JOINT EXPATRIATE FORUM ON TAX AND NICS: 7 July 2014
Chancellor's Room, HMRC, 100 Parliament Street, London, SW1A 2BQ

Chair: Mary Aiston (HMRC) and Philip Paur (Deloitte LLP)
Secretary: Owen Price and Olakunle Ogundele (HMRC)

MEETING NOTE

1. Introductions

1.1 Introductions were given. The planned consultation document on the restriction of Personal Allowances for non residents had not yet been published. It was therefore decided that this item would no longer be discussed at the meeting and the agenda was amended accordingly.

2. Note of January meeting and Q and A log

2.1 The minutes of the April meeting have been published on the gov.uk website. The action points from the previous meeting were reviewed and a rundown of the Q&A log was given. A question on UK tax charges and transfers of pensions to the US is outstanding. HMRC will aim to provide a response as soon as possible.

3. CGT & Non Residents

3.1 The consultation on the proposal to extend capital gains tax (CGT) to non residents has now closed. HMRC and HM Treasury (HMT) thanked those who had provided responses to the consultation.

3.2 HMRC and HMT are now considering the responses to the consultation in advance of submitting advice to Ministers. HMRC/HMT intend to publish a formal summary of responses in due course.

3.3 Private Residence Relief was one of the most popular topics of discussion at the consultation working group meetings. The consultation considered abolishing 'main residence' elections, although it was recognised that this would cause uncertainty and present difficulties for some individuals and invited alternative suggestions. Suggestions have included modifying the Statutory Residence Test where a person makes an election and restricting when an election can be made, such as by reference to the number of days an individual occupies their residence.

3.4 HMRC/HMT again confirmed that gains made up to April 2015 would not be taxed but options around rebasing or valuation need to be considered further as part of the final design.

3.5 Forum members queried whether certain periods of absence from a main residence will still be treated as periods of residence in certain circumstances as set out in S223 (3) TCGA 1992. HMRC/HMT explained that the consultation was not reviewing existing rules beyond determination of a person's main residence – the supplementary PRR rules and reliefs will therefore remain unchanged, subject to any changes Government wishes to introduce independently from extending the

scope of CGT to non-residents (the changes to final period relief in the current Finance Bill were noted).

3.6 Forum members asked if HMRC/HMT would use the proposed change as an opportunity to tidy up existing legislation where necessary. HMRC/HMT stated that whilst this may be considered, it was not a priority and HMRC/HMT could not undertake to make changes to existing legislation.

3.7 Forum members asked if HMRC/HMT were still considering implementing a withholding system to collect any tax due. HMRC/HMT stated that they were still considering the collection method and were now considering a possible payment on account system, which would be paid by the taxpayer rather than a third party. HMRC/HMT stressed that this idea was still being considered and no Ministerial decisions have been made.

3.8 Forum members asked if HMRC intended to develop an online calculator to help taxpayers to calculate any taxable gains. HMRC agreed that whilst such a tool would be desirable in the long term, it would need to be considered in the context of other priorities.

4. Compliance and procedural matters

EP Appendix 4

4.1 Following discussions at the previous Forum, HMRC has revisited the wording of EP Appendix 4. HMRC stated that there was no intention to expand EP Appendix 4 beyond these proposed changes. **Post meeting note** – *The revised EP Appendix 4 will be issued at the end of August 2014. Existing users may use the new arrangement without sending a new application to HMRC.*

4.2 The agreement reminds employers and HMRC that EP APP4 is an arrangement which can be used to relax the obligations an employer may otherwise have to operate PAYE where the conditions are met. If an individual is not employed by, paid by or working for the employer, PAYE will not apply. Where the duties are purely incidental and Section 39 ITEPA applies, there will be no taxable earnings under S27 and as such no PAYE income. This often applies where the overseas employee comes to the UK to undertake classroom based training which includes no productive work for a period or periods of no more than a total of 91 days in the year.

4.3 The proposed changes allow the inclusion of Short Term Business Visitors (STBVs) covered by the 60 day rule and those visitors legally employed by a UK company but economically employed a foreign employer for whom the employee works in the UK as a STBV.

4.4 HMRC did not receive any requests following the previous Forum to include other specific groups. HMRC has however decided to include in the arrangement, an opportunity for employers to seek agreement to include particular employees where they would be covered by treaty but would normally be excluded from EP APP4. Such applications must be made in advance and should include full details of the

nature of the duties performed, the extent to which costs are borne by the UK employer and the basis on which treaty is expected to apply. This is initially being offered on a trial basis. Applications should be limited to situations where it is clear that treaty will apply. HMRC will review the position after 12-18 months or earlier if volumes of requests become unmanageable. The requests may be for named employees or particular groups of employees where appropriate

4.5 The proposed draft includes reference to Tax Bulletin 68. The 60 day rule includes a 59 day count which takes into account past and future visits where these are related. Example 3 refers to Cedric a financial controller whose duties will include regular pattern of short visits year on year. He will be integrated into the UK business and excluded from the 60 day rule. This of course does not preclude him from being included in EP APP4 if he otherwise meets the conditions. The new agreement has separate category for those covered by the 60 day rule.

4.6 HMRC does not intend to produce more examples. HMRC acknowledged that the modern world of employment is hugely complex and that it is not practical to cover every possible scenario. HMRC made the point that by seeking to be prescriptive and cover very narrow situations may have the unintended effect of making EP Appendix 4 less generous.

4.7 HMRC is also proposing to publish some FAQs to provide additional information to customers in relation to EP APP4. The content will be limited to practical issues only and will include some material from previous forum minutes. No technical analysis of the OECD Commentary will be included. The first draft will be provided to the forum in the autumn. Members are invited to provide sample questions.

<u>EP Appendix 5</u>

4.8 From April 2015, employers will no longer be able to use EP Appendix 5 if they do not have compatible software.

4.9 As discussed at the previous Forum, HMRC has contacted all known EP Appendix 5 users by letter. HMRC received responses from around 20% of employers, of which around half said they were reporting correctly. The remainder are in contact with their software developers.

4.10 HMRC will be targeting some customers for follow up calls at the end of the month and propose to include a message in the Employer Bulletin. HMRC is also speaking to software developers regularly.

4.11 HMRC discussed NICs, tax equalisation and EP Appendix 5.

4.12 When a payment of an employee's foreign tax is paid to the overseas authority by an employer under a tax equalisation arrangement, it is a payment to or for the benefit of the employee, and therefore it is earnings.

4.13 If the employee is entitled to foreign tax credit relief, the UK tax is reduced and as such the gross income under tax equalisation is also reduced accordingly. As such applying advanced FTCR at the time the foreign tax is paid via EP APP5 or via coding relief will reduce the exposure to NICs.

4.14 Forum members have made representations to HMRC to consider this issue. HMRC has agreed to consider the issue further but will only review actual affected cases with pay details and UK tax/NICs computations affected by foreign taxes supported by copies of the employee's original contract of employment and contract in use (assignment letter or equivalent) for the period of overseas service, rather than hypothetical examples. Forum members felt that many companies would not feel comfortable providing this information. HMRC agreed that they would consider anonymised data but again stressed that they were not prepared to consider hypothetical situations.

Meaning of 'works for' in S689(1)(a) ITEPA

4.15 HMRC has previously described "working for" as "paid by, working on behalf of, or to the benefit of". HMRC does not regard "working for" as simply meaning "working for the benefit of".

4.16 There must be an element of control or management akin to an employee employer relationship for Section 689 to apply. This is not a new concept and has been the basis of "working for" for S689 purposes and its predecessor S203C ICTA 1988.

4.17 There will be straightforward situations where the employee is clearly working for his overseas employer whilst in the UK - a simple example being an employee of a US car plant manufacturer who installs equipment in the UK as part of the contract between the UK and US Companies.

4.18 HMRC does understand that individuals sent from group companies may be working for their foreign employer whilst working at the premises of separate UK entity. In the above example, the entities may be part of a multi national group.

4.19 In connection with employment services for treaty purposes, the OECD commentary on Article 15 at 8.13 refers to services which are integral to the business of and bearing the responsibility or risk for the results produced by the individual's work. HMRC does not regard the comments to be relevant in determining whether there is a domestic PAYE obligation although the concepts are similar and may result in the same conclusion.

4.20 It is the responsibility of the UK Company to decide whether there is a PAYE obligation based on the particular facts.

Shared Workspace

4.21 The pilot set up last August was very successful and both HMRC and the agents involved learned a lot. Due to the success, HMRC will be extending the use of the Shared Workspace e-room facility to other customers from September.

4.22 HMRC stated that any agent wishing to use Shared Workspace may need to obtain the written permission of their clients before doing so. HMRC also explained that the facility is suitable primarily for large agents and is limited to Personal Tax International customers only.

4.23 Forum members asked HMRC about how secure the facility was, given that agents could potentially be transferring across large amounts of employee data. HMRC confirmed that the facility is accessed through the Government Gateway and they are satisfied that it is secure.

5. AOB

5.1 A forum member raised a question about the operation of Regulation 185. The member suggested Regulation 185 does not work well in all cases and asking HMRC to review their interpretation to ensure fairness in all cases. HMRC agreed to consider these representations.

6. Date of next meeting

6.1 The next meeting will be held in the Auditorium on 7 October 2014 at 11:00am.

HM Revenue & Customs Joint Forum on expatriate tax and National Insurance contributions Q & A Log: introduction

These logs contain answers prepared by HM Revenue & Customs (HMRC) staff in response to questions raised by members of the Forum.
Where possible these answers will refer to guidance published elsewhere. The responses given in these logs are not expected to be comprehensive or provide a definitive answer in every case. If you have a specific query about a particular case you should contact HMRC in the normal way.
HMRC base these answers on the law as it stood at date of publication and will incorporate answers given into the appropriate guidance manuals where necessary. HMRC will publish amended or supplementary guidance if there is a change in the law or in the department's interpretation of it. HMRC may give earlier notice of such changes through a Revenue & Customs Brief or press release. Taxpayers and their advisors should check that the answers given in this log have not been superseded by amended or supplementary guidance.
Subject to those qualifications readers may assume the answers apply in the normal case; but where HMRC considers that there is, or may have been, avoidance of tax the answers will not necessarily apply.
Neither this log nor its publication affects any right of appeal a taxpayer may have.

Expats Forum: Q & A Log – 29 April 2014

No	Question	Answer
1.	**Special mixed fund rules.** I'm afraid that we don't completely understand how the rules are being interpreted and applied. The first example deals with the position where payments are made by the employer into two non-UK accounts, one of which is a qualifying account. We agree that each account should be treated as containing the same pro-rata share of S15 and S26 income. We also agree that remittances from the non-qualifying account are from S15 income in that account in priority to S26 income. We don't however understand the statement, "Because the qualifying account must be looked at in priority to the non-qualifying account, "other transfers" would reduce the amount of the section 15 and section 26 income available to remit from the non-qualifying account." HMRC's example shows that if all the funds in the US qualifying account are spent outside the UK, that reduces the funds in that account pro-rata, in accordance with the rule in S809RA(2). Consequently the £72,000 spent from the qualifying account would be £57,600 S15 earnings and £14,400 S26 earnings. According to the example, the £4,000 (S15 £3,200 and S26 £800) credited to the non-qualifying account are not affected by the offshore transfer from the qualifying account, which appears to contradict the sentence quoted above. Could HMRC please explain or clarify this? In the second example (remittances from both the qualifying and non-qualifying accounts) we find it difficult to understand the method	First example: The qualifying account is looked at in priority to the non qualifying account because of section 809Q(1A) ITA 2007. In the original question there were no remittances or offshore transfers from the qualifying account. The subsequent remittances from the non qualifying account will follow the ordering rules in sections 809Q and 809R ITA 2007 as described in the second part of the question below. Each monthly remittance of £3,600 will therefore have a pool of £8,000 section 15 ITEPA 2003 and £2,000 section 26 ITEPA 2003 income for the mixed fund rules to operate on (i.e. the total amount deposited monthly to both accounts). The monthly remittance of £3,600 will therefore consist of section 15 ITEPA 2003 income (section 809Q(4)(a) ITA 2007). In HMRC's original response we contrasted the above position with one where all of the money paid to the qualifying account was the subject of an offshore transfer in the year. As the qualifying account is looked at in priority to the non qualifying account all of the income in the qualifying account is regarded as removed from it under the single offshore transfer in section 809RA ITA 2007. On subsequently dealing with the non qualifying account using the transaction by transaction mixed fund rules, the monthly pool of income available for remittance is only £3,200 section 15 ITEPA 2003 and £800 section 26 ITEPA 2003 income. Each monthly remittance from the non qualifying account therefore consists of £3,200 section 15 ITEPA 2003 and £400 section 26 ITEPA 2003 income under the normal operation of section 809Q ITA 2007. We are not entirely sure what the problem here is and suspect it may just be one of the language we used in the original response. Of course the offshore transfers do not

No	Question	Answer
	applied. We agree that the first step is to identify the remittance of £20,000 from the qualifying account, which is all S15 income. However, we do not understand why the remaining £100,000 is apportioned in the way it is on a monthly basis between the qualifying and non-qualifying accounts. For instance, if the £20,000 is remitted from the qualifying account, why is it subsequently split between the qualifying and non-qualifying accounts (pro-rata to the overall allocation of payments between them)? At f) HMRC say that there is enough S15 income in the monthly payments to the offshore accounts to ensure the £3,600 monthly remittance is entirely of section 15 income. However, on HMRC's figures at e) the unremitted monthly S15 income in the non-qualifying Jersey account is only £2,533. The only way in which the individual's monthly remittance of £3,600 from the non-qualiyfing account can be treated as entirely S15 is to look across to the qualifying account and bring in the S15 income in that account. Is that HMRC's interpretation? Looking at HMRC's variation to the second example, where £72,000 is remitted from the qualifying account, it is again not clear how the earnings attributed to each account match with the funds in it. For instance, we're told that after factoring in the £72,000 remittance (which it appears is all S15 income) we have to identify the monthly income credited to the qualifying account as S15 £1,200, S26 £1,200 and £3,600 remitted. In fact there is only £4,000 left in the account after the £72,000 remittance, so for HMRC's approach to work we have again to "borrow" S15 income from the non-qualifying account and in effect treat the two accounts as one for the purpose of identifying the S15 and S26 income in them. Is that the intention? In summary, it would be helpful to have a clear statement of the principles applied where there are two or more offshore accounts from both of which remittances are made to the UK and from both of which offshore transfers are also made. Please consider • Condition A transfer from a qualifying account • "Other transfers" from a qualifying account • Remittances from a non-qualifying account • Offshore transfers from a non-qualifying account	*reduce* what is in the non qualifying account in any way . We hope this further explanation is helpful in your understanding of the legislation. Second example: It is HMRC's view that the mixed fund rules begin to apply to a salary payment at a point just before it is paid to employee. As each salary payment is a mixture of section 15 ITEPA 2003 and section 26 ITEPA 2003 income, the mixed fund rules will apply to determine the composition of each offshore account. As section 809R(5) ITA 2007 gives priority to section 809Q ITA 2007 the composition of each salary payment can not finally be determined until the single remittance from the qualifying account (and the single offshore transfer if there is one) has been dealt with. It is not possible to know in real time what the composition of either account is. The proportional rule in section 809R(4) ITA 2007 applies to the balance remaining after the single end of year condition A transfer. Having determined the composition of each salary payment into the accounts, the mixed fund rules will apply to each transaction from the non qualifying account on a transaction by transaction basis through the year. It is HMRC's view that dealing with the accounts in this way will avoid any potential double counting of income when dealing with the non qualifying account on the transaction by transaction basis. On the second point, again because HMRC's view that the mixed fund rules begin to apply at a point just before it is paid to the employee and the legislation gives priority to section 809Q ITA 2007, a remittance from the non qualifying account will be section 15 ITEPA 2003 income to the extent that such income has been paid into either offshore account at that time. This was the basis of the original question 1 where only £3,200 section 15 ITEPA 2003 income was paid into the non qualifying account but each monthly remittance of £3,600 was treated as remitted. This is HMRC's view of the correct operation of the mixed fund rules in sections 809Q and 809R ITA 2007 in these circumstances and we do not recognise the concept of "borrowing" mentioned in the question. HMRC's view on when the mixed fund rules begin to apply in a situation where salary is split between accounts should, in most circumstances, be beneficial to employees. It ensures remittances from the qualifying account will be of section 15 ITEPA 2003 income to the extent that such income has been paid into either offshore account and from the non qualifying account to the extent that either account contains section 15 ITEPA 2003 income at the time of the remittance.

No	Question	Answer
2.	**SRT** If an expat is on gardening leave abroad for say 90 days (in between 2 overseas employments), would this be considered a significant break when looking at residence status for FTWA. They would not be able to go to work for the odd day but are they really on call (so working) so not on a break ?	HMRC can confirm that for the purpose of the SRT gardening leave is regarded as work and satisfies the test at S26(2) Sch45 FA13. In the scenario outlined there is no significant break from work.
3.	**SRT** If an expat returns to the UK in say 13/14 but they have been non resident in the UK for the prior 5 years, are they allowed to make an election to go back and consider the residence status in earlier tax years so that they may be able to use case 6 ? so perhaps they were resident in the UK in 1 of the 4 prior tax years if they were to make an election to look at those years using new SRT rules…hence they could then use case 6 ?	The SRT transitional provisions are set out at S154 Sch45 FA13 and apply to the years 2013-14 to 2017-18 inclusive. To the extent that the residence of an individual in a pre commencement year is relevant to deciding residence under Sch45 an irrevocable election can be made to have their residence in one or more pre-commencement years decided by reference to the SRT. In the scenario outlined, for the purpose of determining their residence for 2013-14 the individual could elect to have their residence status for one or more pre-commencement years determined by reference to the SRT. If such an election was made and the outcome was they would be regarded as resident for a year relevant for the purpose of deciding whether in 2013-14 split year case 6 applies and all other conditions of split year case 6 are met then split year case 6 will apply.
4.	**PAYE failure - prompted disclosure** What counts as a prompted disclosure of a PAYE failure in the case of an employee who subsequently files a Self Assessment return showing the income as a receipt but with an entry for tax deducted which is less than expected. If the employer reports or corrects the PAYE error before HMRC has taken any action, or even reviewed the SA return, does that count as a prompted disclosure? We understand that a disclosure would be prompted if made after HMRC had started an enquiry or investigation into the SA return, and the employer was aware of it. However, it seems to us that the mere possibility of an HMRC investigation resulting from a possible future enquiry into another party's return (which is prepared and filed by the employee at their initiative and discretion) is too remote a contingency for the employer's disclosure to count as "prompted", and that HMRC has in the past followed this approach. How is the guidance at CH84820 to 84822 to be interpreted?	The legislation says a disclosure is unprompted if made at a time when the person making it had no reason to believe that HMRC has discovered or is about to discover the inaccuracy or underassessment. HMRC does not need to have started an enquiry for the disclosure to be "prompted". The test is whether the employer had reason to believe that HMRC were about to discover the inaccuracy or underassessment. Clearly where the employer is aware of the submission of the employee's tax return, or aware that HMRC has issued a notice to file such a return he is more likely to have reason to believe... but each case will be considered objectively.
5.	**Special Mixed Fund Rules and qualifying accounts**	1. We agree that all salary payments made to a qualifying account will be eligible

No	Question	Answer
	1. Client qualifying account was set up on the 13th Sept, he was paid into the account on the 30th Sept but his income paid into the account was for the full month of Sept. Per the rules the account is considered a qualifying account from the date on which the first deposit of earnings is paid into it. Therefore as these earnings are for the month of Sept I would think it reasonable to calculate OWR from 1 Sept. Or should we only be calculating OWR from 30th Sept? We believe it is 1 September but please can this be confirmed? 2. Special Mixed fund rules FAQ's re what can be paid into a qualifying account say: *'Qualifying earnings' from the employment are general earnings from an employment for a tax year when the individual is resident, qualifies for OWR and performs duties of that employment both in the UK and overseas (if the year is a 'split year' for residence purposes, then those duties must be performed in the UK part of the year).* The question is - does this mean you have to qualify for OWR and perform UK + non UK duties in the year you receive the earnings, or the year you earned the earnings, or both? For instance if you have to qualify for OWR and have worked in and out of the UK in the year you receive the income, this would mean if you received a bonus in year 4 when you couldn't qualify for OWR but which was at least partly earned in an earlier year while you did qualify for OWR, you would not be able to pay this into a special mixed fund rules qualifying account and so avoid the normal mixed fund rules. If on the other hand, they're saying you look to the period when the income was earned, and if you qualified for OWR and worked in and out of the UK throughout that period, then you're ok and can get paid into a special mixed fund rules qualifying account after you cease to qualify for OWR on your current year earnings. There is an FAQ which addresses the issue of bonuses, and it seems to suggest it is status in the year of receipt which matters	for the special mixed fund rules provided all other qualifying conditions are met. 2. An account ceases to qualify in any year the individual has no general earnings within section 26(1) ITEPA 2003 (see section 809RB(9)(v) ITA 2007). General earnings under section 26(1) ITEPA 2003 will only arise when the individual meets the requirements of section 26A ITEPA 2003. In year 4 the section 26A ITEPA 2003 requirements will not be met so the account will no longer be a qualifying account. Any prior year bonuses containing section 26(1) ITEPA 2003 income paid into the account will be dealt with under the existing mixed fund rules (as they would have been under SP01/09 when the individual became ordinarily resident).

No	Question	Answer
	My employer paid last year's bonus into my qualifying account. Does that count as an error? *No. Any earnings from the employment that are paid in a year when you qualify for Overseas Workday Relief and have both UK and overseas duties of that employment can be deposited into the qualifying account, even where those earnings are for an earlier year.* So that would mean you would be ok paying in a bonus in year 1 part of which was earned before you became resident, but implies that after the end of the three year initial OWR period, any earnings paid subsequently which were earned while the taxpayer still qualified for OWR (bonus, share related remuneration, etc) cannot be paid into a special mixed fund rules qualifying account even though could still claim OWR? Given the expected changes to shares scheme taxation this may become even more relevant in due course.	
6.	**SRT** Client works a 48 hour week (Mon to Sat) in Saudi and he works the 48 hour weeks in blocks of 10. He then gets 2 weeks off and this is called rotational leave, he does not get any other annual leave. Are the 2 weeks off after every 10 weeks of work considered annual leave for the 'sufficient hours worked overseas' test, or would it fall within the non working day embedded within a block of leave rules.	The SRT does not define annual leave. Any entitlement to annual leave will usually be set out in the clauses of an employment contract or contract for services.. The rules for calculating the reference period for the purpose of the 3rd overseas (working sufficient hours abroad) and 3rd UK (working sufficient hours in the UK) tests can be found at S28 Sch45 FA13. The legislation provides for a deduction to be made in respect of reasonable amounts of annual leave, parenting leave and sick leave. A deduction can also be made for non-working days provided they are 'embedded within a block of leave'. Non working days are defined at S28(6) Sch 45 FA13 and 'embedded within' is defined at S28(5) Sch45 FA13. In the example you have used the 2 week periods of rotational leave taken after every 10 weeks of working 48 hours per weeks do not appear to be annual leave and therefore no deduction in the reference period calculation will be due. The days do however appear to be non-working days. However no deduction can be made in the reference period calculation for them unless they are 'embedded within a block of leave'. This will of course be a question of fact. For example, if a period of sick leave includes days when the individual would not normally work (and does not work) no deduction can be made for those non work days

No	Question	Answer
		in the reference period calculation. However, if the period of sick leave begins at least 3 days before the non work day(s) and ends at least 3 days after the non work days the non work days are regarded as 'embedded within' a block of leave and can be deduced in the reference period calculation.
7.	**Tax refunds and POA** When agents prepare tax returns for expatriates as you know it is frequently the case that any tax refunds are mandated to be paid to their employer, rather than to the expatriate. However, we are finding that where there are POAs that fall due at some point in the future (i.e. not yet due at the point of refund) the refunds are being offset against the individual's POA rather than being refunded to the employer. This means that it is necessary for the expatriate to pay on the amount of the refund to their employer which adds an extra layer of administration and gives rise to cash flow issues. In the situation where the refund is being made before the relevant POA falls due we do not understand why it should not be paid in accordance with the expatriate's instruction, i.e. to the employer. We do not think it is right that it should be offset against the POA. This is not least because the POA is not yet payable to HMRC whilst the refund is due and owing to the expatriate, and he/she has mandated payment to the employer. We should be grateful to receive HMRC's comments on this point.	HMRC's systems automatically set off repayments against other sums becoming due within 45 days. As such repayments processed within 45 days of a payment on account (POA) becoming due will first be allocated to that POA. HMRC will however issue the repayment where a specific request is made. The authorised agent can send a request by fax for PTI customers on 03000 533121. Clearly the numbers involved will be relatively small. Further information on statements is available at: http://www.hmrc.gov.uk/manuals/sammanual/SAM130030.htm
8.	**RTI and Payroll Software** We have identified that there is potentially an RTI-related limitation of payroll software when the following scenario occurs: 1) A taxable/reportable equity event occurs after the last formal payroll run of the year, but before the end of the tax year AND 2) The individual in question has not had any other reportable income during the tax year. The scenario principally arises where you have a former UK employee now local overseas who then exercises an option or receives a share	If your software does not allow you create an EYU in these circumstances, you can use the Basic PAYE tool. Further information is available using the link below http://www.hmrc.gov.uk/payerti/payroll/bpt/eyu-other.pdf. Page 9 advises to insert the tax code (OT Month 1 basis) and to leaves the other fields blank.

No	Question	Answer
	vest (full or partial UK-source). The Earlier Year Update (EYU) mechanism would not seem to be available here as the employee will not have records from the tax-year to update.	