Minutes of the Employment Consultation Forum

Date: 20 June 2013
Location: 100 Parliament Street

Co-chair	Wayne Sumner	Head of Employer Engagement & Strategy
Co-Chair	Karen Thomson	Chartered Institute of Payroll Professionals
Secretary	Carole Carter	Employer Engagement

Attendees:	
Peter Bickley	Institute of Chartered Accountants England and Wales
Trevor Blackmur	Association of Taxation Technicians
Glen Collins	Association of Chartered and Certified Accountants
Norman Green	British Computer Society
John Hampton	Confederation of British Industry
Helen Harvey	Payroll Bureau – Nanny Tax
Colin Ben Nathan	Chartered Institute of Taxation
Simon Parsons	Payroll Bureaux
Jackie Petherbridge	Federation of Small business and Private Sector Payroll
Linda Pullan	Payroll Alliance
Alex Rowson	Business Application Software Developers Association
Ken Voller	Institute of Chartered Accountants England and Wales
Ian Whyteside	Association of Accounting Technicians
HMRC	
Lucy Allen	Personal Tax
Carol Beardsley	Personal Tax
Angela Brown	Personal Tax
Mel Burgess	Personal Tax
Kathryn Curran	Personal Tax
Margaret McColgan	Personal Tax
Phil Nilson	RTI Programme
Mike Purvis	HMT
Jon Prothero	Personal Tax
Matt Ray	HMT
Lesley Twitchen	Digital Services
Michelle Watson	Personal Tax
Stephen Webb	Personal Tax
Apologies:	
Clive Johnson	Association of Internal Accountants
Jason Piper	Association of Chartered and Certified Accountants
Justine Riccomini	The Institute of Chartered Accountants of Scotland
Iain Scott-Shore	Confederation of British Industry
Jane Turley	International Association of Book-keepers

1. Welcome and Introductions

KT welcomed KV to his first meeting as a new member representing the Institute of Chartered Accountants England and Wales

JH is retiring and this was the last ECF meeting he would attend after 20 years involvement in forum work. Everybody wished him well.

2. HMRC Update

KS gave a performance update.

Call handling – for the 6 months up to the end of April 2013 HMRC achieved over 90% of calls handled.

Post – HMRC cleared 85% of post in 15 days against an 80% target and 97% within 40 days against a 95% target.

PAYE – for the first time since HMRC formed – we are up-to-date with PAYE as agreed by the Public Accounts Committee. This means we have reconciled all outstanding PAYE cases up to and including the tax year 2011-2012.

We now have more PAYE customers than ever before.

Moving forward as RTI become business as usual it is intended we will have more conversations with forum members to ascertain how it is going, ie discuss areas where it works better than envisaged, areas where there are problems and also discuss how to make the most of reporting through PAYE in real time. The forum members would also like to discuss whether the savings envisaged are being realised in practise.

It is envisaged that sessions will be run in late July through to early September co-hosted by CIPP. Outcomes from these sessions will be discussed at the September meeting.

Some members thought this might be too early to hold these discussions.

Action: ECF secretariat and strategy team to work with the RTI programme to look at previous work on RTI benefits and use this as a basis for these sessions.

3. Tax-Free Childcare

MR came along to the meeting to give a further update on the information provided in April.

The consultation on this will start shortly and run through to September. HMRC want to work with employers to ensure:

- Tax-Free Childcare makes it easier to work for more people
- The delivery of the scheme is efficient and keeps costs down for all
- That the transition period works for employers

Members raised questions about how the new scheme will run in conjunction with the compliance regime.

They also discussed the necessity for vouchers and raised concerns that parents could lose out to the fees charged. Any system needs to be efficient, fair and competitive.

It was felt some small companies could be disadvantaged by this new system as they don't all use voucher companies. There are concerns that a two tier system could operate in some companies.

There was a view that childminders and nurseries could administer the voucher scheme themselves.

The way the parental declaration might work was also discussed.

The definition of what constitutes a family needs to be clear.

Action – Secretary to send out link to consultation document this is expected to be published early July.

4. Future plans for pdf and helpbook publications

LT and MW outlined the plans for decommissioning some of the helpbooks:

HMRC are beginning to look at the many digital and non digital customer support products in order to:

- Ensure we meet the digital by default strategy
- Ensure we meet digital customers needs with the best digital product
- Reduce duplication of support products available digitally
- Ensure we support assisted digital employers with the best product

Analysis has shown the content in the helpbooks listed below are a duplication of guidance available on our website. Statistics held also show the demand for the guidance on our web pages far exceeds the demand for these helpbooks.

For example E11 demand totalled 2.78% compared to 97.22% for equivalent web guidance

HMRC is therefore considering decommissioning:

- E11 (starting the tax year)
- E13 RTI (Day to Day payroll)
- P49 (Paying someone for the first time)

Before any decision is made HMRC needs to understand and consider employer views and LT and MW led a discussion with the members.

Action: secretary to issue a questionnaire for members to complete and issue further as appropriate. The deadline for feedback is **16 July.**

It was stressed that any guidance provided needs to be in a printable format. This is particularly important for employers who live in rural areas with no broadband connection. These employers need to go to the nearest town and use access in libraries to print off what is needed.   It is important that as part of the Assisted Digital Strategy HMRC speak with employers in these areas.

It was also stressed by the members that it is imperative HMRC do not decommission production of the tax tables.

It is also important that the National Archive Site is publicised more clearly so that employers know where to find past guidance which could be needed for appeal cases.

5. RTI Update

PN gave the latest update information:

- There have been no major issues
- On 2 May – earlier than anticipated – HMRC announced that over 1 million PAYE schemes were successfully reporting in real time
- The figure currently stands at over 1.433 million schemes
- HMRC is receiving up to 140,000 FPS' a day and up to 7,500 EPS' a day
- Over 184,000 schemes are reporting using HMRC's Basic PAYE Tools
- Since go-live, HMRC has issued a number of 'What's New' items aimed at supporting employers through the initial months; these include:

        - Annual schemes
        - Paying HMRC on time and in full
- The reporting relaxation for smaller businesses is to be extended form October 2013 until April 2014
- HMRC continue to work in collaboration with DWP towards a smooth introduction of Universal Credit from October 2013

Starting on 24 June, HMRC are writing to those employers who appear not to have made any real-time PAYE submissions. Members sought reassurance from HMRC that these letters will not be sent to any employers who should not, for whatever reason, receive one.

HMRC will send letters to employers where we appear to have not received a return or payment by 19 July. No one should be unnecessarily worried by receipt of one of these letters, these are penalty warning letters and the purpose is to remind employers that they should submit their return and pay HMRC in full as soon as possible. We are taking a soft landing approach and late payment and late filing penalties will not be implemented until April 2014. However, failure to pay in full and submit the appropriate returns during 2013-14 could lead to a penalty at the end of the tax year. We have undertaken a number of checks to ensure that the letters will only be issued where appropriate, but cannot guarantee that no letters will be issued erroneously.

PN also explained that penalty letters will be issued from early July to pilot employers who have not submitted an FPS or EPS for 2012-2013 **–http://www.hmrc.gov.uk/news/rti-pilot-employers.htm**

Every effort has been made to ensure that these letters are issued only where appropriate. However, we cannot guarantee that no letters will be issued erroneously.

Duplicates

There are a comparatively tiny proportion of PAYE schemes and employments where duplicate employments have occurred. We have investigated all the instances of duplicate employments and can confirm that there is no underlying IT issue. The duplicates have occurred for a range of reasons and we appreciate that employers are still getting used to the new way of reporting PAYE in real time.

The main reason for duplicate employments is where the employment was omitted from the alignment return. We have published guidance in the form of a "what's new" article to remind employers of the correct process (see http://www.hmrc.gov.uk/news/rti-taxcodes.htm). Other causes have been due to incorrect reporting of starters, changes of employment ID without completing the change employment ID indicator, and a tiny number due to changes of designatory data. We will be updating our guidance to make this clearer.

PN explained that HMRC have identified a number of further duplicates that have been created and are working to identify the causes. Once the work is complete HMRC will issue further guidance.

Some members had experienced delays getting through to the helpline and had concerns about the quality of advice given.

- Call handling is currently running at around 76%. We are monitoring the position closely to ensure we get the right resource balance and flexibility across lines of business especially in light of the building demand on Tax Credits. We remain on track to achieve our published aims for this year

- The Employer Helpline is currently handling around 10,000 calls a day, mainly on:

P11D deadlines
2012-13 penalties
Scheme cessations, prompted by HMRC writing to employers who had not made any RTI submissions.

While there is no evidence of any problems with the quality of advice offered by the Helplines, we are not complacent. We remain committed to equipping staff to provide the best service possible. Knowledge is regularly refreshed and, of course, we employ techniques to monitor and improve performance.

6. Employment Allowance

SM and EB attended and advised:

- All businesses, charities and Community Amateur Sports Clubs will be able to reduce their Employer Class 1 National Insurance bill by up to £2000 a year from April 14. This reduction is known as the 'Employment Allowance'.
- The allowance will be claimed as part of the normal payroll process through RTI
- There will be a box on the EPS submission to claim the allowance
- The Basic PAYE Tools will be revised to include this
- The allowance only needs to be claimed once.
- There will be a process to highlight if a claim is no longer eligible
- The allowance cannot be split between PAYE schemes. Employers with multiple PAYE schemes will need to ensure the Allowance is only claimed once, against a single scheme.

The full technical specification for software developers is due out shortly.

A number of issues around this were discussed. The main areas raised were the need for HMRC to produce clear timely guidance which gives clear guidelines for employers to make a claim. The guidance also needs to include anti-fraud measures. Members would like the opportunity to be consulted about the guidance as this will be critical to successful take-up and employer perception of how easy it is to claim.

The group also commented that not all Employers were familiar with the EPS submission on RTI. They mentioned that the EPS was not included in all software packages. Both these factors could impact take-up of the allowance. Using the EPS is part of the policy design so that the Allowance can be claimed within standard payroll processes. HMRC will also be updating its basic PAYE tools to allow Employers to claim the allowance through this route.

Members were disappointed there had been no consultation around how the allowance was to be delivered and felt RTI was not the best way to make a claim.

7. New online Expenses and Benefits form

MB and CK advised that the new Expenses and Benefits iform P11D will go live on 24 June.
http://www.hmrc.gov.uk/payerti/exb/onlineforms.htm

A discussion then took place about the impact of the delay on employers who had been waiting for this form. The form was originally due to be available by 19 June. The delay had been compounded as the other options available are submission only and do not calculate and the facility was removed from the Basic PAYE Tools.

HMRC have extended the 6 July filing deadline. A late filing penalty will not be charged as long as the P11D(b) reaches HMRC by 19 July.

Members did not consider that this was acceptable.

Action: WS agreed he would flag the issue around the impact of the delay.

Following the meeting ECF representations were put to the relevant HMRC Director and as a result the What's New message on the link below was issued.

http://www.hmrc.gov.uk/news/online-eoy-exb-service.htm

8. Reg 72

HMRC are conducting a review of its operation of Regulation 72 to streamline the delivery process and to ensure that the legislation is applied fairly. As part of this review consultation sessions have been held with employee and employer groups to understand their perceptions and to help HMRC design a process that meet the needs of all parties.

Groups have been asked to consider:

1. What is their perception of "taking reasonable care"
2. What is their perception of an error "made in good faith"

Various examples were discussed. It was suggested that it might be better to consider publishing what is NOT reasonable care or error made in good faith. Definitions need to be considered bearing in mind the more digital arena and the bar should not be set too high.

9. Restriction of pensions annual and lifetime allowances

JP/SW discussed the current issues in connection with Annual Allowance and Life Time Allowances to explore behavioural responses to the restrictions.

- Consultation into Individual Protection released on 10 June and closes on 2 September. https://www.gov.uk/government/consultations/pensions-tax-relief-individual-protection-from-the-lifetime-allowance-charge.

- Employers need to provide information about their employees to the scheme administrator of the pension scheme by 6 July 2013 for pension input periods ending in the tax years 2011-12 and 2012-13. Further information about this can be found at http://www.hmrc.gov.uk/manuals/rpsmmanual/RPSM06107530.htm.

- Amongst various areas, HMRC is currently working on;
    1. An online Life Time Allowance checking tool to help individuals make decisions about FP2014/IP2014
    2. An Online Annual Allowance checking tool which will hopefully coincide with October pension statement date
    3. An Annual Allowance Calculator for Career Average Schemes

Members felt that restrictions to employer pension provisions was primarily driven by need to reduce cost of the provision and because of changed accounting treatment, rather than because of changes to the tax treatment. Members felt that the following behavioural changes were a fair reflection;

- Employers may have moved to less expensive schemes
- Employers providing taxable supplements (cash or other benefits) to senior employees instead of making contributions in excess of the AA limit
- Employers restricting the generosity of the pension scheme without providing any replacement.
- Rising awareness amongst directors and board members, driven by Automatic enrolment.

10. AOB

Mandating the Scheme Contracting-Out number (SCON) with effect from 6 April

Background - The Department for Work and Pension's (DWP) White Paper 'Single-tier pension – a simple foundation for saving' was published on 14th January 2013. These reforms will restructure the current State Pension into a simple flat rate amount that ends the current two-tier system of basic and additional State Pension for those individuals who reach state pension age on or after 6 April 2016.

If Parliament agrees the changes they will be introduced from 6th April 2016.

The key features of the Single–tier pension are:

- A new, simpler flat rate State Pension
- Increase the number of qualifying years needed for a full Single-tier Pension to 35 years (the current basic State Pension requires 30 qualifying years)
- Introduce a minimum number of qualifying years needed to get a Single-tier Pension. The White Paper proposes this will be between 7 to 10 years
- **Remove contracting-out status from Defined Benefit Schemes (more commonly known as Contracted-out Salary Related Schemes)**
- Bring Self Employed people fully into the State Pension for the first time.

For more information go to www.gov.uk/dwp/single-tier-pension

The end of Contracting-out

If the proposed changes achieve Royal Assent it will mean that with effect from 6 April 2016 the contracting-out status will be removed from Defined Benefit Schemes (more commonly known as Contracted-Out Salary Related (COSR) Schemes). This will require closure of all open periods of Defined Benefit entries on HMRC's systems.

Currently employers/pension providers are required to provide details of their SCON when they submit a termination notice of contracted-out employment to HMRC i.e. when an employee leaves their pension scheme. The SCON is a vital component to identify which pension scheme an individual is in.

With effect from 6 April 2016 all periods of contracted-out employment will effectively end. To negate the need for Employers / Pension Providers to submit a termination notice for those employees who are a member of a contracted-out scheme as at 5 April 2016 a decision has been made to mandate the inclusion of the SCON on the employers Full Payment Submission (FPS) sent via RTI. The facility for employers to include the Scheme Contracted-out Number (SCON) on their FPS is already available, although the field is optional at the moment.

This will mean that from April 2014 an employer **must** provide details of the Scheme Contracted-out Number (SCON) for each individual employee who is a member of their Defined Benefit Scheme.

Currently all employers must show their Employer Contracting–out Number (ECON) on their FPS, sent via RTI, if any employee has been in a contracted-out scheme at any time during the tax year. Inclusion of the ECON is mandatory and failure to provide this information results in the FPS being rejected by HMRC's validation checks.

Therefore, in preparation for the proposed changes:

With effect from 6 April 2014 it will be become mandatory for employers to show the SCON appropriate to the employee on the FPS, in addition to their ECON, when submitting contracted-out contributions (i.e. categories D,E,L,N and O) for any employee who has been in a contracted-out scheme at any time during the tax year.

The ECON is in most cases unique to the employer but an employer can have several SCONs if they have a number of different contracted-out pension schemes. **It's important to ensure that the correct SCON for that employee is entered on the FPS**. Employers can find their ECON and SCON from their contracting-out certificate or from their pension scheme administrator.

HMRC's validation checks will be updated to reflect this change so any FPS received without a valid SCON where National Insurance category letters D,E,L,N or O are present will be rejected.

Members were concerned that employers would not know the SCON number and strongly opposed this requirement as they felt HMRC should already have this data.

64-8 and FI2

A group is to be set up to look at the 64-8/FI2 process. The Agent Strategy will mean a more digital way of dealing with this. Jackie Petherbridge is representing ECF on this group.

JP identified a problem with unauthorised agent submissions. Delays encountered when dealing with overseas clients this makes it difficult to submit in real time.

Members were asked to refer any issues in connection with 64-8/FI2 process to Jackie and copy to Carole Carter.

The next meeting will be held in 100 Parliament Street on Thursday 19 September.