- their computer breaks down just before or during the preparation of their online return
- an illness has made the employer incapable of filing their tax return
- the employer registered for HMRC Online Services but didn't get their Activation Code in time.

Pressure of work, lack of information, HMRC not reminding, or ignorance of basic law, cash flow problems, or relying on someone else are NOT usually accepted as reasonable excuses.

HMRC has no objection to software developers developing a solution that allows an employer to select a reason which can then be applied to the entire workforce or to multiple employees covered by the RTI submission. While the reason should be reported at employee/payment level, we realise there may be occasions when either the entire workforce or large numbers of the workforce are affected by the same reason, so a solution to apply the reason across multiple employees on a particular submission could be time saving for an employer.

The late payment reporting reason has potential implications on the late filing position and there is a need to avoid as much employer error as possible. We would therefore request that if such a solution is to be designed, the employer is given a warning message that if they select the "entire workforce" option, that the late reporting reason will be applied across the entire workforce, not just an individual.

Account information (data items 156 – 159):

The Bank Account information data items (Name of Account holder, Account number, Branch sort code, Building society reference) are to enable HMRC to process a PAYE refund more quickly to an employer.

If an employer wants a PAYE refund to be made via Bacs, they should provide the appropriate Bank Account details on an Employer Payment Summary (EPS). HMRC will then use the details provided to repay any agreed repayment to the employer via Bacs. This will help improve the speed at which we deal with refunds.

The employer only needs to provide the account details once; HMRC will store the details and use them when a PAYE refund is due. However, if it is easier to supply the information on each EPS, that too is acceptable.

If the account information changes, the employer should report the new account information on the next EPS. Again this new information only needs to be reported once. HMRC access to account information will be limited.

Employment Allowance Indicator (data item 166):

The Employment Allowance is subject to Parliamentary approval of the legislation in the National Insurance Contributions (NICs) Bill

The Employment Allowance Indicator allows employers to indicate that they are eligible to claim the new £2000 allowance available to businesses, charities and Community Amateur Sports Clubs from 6 April 2014, which can be used to reduce their Employer Class 1 Secondary NICs payments to HMRC.

If the employer believes they are eligible, they should select the “yes” indicator. Once an employer has submitted a “yes” indicator, HMRC will retain the eligible status until such time as the employer tells us they are no longer eligible, which they would do by sending the “no” indicator.

The latest selection (“yes” or “no”) remains in place and does not need to be resubmitted at the start of each new tax year. A selection (“yes” or “no”) only needs to be made on one EPS, it does not need to be repeated on each EPS. However, if it is easier to supply the information on each EPS, that too is acceptable.

An employer will be able to submit an EPS that only contains the Employment Allowance Indicator i.e. without the need to include any financial information.

HMRC will publish guidance for the Employment Allowance on the HMRC internet site early in 2014. The guidance will set out the rules determining eligibility for the Employment Allowance, the matters that an employer needs to consider before making a claim and how to claim the Employment Allowance. Given the eligibility rules will depend very much on the individual circumstances of the employer, it will not be possible to provide an exhaustive list of who can and cannot claim the Employment Allowance.

We recognise that it would be particularly helpful to clarify eligibility for some employers. For example, groups of companies and groups of charities, as well as public sector employers, and those businesses which predominantly carry out functions of a public nature. We will look to provide some examples to assist employers to determine whether they fall within the Employment Allowance eligibility criteria.

Where an employer operates more than one payroll within a single PAYE scheme, the employer will need to decide which payroll will benefit from the Employment Allowance. It **will not** be necessary for the software to allocate a proportion of the Employment Allowance to each of the multiple payrolls within the PAYE scheme in such a circumstance.

When nominating the payroll, it is important that the employer chooses the payroll likely to generate the greatest amount of Class 1 Secondary NICs in the tax year to ensure all (or as much of the Employment Allowance as possible) is used in the tax year.

Where an employer operating more than one payroll under a single PAYE scheme qualifies for the Employment Allowance for a tax year and cannot deduct the full amount of the allowance from their nominated payroll (perhaps because that payroll has an annual secondary Class 1 NICs liability less than £2,000) the employer may apply to HMRC for payment of the outstanding balance up to a maximum total of £2,000 (provided there is enough Secondary Class 1 NICs liability during the same

tax year on the other payrolls under the single PAYE scheme that were not nominated for the employment allowance) in the following tax year.

We will seek to ensure that there is an example in the employer guidance on this point (and an employer with multiple PAYE schemes) too.

Number of normal hours worked (data item 54):

HMRC requires an employer to indicate the number of hours the employee would **normally** expect to work in a week, to avoid an employer having to update the bandings on a weekly or monthly basis.

From April 2014 there will be an increase to the number of bandings from 4 to 5.

It is very important that the employer provides an accurate figure as the number of hours is used to support calculation of correct Tax Credit payments. We ask therefore that software facilitates providing accurate data, either by sending the correct value based on the hours worked or by requiring employers to make a conscious decision, rather than including a simple default. Further guidance on how to determine usual working hours is provided at:

<http://www.hmrc.gov.uk/taxcredits/start/claiming/income-hours/work-out-hours.htm>

We will be updating Employer Guidance to advise employers of the new bandings. However it would also be beneficial if the software developers could also point out the changes in some way to avoid employers who used e.g. banding D “Other” in 2013/14 from carrying this forward to Tax Year 2014/15, as banding D will not be “Other” from April 2014.

Period of inactivity group

A change is being made from April 2014 that will allow an employer to submit an EPS that only contains the period of inactivity group i.e. without the need to include any financial information as well.

No payment date from (data item 137) & No payment date to (data item 137a)

HMRC has relaxed the validations so that no payment dates can be submitted during the month.

The “No payment date from” validation will allow dates to be included from the 6th of a previous month up to the 6th of the current month.

The “No payment date to” validation will allow dates to be included from the 5th of a previous month up to the 5th of the current month.

Statutory Sick Pay (SSP) Recovered & Value of SSP YTD

On 17 February 2011 the government called for a major review of the sickness absence system in Great Britain in order to help combat the 140 million days lost to sickness absence every year. The review was jointly chaired by David Frost, former Director General of the British Chambers of Commerce, and Dame Carol Black, then National Director for Health and Work, and was published on 21 November 2011.

The Government published its response to the Sickness Absence Review's recommendations on 17 January 2013. The response also outlines a broader strategy to support the health and wellbeing of the working age population. The full response can be seen at <https://www.gov.uk/government/publications/review-of-the-sickness-absence-system-in-great-britain>

One of the recommendations agreed was the abolition of the Percentage Threshold Scheme (PTS), effective from 6 April 2014. The PTS allows an employer, who meets the criteria, to recover a percentage of the Statutory Sick Pay (SSP) they pay.

Abolishing the PTS means the removal of Data Items 91 (SSP recovered) on the EPS and 69 (Value of SSP YTD) on the FPS from submissions relating to 2014/15 and future years. Data item 123 (Value of SSP YTD) will be removed from the EYU relating to changes to submissions for 2014/15 and later years. Employers will still be able to claim PTS for 2013/14 and earlier years until 5 April 2016.

The current SSP record keeping requirements will also be abolished at the end of the 2013/14 tax year, however employers will still be required to maintain SSP records for Pay As You Earn (PAYE) purposes.

These changes are still subject to parliamentary approval.

Occupational pension indicator (data item 145) and amount of occupational pension (data item 34)

We are introducing cross field validation to ensure that employers cannot enter an amount of occupational pension without selecting the occupational pension indicator.

We are introducing this cross validation to help with a problem HMRC is experiencing where employers are entering, or some software may be automatically populating 0.00 or zero into the amount of occupational pension. Because there is an entry in this field, HMRC back end systems are creating a Pension record and issuing tax codes accordingly.

We are therefore introducing this cross field validation to make employers think twice about whether they truly want to indicate an occupational pension amount.