

Minutes of the Employment & Payroll Group

Date: 9 June
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:

Colin Ben-Nathan	CBN	Chartered Institute of Taxation
Colin Broad	CB	British Computer Society
Linda Pullan	LP	Payroll Alliance
Alex Rowson	AR	Business Application Software Developers Association
David Heaton	DH	Institute of Chartered Accountants England and Wales
Helen Harvey	HH	Payroll Bureau – Nanny Tax
Glenn Collins	GC	Association of Chartered and Certified Accountants
Sarah Eason	SE	Bristol Zoo
Alison McCrave	AM	Voluntary Action Sheffield
Alison Paling	AP	Community Accounting Plus
Michael Parker	MP	National Farmers Union
Justine Riccomini	JR	Institute of Chartered Accountants of Scotland
Ian Whyteside	IW	Association of Accounting Technicians
Simon Parsons	SP	Payroll Bureau
Jackie Petherbridge	JP	Federation of Small Business
Hayley Perkin	HP	Association of Taxation Technicians
Jane Turley	JT	International Association of Book-Keepers

HMRC

Ruth Owen	RO	Director General, Personal Tax
Richard Garth	RG	Personal Tax
Mark Frampton	MF	Personal Tax
Amanda Callaghan	AC	Personal Tax
Dinah Miller	DM	Personal Tax
Sue Ellis	SE	DMB
Dennis Gregory	DG	DMB
Huw Johns	HJ	Universal Credits
Susan McCormick	SM	Personal Tax
Michael Phelan	MP	Personal Tax
Sarah Radford	SR	Personal Tax

Apologies:

Tracey Crank The Compliance Group
Dave Whitaker AECOM

1. Welcome and introductions

Karen welcomed everybody to the meeting.
The minutes from the 5 March meeting were agreed

2. General Update

MA gave a general HMRC update. We are now awaiting the Emergency Budget on 8 July and results of the Spending Review to inform work moving forward. There may be important policy issues to consult on through the summer. We are now working on the End of Year reconciliations. Earlier Year Updates need to work their way through the system. Customer accounts are being reconciled by removing duplicate records. To enable completion of this work End of Year will start approximately 2 weeks later than last year but the end date will still be earlier than last year.

MA also advised that from September KT will no longer co-chair these meetings on behalf of CIPP. KT is taking up a new position with Armstrong & Watson and will continue to attend the meetings on their behalf.

Elaine Gibson (CIPP) will take over as Co-Chair. CIPP don't have clients and therefore there is no conflict of interest in their continue role as Co-Chair for this forum.

KT thanked the EPG members and gave her special thanks to CC and MA for their support over the years.

RG gave a brief overview of discussions at the EPG Penalties and Appeals Sub Group. This group will hold their final meeting in July. Any residual issues will transfer to main EPG forum.

Action – CC to circulate sub group minutes once signed off.

RG advised that CC had received a number of client queries from members over the last month and reiterated that business as usual channels should be used for these queries in the first instance. He advised that there is also a route that can be used for agents - online Agent Account Managers. CC will send out the link to register for this service.

Action – CC to send out Agent Account Manager link.

JP advised that she had sent in issues around a general problem she wanted to raise. Whilst the issues had now been resolved she wasn't sure whether HMRC had taken on board the overall problem of the 64-8 process. MA explained these issues were being looked into and any lessons learned will be followed through.

3. Intermediaries

MF returned to the group to give a further update on this work following his attendance at the March meeting. He advised that any information provided through this process is for information only and will not be used to calculate tax. The 2014 rules have been tightened up to look at agencies not operating the legislation and the self-employed.

From 6 April 2015 there is now a reporting template to use:

<https://www.gov.uk/send-employment-intermediary-report>

The first deadline for this report is 5 August. Penalties will apply for reports not sent.

The [guidance about using the template and some aspects](#) are not as expected and there is program of work looking at this. The Employment Status Manual will include further additions and any feedback will be included.

There is a campaign this month of nudge letters for CIS including messages on twitter for the self-employed and smaller businesses. There is also new guidance in Section 44.

There are key issues in that some CIS labour suppliers are unaware this legislation applies to them and these will therefore be targeted as part of the campaign.

The category letter to use has caused confusion – there is a choice of D or F – F is considered best where an umbrella has operated PAYE.

Better guidance is needed. A PAYE reference is needed for submission through the Government Gateway – any reference can be used. There will be a link included to get a “dummy” reference for this purpose. Members asked if this would create a “live” employment. MA gave assurance it wouldn't.

HP had many questions in respect of software provider relationships. MA advised that a lot of work had been done in February and software houses are expected to deliver on time.

Software notes are still on the web. <https://www.gov.uk/government/publications/employment-intermediaries-support-for-software-developers>

HP was also concerned about penalties especially for smaller employers. It is felt that awareness is minimal for this population. HP had concerns that they will not realise this affects them

The profile needs to be raised more.

IR35 – it was felt that some employer remain ignorant of this requirement. MF advised that there are plans to do more through the Labour Provider Unit. This also links to onshore and offshore. Information provided will be used to produce nudge letters.

Action - MF will provide a post implementation update at the September meeting.

4. Expenses and Benefits

SR attended the March meeting and had returned to run through the latest developments in respect of the 3 measures that will now be taken forward. She also advised that a 4th measure (Trivial Benefits) is now deferred until a future finance bill after the summer budget.

- Abolition of the £8,500 threshold – abolition of this threshold will take place from April 2016. Completion of the P9B will also be abolished. Employers will no longer need to monitor the level their employees are earning and employees will become taxable on all of their BiKs no matter how much they earn. Exceptions will include:
 - Carers who are providing care in the home of the person they are caring for will be exempt for tax and NICs on their board and/or lodging no matter how much they earn.
 - Ministers of religion will retain the same tax treatment for their benefits and expenses where they are lower paid. Form P9D will be still be abolished for this group.

JR asked about the definition of a Minister of Religion. This is not clear in respect of ministers who are not ordained. SR advised that the ordinary dictionary definition applies. SR said she would ensure that the guidance covers this.

- Exemption for paid or reimbursed expenses – this currently has to be reported on the P11D unless a dispensation is agreed. From April 16 a new exemption will remove the need for employers to either agree a dispensation with HMRC or to report expenses or benefits in kind on a P11D. Bespoke scale rates already agreed will continue. If however these have expired and are more than 5 years old reapplication will be required.

SR was asked “What happens to salary sacrifice arrangements for expense payments after 6 April 2016?”

Post meeting note refers:

The expenses exemption that comes into force on 6 April 2016 specifically excludes expenses or benefits provided under a salary sacrifice arrangement, or any other arrangement where employees give up the right to receive earnings in return for tax free expenses payments, or where the level of their earnings is dependent upon the amount of any expenses payment. After 5 April 2016 any expenses payments paid to employees under a salary sacrifice arrangement will need to be paid after deduction of tax and NICs. Employees who have suffered tax on these payments will still be able to claim a deduction from HMRC in the normal manner.

- Voluntary Payrolling of BiKs – initially for 4 BiKs – car, car fuel, private medical insurance and fees/subscriptions such as paid to clubs for gym membership.

Employers who payroll these BiKs will not need to complete a form P11D at the end of the year. Employers will need to register using the online registration service if they intend to payroll and also if they are already payrolling. The tool then strips the benefits out of the employee's code and sets flags on HMRC's systems so that employees can't reintroduce BiKs into their code by mistake. This tool will go into public beta from July. Employers will be required to register on this tool if they intend to payroll and also if they are already payrolling. Employers will have to payroll for an entire year – they will not be able to leave mid-year.

Additional data requirements for cars possibly won't come until 2017. Clear messages will be issued about this.

HP asked a number of questions and SR provided the answers.

CBN referred to voluntary payrolling and the point that employers wouldn't be completing P11Ds at year end. He asked whether employers will be required to provide equivalent information to employees so they could check the right benefits had been processed for them and the calculations were correct. SR said that those already payrolling typically provide information on employees' payslips plus some form of end of year benefits statement and it was envisaged the same would apply.

The P11D volume is expected to decrease.

5. Disputed charges

AC attended the meeting in March and attended this meeting to give an update.

Disputed charges come to the team by letter, from DMB or via contact centre referrals. Spikes in disputes tend to happen just after a quarter date.

Information about how to avoid duplicate employments was published in the February Employer Bulletin. We also published a reminder about how to complete an EYU in April.

We have also updated information on Gov.UK.

HMRC introduced a system change in June 14 which automatically identifies and corrects a large number of duplicate employments before the monthly charge is created. Further processes to identify and correct additional duplicate employments have been developed and a further system changes introduced to do this automatically in April 15. Further enhancements are due in July 15.

The end to end process is now complete on disputed charges and work on unallocated credits is now starting. A date will be set to go through this with externals over the summer to highlight the pinch points.

JP advised that NI gross figures are not supplied. AC said she would look into this.

Action: AC to look at why NI gross figures not supplied.

At the previous meeting AC was asked to look again at HMRC providing figures to help with reconciliation. AC advised:

- Employers must use their online account. If still too complicated then DMB will provide support through the normal routes
- Individuals - NES – DMB agreed to help NES individuals.
- Agents - DMB set up the Agents dedicated line in Feb 2015 to discuss employer's payments if help is needed.

<https://www.gov.uk/government/organisations/hm-revenue-customs/contact/agent-dedicated-line-debt-management>

6. NI and New State Pension

The slides from this discussion were circulated following the meeting.

DH asked about pension forecasts and the need for clear guidance in respect of paying benefits when contacting the helplines.

Action – SM will look into the guidance for helplines

7. Universal Credits

HJ gave the latest information on how work on universal credits is progressing. The program are pleased with the digital roll out.

8. Restoring Cumulative Codes

RTI means HMRC can now look at data more frequently. We can now look at the fields ticked via RTI from the new starter/leaver information, including P11D information and in the future payrolling and automatically check and reissue new codes as necessary. Currently if a customer is on a week 1 basis on their first pay day HMRC will look to restore cumulative code where appropriate. 900,000 repayments dealt with at End of Year which HMRC could now be dealt with mid-year. This means it will be possible for HMRC to restore week 1 codes mid-year to cumulative where appropriate to do so. From April 2016 we will be in a position to review the week 1 code every pay day, not just the first one.

There are initiatives working to look at coding out for estimated pay after first pay day. Payrolling will be taken into account. The system will also recognise those with more than one job and should an individual chose to split their allowances over a number of different jobs, the system will remember this for future calculations and code issuing.

Members raised a possible issue with Appendix 5 (modified schemes). The preference would be for these to be dealt with annually. MF made a note to look into this and an update will be provided outside of the meeting.

Post meeting note:

This issue has been looked and at plans are in place to ensure that cumulation is not restored for these cases from April 2016

9. EPG going forward

Elaine Gibson CIPP will take over as Co-Chair from September.

MA thanked KT for her time and dedication to this group and its predecessor ECF.

Over the summer HMRC will review EPG. We will consider the focus of the group especially as the RTI sub group is closing down. We need to make sure the issues for discussion are member issues and ensure members are getting value for money through their attendance. We look consider if we have the right spread of members, the right topics on the agenda and will consider where short term small working groups are appropriate.

JP suggested future agendas needed to include the opportunity to influence any changes earlier in the process through consultation with the group.

It was suggested that time should be allowed on the agenda for people from PT to come with their ideas for discussion. More of this is needed rather than updates.

Ruth Owen joined the meeting and members had the opportunity to ask questions which included

- HMRC resources including the resource used on the Internal NIC team
- RTI Late Filing Penalties
- Government Gateway restrictions on submissions
- BPT and TPR tools
- Digitalisation of Tax

*Post meeting note:

HMRC announced on 17 June that late filing penalties for quarter 4 of 2014/15 were issued on a 'risk-assessed basis' and this approach will continue for the 2015/16 tax year - see <https://www.gov.uk/government/news/pay-as-you-earn-payee-late-filing-penalties>

RO discussed a number of possible areas for change some of which are inter-related. She agreed it would be good idea to look at things in totality to gain a holistic view.

Members advised that the Expenses and Benefits consultation had worked well and it was useful to have a whole view of what needs to be achieved.

The next meeting will be held on **10 September in 100 Parliament Street.**