

Minutes of the Employment & Payroll Group

Date: 4 December
Location: 100 Parliament Street, London

Co-Chair	Maggie Anderson	MA	Stakeholder Management
Co-Chair	Karen Thomson	KT	Chartered Institute of Payroll Professionals
Secretary	Carole Carter	CC	Employer Engagement

Attendees:

Trevor Blackmur	TB	Association of Taxation Technicians
Matthew Brown	MB	Chartered Institute of Taxation
Colin Broad	CB	British Computer Society
Linda Pullan	LP	Payroll Alliance
Pauline Green	PG	Business Application Software Developers Association
David Heaton	DH	Institute of Chartered Accountants England and Wales
Helen Harvey	HH	Payroll Bureau – Nanny Tax
Jason Piper	JVP	Association of Chartered and Certified Accountants
Simon Parsons	SP	Payroll Bureaux
Jackie Petherbridge	JP	Federation of Small business and Private Sector Payroll
Julie Hodgkin	JH	Association of accounting Technicians
Jane Turley	JT	International Association of Book-keepers
Sarah Eason	SE	Bristol Zoo
Tracey Crank	TC	The Compliance Group
Alison McCrave	AM	Voluntary Action Sheffield
Alison Paling	AP	Community Accounting Plus
Michael Parker	MP	National Farmers Union

HMRC

Lucy Allen	LA
Neil Chattell	NC
Zoe Stokell	ZS
Ruth Elliott	RE
Michelle Blake	MB
Paul Thomas	PT
Andrew Sayer	AS
Maxine Cook	MC
Kim Wager (BIS)	KW

Apologies:

Brian Stenhouse	Armstrong Watson
Justine Riccomini	The Institute of Chartered Accountants of Scotland
Dave Whitaker	AECOM

1. Welcome and Introductions

KT welcomed everybody to the first EPG meeting.

MA set out the aims of this new group. Members will be asked to join sub groups to cover topical subjects one of which will be formed in January to cover RTI. There is going to be a lot of work in connection with the announcements made in the Autumn Statement in respect of Expenses and Benefits and various sub groups will be needed to look into this area of work

2. Autumn Statement

MA gave a brief summary of the Autumn Statement announcements affecting employers including:

- Employment Allowance – from April 2015 individuals who employ carers will be able to claim the National Insurance Contributions Employment Allowance. CIPP and others had lobbied for this to be extended wider.

Helen Harvey asked if this was only for those receiving funding from local authorities or does it include privately funded cases?

Action 1: MA to look into this.

- From April 2016 employers will no longer be required to pay Class 1 Secondary National Insurance Contributions for apprentices under 25 years of age. The definition of an apprentice will be set out at a later date following discussion with stakeholders. MP advised that the NFU have a particular interest in this.

David Heaton asked about the extension of this for post grads and asked for clarification in respect of the percentage to be deducted overall including student loans

Action 2: MA will look into this.

3. Scottish Rate Income Tax (SRIT) and State Pension Update

RE and ZS attended to give the latest information in respect of SRIT and the State Pension.

HMRC have worked in partnership with the Scottish Government since October 2012. HMRC will work in partnership with employers, payroll, software developers, agents and pension providers to deliver the changes.

The change impacts individual taxpayers who engage with the PAYE, SA and pension relief at source processes.

SRIT will be introduced on 6 April 2016.

- Scottish PAYE customers will be identified via address information held within HMRC systems.
- Scottish tax codes will be prefixed by an "S".
- Tax codes will be issued as part of the annual coding routines to employers. However the decision has been made not to issue annual coding notices where the only change to the code is the addition of the "S" prefix.
- Employers and pension providers will be notified of tax codes in the normal way.
- There will be no specific Scottish emergency tax code. Business as usual rules will still apply.
- Under/overpayments will be corrected by HMRC as part of the end of year reconciliation process.
- There will be no changes in Week1/Month 1 processes.
- The default tax code to apply will be the rest of UK until HMRC advise the appropriate code to apply.

It is anticipated that around 80k changes of address (cross border) per annum may occur each year.

Where changes of address occur (in-year) and this crosses the UK and Scottish border, the place where the individual resided for the longest number of days will determine which rate will apply.

HMRC functionality will be developed to only respond to changes of address in the first half of the year. Tax codes will be adjusted in real-time. The functionality will identify the "tipping point" in year and, where the individual moves only once, will suppress any changes to tax codes for cross-border moves that occur beyond the mid-year point.

The obligation is on customers to provide HMRC with the correct address.

Individual tax accounts will reflect any changes. JP advised this could cause problems as some customers only look at this once a year – banks send texts for example could HMRC do the same. This is a possibility in the future.

MH asked if it is where you work or where you live that determines if you are a Scottish Rate Taxpayer – where you live is what HMRC will use.

The Scottish Government has decided that the SRIT amount will need to be reflected on the P60/Annual Tax Summary. It will not need to be shown on payslips.

In autumn 2015 HMRC will contact customers who have been identified with a Scottish address and explain their Scottish Status.

Fact sheets will also be provided for employers – early drafts of these have been well received.

State Pension Update

The new state pension will start on 6 April 2016. National insurance records need to reflect that those people in contracted out employment have stopped contracting out.

Since April 2014 the Scheme Contracted out Number (SCON) in addition to the Employers Contracting out Number (ECON) was mandatory on full payment submissions through RTI.

To help employers HMRC gave access to a temporary SCON for use where the correct SCON was unavailable. From April 2015 the temporary SCON will be rejected.

The number of PAYE schemes submitting the temporary SCON has reduced.

At the ECF meeting in September members had suggested that a GNS message could be helpful to get this message across to employers. From 15 December a message will therefore go live.

HMRC will continue to scan employers and payroll companies every quarter to identify those who are submitting their FPS using the temporary SCON. Using this information we will continue to phone and write to employers and payroll companies advising them to obtain the correct SCON.

Removal of the Upper Accruals Point (UAP) and ending of contracting out on a defined benefit basis from April 16. The impact will be:

- Forms will be updated
- All HMRC systems will be amended – the UAP data field will be removed from the FPS and Earlier Year Update (EYU).

All payroll software will need to be amended – a technical specification pack will be issued in June 2015.

DH volunteered to be part of the early testing of the forms.

4. Shared Parental Leave Update

Kim Wager from BIS reported that all the legislation is now in force for shared parental leave and pay for babies due on or after 5 April 2015. In response to a question on continuous and discontinuous periods of leave (and a complaint that Gov.UK was insufficiently clear on this), she clarified that an employee entitled to shared parental leave had the statutory right to book 3 periods of shared parental leave. Where the weeks of leave in a booking notice are in a single continuous block, then the employee has a right to take the leave notified, subject to the employer being given at least 8 weeks' notice of the start date. A booking notice may contain a request for discontinuous weeks of leave. An employer does not have to agree to

this and can require the weeks of leave contained in the booking notice to be taken in a block. A notice to vary a period of booked leave counts towards the cap of 3 booking notices. An employer is free to accept more than 3 booking notices from the employee if they wish, but does not have to.

Action 3 - KW agreed to take away the complaint that Gov.UK was unhelpful on booking notices and look to improve it.

5. Agenda items going forward

MA led a discussion as to what areas members would like to see covered on future EPG agendas.

Areas mentioned were:

- The need to have actions logs for anything coming out of the Expenses and Benefits workshops and also the RTI sub-group
- Members of these groups will need to feedback to the wider EPG.
- Transparency is needed in respect of HMRC statistics
- Comms plans for disputed charges
- Scheme closures
- EPG issues log

6. Transferrable Allowance for Married Couples (TMAC)

TMAC will be introduced from 6 April 2015. Someone who does not use all of their personal allowance can transfer a fixed amount to their partner (1,060 for 2015/16 tax year).

- As a couple they could be as much as £212 better off through a reduction in the tax of the partner receiving the transferred allowance.
- It will be a one-off application that will remain in place until it is cancelled or revoked.
- The application will be made online by the person transferring the allowance.

It is only beneficial to a couple if one of them is not using their full personal allowance.

There is no benefit in a couple transferring if they are both basic rate taxpayers as the net effect is the same.

A couple are ineligible if:

- One or both are Higher Rate taxpayers
- Born before 6 April 1935 as they will be entitled to claim Married Couples Allowance.

Two new suffix letters will be introduced to accommodate TAMC. The new letters will be M and N.

The new suffixes have been introduced to avoid issuing millions of extra P2/P9s during the Annual Coding Run.

Employers will start to see M (recipient) and N (transferor) suffix tax codes after 6 April 2015.

7. Digital Update

AS attended the meeting and gave an update on two of the exemplars he is involved with.

PAYE for employers Company Car will be the first online digital service for HMRC's 41 million PAYE customers. This service will enable customers to report changes to their

company car and car fuel benefits. Since April customers have been testing this service. This service uses a new secure identity assurance process call Gov.UK Verify developed by the Cabinet Office. In the future this will be the way that customers, who want to access government digital services, will need to use.

This service will continue to be developed in 2015 and beyond and will ultimately form part of an online Personal Tax Account.

Digital Self Assessment

This service is now accessed through Your tax account (previously known as Tax for Your Business). Email alerts are sent to those who have signed up advising them to view information through this account rather than getting paper statements.

The aim is to expand these digital messages so they can view routine outputs and penalty notices. We also plan to work with third party software providers to ensure agents have the option to view messages from HMRC online on behalf of their clients from 2015 onwards.

TB asked if there was any progress in respect of agent online self-serve – agent access to pay and information.

Action 4 – CC to check on progress.

Long term the Government Gateway will need to be replaced.

8. AOB

DWP – National State Pension. Class2/Class4 NICS more communication is needed around this. There is a joint digital solution being worked on. Members highlighted that agents need to be involved as customers paying this will have agents.

DH advised that most people do not complete NSP forms for themselves.

GOV.UK – feedback so far shows there are many concerns about this site. Members would like an update. HH and LP are meeting with GOV.UK on 17 December.

Members felt the search facility is not working as promised.

Action 5 - Future agendas – KT will write out to the members week commencing 5 January for ideas to be taken forward.

Some members said if rooms were a problem for sub groups they would be willing to host.

2015 Meeting Dates

4 March
9 June
10 September
8 December

All meetings will be held in 100 Parliament Street – 13:00-16:00.