HM Revenue & Customs

Employer Bulletin

Your route to the latest in payroll news

August 2016 Issue 61

Welcome

Hello and welcome to the August edition of the Employer Bulletin

There have been a number of consultation documents issued lately about Expenses and Benefits processes. If you would like to know more about the proposals under consideration or want to take part in the consultation process the article on page 2 will give you the information you need.

If you've been waiting for information about the Apprenticeship Levy and how this affects you as an employer, the article on Page 4 gives you the latest position.

We've been made aware of a number of telephone scams lately with callers claiming they are from HMRC and demanding money. Please remember if you can't verify the identification of the person making a call do not disclose any of your personal details. Full details of the latest two telephone scams are on page 3.

If you have new payroll staff to train, want to refresh your knowledge about a particular payroll task, or want to take part in one of our live discussions covering a range of subjects, check out our HMRC Webinars and E-Learning page on Gov.uk

We will continue to use the Employer Bulletin to tell you about new products and changes which may affect you and to give you access to further information if you need it. You can make sure you don't miss any future updates by signing up to receive our email alerts. Doing so means we'll be able to send you an email each time a new edition of the Bulletin is published. You can also follow us on twitter @HMRCBusiness

And finally our aim is to be able to deliver clear, consistent and timely information which is appropriate for employers and helps you to meet your payroll obligations to HMRC. So, if you have any comments or suggestions about any of the content of the Employer Bulletin or would like to see a specific topic covered, please drop me a line at Alison.bainbridge@hmrc.gsi.gov.uk Your feedback is always most welcome.

Alison

Alison Bainbridge
Editor

Contents

Expenses and Benefits in Kind - Recent consultation documents

Several documents have recently been published which may be of interest to employers:

Alignment of dates for making-good on benefits in kind consultation

The consultation explores the scope for aligning the 'making good' rules for benefits in kind with those which apply to 'making good' where the employer accounts for the benefit in kind in real time through Pay As You Earn. The aim is to have a simpler and clearer system that makes it easier for employers and employees to understand their obligations.

Salary sacrifice consultation

The government is seeking views about limiting the range of benefits in kind that attract income tax and National Insurance contributions (NICs) advantages when they are provided as part of salary sacrifice arrangements. Employee contributions to employer-provided pensions, employer-provided pension advice, employer-supported childcare and provision of workplace nurseries and cycles and cyclists' safety equipment provided under the cycle to work scheme will remain unaffected by this measure.

Termination payments consultation

The government has published its response to the consultation on termination payments held in summer 2015. The publication includes a consultation on draft legislation intended to give effect to changes to the treatment of termination payments.

Simplifying the PAYE Settlement Agreement (PSA) process consultation

The government sets out proposals to simplify the process used for agreeing and reporting items in a PSA.

Extension of the voluntary framework for payrolling consultation

The government has published draft regulations and an explanatory memorandum for technical consultation. The draft regulations make changes to the Income Tax (Pay As You Earn) Regulations 2003 to allow employers to voluntarily payroll the benefit of non-cash vouchers and credit tokens provided to employees. These regulations will apply from 6 April 2017.

Further information about these publications can be found via the hyperlinks above, including how to respond to the questions asked and how to express an interest in attending roundtable discussions.

Mileage regulations

In November 2015, as part of the introduction of the new exemption for paid or reimbursed expenses which replaced the dispensations regime, amendments were made to the Income Tax (Pay As You Earn) Regulations 2003 to remove the requirement for expenses payments to be reported on form P11D.

However, those amendments also inadvertently removed the requirement to report taxable mileage allowance payments and taxable passenger payments on form P11D. This was not the intention, as the new exemption for paid or reimbursed expenses was not intended to affect the tax treatment of mileage payments. Therefore a further amendment to those regulations was made in July to correct this error.

Toolkits - helping to reduce errors

Accurate record keeping will help to ensure that the correct data can be sent to HMRC by the due dates and reduce delays in payments.

HMRC have 20, regularly refreshed Toolkits free to download that contain checklists to support the accurate completion of returns based on the most commonly found errors.

As an Employer you may find our National Insurance Contributions & Statutory Payments Toolkit useful or the most recently updated Toolkits – Directors Loan Account and Private & Personal Expenditure.

Apollo Fuels judgment

Apollo Fuels had an arrangement whereby the company would lease second hand cars to its employees as opposed to providing them free and appealed against the decision to treat this as a benefit in kind.

The First Tier Tribunal and the Upper Tribunal both found that the price paid under the leases was market value and consequently there was no benefit to the employees.

HMRC appealed to the Court of Appeal who concluded that a benefit in its ordinary sense has to exist before Chapter 6 applies (Chapter 6 is the shorthand for Chapter 6, Part 3 Income Tax (Earnings and Pensions) Act 2003 (ITEPA) – the chapter that contains the legislation for car benefits-in-kind). The case is now final.

The government announced changes to the company car, provided living accommodation and loan benefit in kind legislation in Budget 2016 that were effective from 6 April 2016. These changes ensure that the relevant benefit in kind legislation applies in the way the legislation applied before the Apollo Fuels judgment.

HMRC have produced guidance for compliance staff about how to handle open enquiry cases for up to and including the tax year ending 5 April 2016 where the Apollo Fuels judgment could be in point. This guidance covers both cars and vans and can be found in the Employment Income Manual.

Automatic penalties start from 5 August 2016 for late intermediary returns

Are you classed as an employment intermediary who has to submit quarterly returns to HMRC?

If so, you need to submit your quarterly returns on time or you will receive an automatic penalty. Your first quarterly return for the tax year ending 5 April 2017 should have been submitted to HMRC by 5 August. If you haven't already sent us this return you will be charged a penalty of £250.

Further penalties of £500 and £1,000 will be issued if you are also late submitting your next and subsequent quarterly returns. If you submit a late report, but at least 12 months have passed since the last time you were late, you will only be charged £250.

If you receive a penalty for being late, you still need to submit your return because if it is still not received after 30 days, a further penalty of up to £600 may be applied for every day you are late. For further information see section 4 of our guidance; What this means for an intermediary.

Telephone scams

We are aware that some customers have received telephone calls claiming to be from HMRC requesting personal information in order to receive a tax refund, or to demand money for an unpaid tax bill.

There is also another telephone scam where a recorded message is left, allegedly from HMRC, stating that HMRC are bringing a lawsuit against the individual and is going to sue them. The recipient is asked to phone **0161 8508494** and press "1" to speak to the officer dealing with the case. Please do not reply to the message.

HMRC takes security very seriously but you need to be alert. If you cannot verify the identity of the person making the call you should not disclose your personal details. You should report this to Action Fraud, or you can call Action Fraud on **0300 123 2050** (Please note this number will be charged at your normal network rate). They are open Monday to Friday 09:00 – 18:00. Please also see HMRC security advice.

Please make your employees aware of these telephone scams.

Statutory Payments Calculator

The Statutory Payments calculator should not be used when a mistimed payment has occurred in the relevant period as it will not use the correct divisor to calculate the average weekly earnings. Using the calculator in such cases will not produce the correct entitlement.

Where mistimed payments have occurred in the relevant period, employers should calculate entitlement manually in accordance with the guidance on GOV.UK

Are you ready for the apprenticeship levy?

As you may have seen in June's Employer Bulletin, the way the government funds apprenticeships in England is changing from 6 April 2017.

All employers in all sectors can benefit from taking on apprentices. Both new starters and existing employees of all ages can become apprentices. Some employers will be required to pay the new apprenticeship levy, and there will be changes to the funding of apprenticeship training for all employers.

The levy will be 0.5% of an employer's pay bill subject to secondary Class 1 NICs and each employer will receive an annual allowance of £15,000 to offset against their levy liability. This means that, subject to the connected companies and charities rules, only employers with annual pay bills greater than £3 million will be required to report and pay any levy.

All guidance relating to calculating and paying the apprenticeship levy is subject to Parliamentary approval of the legislation in the 2016 Finance Bill. Further guidance for employers relating to calculating and paying the levy will be available later in the year.

Employers will only need to report the apprenticeship levy to HMRC where they are likely to have a liability to pay the apprenticeship levy. The levy will be payable through Pay As You Earn, alongside income tax and National Insurance contributions (NICs), and reported on the Employer Payment Summary (EPS). To keep the process as simple as possible, an employer's 'pay bill' will be based on the total employee earnings subject to Class 1 secondary NICs, including all earnings below the Secondary Threshold.

Levy paying employers in England will receive funds in a new digital apprenticeship service account, which can then be used to pay for apprenticeships. Once the employer has negotiated and agreed a price with the training provider they have chosen, they can use the money in their digital account to pay for training and assessment for apprentices. Apprenticeships and apprenticeship funding are the responsibility of the Skills Funding Agency (SFA) and the Department for Education (DfE) (this follows the recent announcement that responsibility for apprenticeships has now moved).

As apprenticeships are a devolved policy, authorities in each of the UK nations manage their own apprenticeship programmes. This means that the digital apprenticeship service will support the English apprenticeship system. Scotland, Wales, and Northern Ireland have their own arrangements for supporting employers to access apprenticeships.

If an employer is not liable to pay the levy, they will still get a government contribution to the training and assessment of their apprentices. They can also use the digital apprenticeship system to find a provider which offers the training they would like their apprentices to receive.

From next year, employers will be able to use the new online service which will help businesses to search for apprenticeship training and recruit an apprentice, as well as providing access to levy funds. More online tools will be available to levy paying employers as part of the digital apprenticeship service over the next year. By 2020, all employers will be able to use the digital apprenticeship service to select and pay for training and assessment for apprenticeships.

Apprentices who have been accepted on to an apprenticeship programme before 6 April 2017 will be funded for the full duration of the apprenticeship under the terms and conditions that were in place at the time the apprenticeship started.

The National Apprenticeship Service supports employers to recruit apprentices and can help with levy queries. For more information on this as well as the benefits of employing apprentices and how to set up a programme, email nationalhelpdesk@apprenticeships.gov.uk or call (free phone) **08000 150 600**.

You can find more information about the levy on the GOV.UK web site.

Forms P60 and P45

We published an article about 'Forms P60 and P45' on page 7 of June's Employer Bulletin. This is to clarify that legislation is in place which allows employers to send forms P60 and P45 – Parts 1A, 2 and 3 – to their employees electronically.

Whether these forms are sent electronically or on paper is a matter between the employer and the employee and not governed by the legislation.

National Insurance numbers with 'KC' prefix

We are aware that a small number of National Insurance numbers (NINOs) with prefix 'KC' were issued recently and that these may be causing some problems for employers.

The NINOs with the prefix 'KC' are valid and individuals receiving them should use them as normal.

If you are experiencing issues when submitting Real Time Information (RTI) data for an employee with a 'KC' NINO, the following steps should be taken:

- the NINO field should be left blank
- you should make sure the employee address field is completed in these cases

if you/your employee has a 'KC' NINO, there is no need to request a new one.

We are working hard to resolve this issue quickly and will provide more information shortly.

Employers encouraged to take on apprentices'

The government has launched the 'Get In Go Far' advertising campaign to encourage more young people to consider an apprenticeship.

The four-year campaign, which kicked off in May, supports the government's commitment to create three million apprenticeship starts by 2020. It will inform and inspire young people to consider the option as a valid and credible route to a rewarding career.

Another key campaign aim is to increase interest and demand from employers in running apprenticeship programmes.

Hiring an apprentice provides many benefits to an organisation. Apprenticeships are for ambitious people of all ages who want to earn while they learn, gaining real skills and knowledge. They offer employers the opportunity to strengthen and diversify their workforce, providing a future talent pipeline tailored to business needs.

Apprenticeships also bring opportunity; to attract new talent, offer progression and develop a motivated, skilled and qualified workforce.

For more information on the benefits of hiring an apprentice, visit www.getingofar.gov.uk or join the conversation on Twitter using #GetInGoFar

New bank account details for customers who use an International Bank Account Number

If you are one of our customers who use an International Bank Account Number (IBAN) you will need to make sure you are using the correct IBAN and Bank Identifier Code (BIC) when making payments to HMRC. This is because we have changed bank accounts from Citi to Barclays. The majority of customers do not use an International Bank Account Number (IBAN) and will not be affected. If you make a payment using an IBAN you will need to ensure you use a new BIC and IBAN. This could be when you make a payment online, or when paying over the counter at a bank. Customers making payments from UK bank accounts do not have to include IBAN numbers.

Each type of tax has its own IBAN and BIC details. To find out which ones to use, go to www.gov.uk/topic/dealing-with-hmrc/paying-hmrc and select the type of tax you want to pay.

If you don't use our new details we may not get your payment, or your payment may be delayed.

If you need help or do not understand what you need to do, go to www.gov.uk/contact-hmrc

Paying HMRC

Making your PAYE Settlement Agreement (PSA) payment

A PAYE Settlement Agreement (PSA) allows you to make one annual payment to cover all the tax and National Insurance due on small or irregular taxable expenses or benefits for your employees.

Any electronic payments for a PSA for the tax year ended 5 April 2016 must clear into the HMRC bank account by 22 October which is a Saturday, see below. If you pay by cheque in the post, payment must reach the Accounts Office by 19 October. If you pay late you may have to pay interest and/or a late payment penalty.

To pay your PSA you will need to use the PSA reference number from the payslip we sent to you, for example, XA123456789012. If you do not have your PSA reference number please contact the office dealing with your application for advice.

Don't use your PAYE Accounts Office reference to make your PSA payment, because payments received with your PAYE Accounts Office reference are allocated to your normal PAYE account and you will continue to receive reminders for the PSA even though you have paid.

The October electronic payment deadline falls on a weekend

In October the electronic payment deadline of the 22nd falls on a Saturday.

To make sure your payment for that month reaches us on time, you need to have cleared funds in HMRC's account by the 21st unless you are able to arrange a Faster Payment to clear on the payment deadline.

Remember that it's your responsibility to make sure your payments are made on time and if your payment is late you may be charged interest and/or a late payment penalty.

So that you know what date to initiate your payment and make sure we receive it on time, you may need to speak to your bank/building society well in advance of making your payment to check single transaction, daily value limits and cut off times.

Find out more about paying us electronically.

Financial help with Statutory Payments

Employers can claim credit for some statutory payments that they have made to employees. However, since 5 April 2016 employers have not been able to recover anything for Statutory Sick Pay. See the guidance on what you can reclaim on GOV.UK.

How to claim

To claim credit for statutory payments you need to submit an Employer Payment Summary (EPS). Send this by the 19th of the following month, to allow us HMRC to apply any reduction to what you'll owe from your Full Payment Submission (FPS).

Financial help/Advances

Employers will usually be able to fund statutory payments entirely from the PAYE deductions they have made. The credit claimed will reduce the amount that you have to pay HMRC. If the recoverable statutory payments made are more than the amount that you have deducted from your employees you can apply for an advance to cover the difference.

Points to remember

- You can only apply for an advance if the credit that you can reclaim is more than the amount you would otherwise have had to pay HMRC.
- If some of the credit can be set against what you have to pay, you can only apply for an advance for the surplus, not the whole amount.
- If you have been paid an advance, you will need to submit an EPS to reclaim credit for statutory payments made.
- If the only payments you made to employees were statutory payments, you still need to submit an FPS for that month to satisfy your filing obligation.
- You can be charged a penalty (up to £3,000 per employee for each tax year) if you include incorrect information in your application.

Student loans

Plan types

From 6 April 2016 we introduced a new plan type for student loans. You should now be deducting student loan repayments from your employees using either Plan 1 or Plan 2.

How will I know which plan type to use?

There are a number of ways you can find out your employee's plan type. You can:

- check the Student Loan Start Notice (SL1)
- ask your new employee to fill in the starter declaration checklist
- ask your employee to go online to the Student Loan Company website at www.slc.co.uk/students/loan-repayment.aspx – if they do not know their plan type already.

If you receive an SL1 with a start date prior to 6 April 2016 and there is no plan type shown, you should make deductions under Plan 1.

More information on plan types and student loans can be found in our Student loan repayments: guidance for employers.

Employer Prompts

In the April edition of the Employer Bulletin we told you we would be sending generic notifications if employers hadn't reported any student loan deductions for a specific employee when a deduction was expected. The generic notification is a prompt to check and make the correct deductions for future pay periods.

If you have already received two generic notifications asking you to start making student loan deductions we may now contact you by phone to discuss starting to make deductions from your employee's next available pay day.

The Pensions Regulator (TPR): Automatic enrolment update

Automatic enrolment is quickly becoming business as usual for every employer. Over six million workers have now been put into a pension scheme – and over a hundred thousand small and micro employers are due to begin their duties in the next few months.

Your legal duties will be different depending on your circumstances and those of your staff:

- **Employers who are yet to reach their staging date.** Find out what you need to do and when by completing the Duties Checker on TPR's website
- **Employers who have reached their staging date.** Make sure you know your ongoing duties. These include enrolling and writing to staff, paying contributions into the pension scheme, keeping records and monitoring the ages and earnings of new and existing staff
- **Employers who are due to re-enrol.** Automatic re-enrolment happens every three years. You'll need to choose your re-enrolment date, assess and re-enrol eligible staff and then let us know about what you've done by re-declaring your compliance with TPR. Find out what you need to know.

If you use HMRC's Basic PAYE Tools you can work out the amount you and each member of staff needs to pay into a pension scheme on TPR's website. First, use the Duties Checker to work out if you have staff to automatically enrol, then access the tool in the 'check your payroll processes' section.

National Insurance contributions (NICs) for employees over State Pension age (SPa)

Once an employee has reached SPa they no longer have to pay employees' (primary) Class 1 NICs. These employees should be moved to NICs category letter "C" on their first payday once they have reached SPa. Employers continue to pay secondary Class 1 NICs for these employees.

Getting Proof

Employers will need to see one of the following from their employee to be able to stop deducting employees' Class 1 NICs after SPa:

- Birth certificate
- Passport, or

a letter from HM Revenue and Customs (HMRC) confirming they have reached State Pension age and don't need to pay National Insurance.

Basic PAYE tools

A number of users have contacted us recently to tell us that the Basic PAYE tools (BPT) were running slowly and taking over two minutes to change between screens, then displaying the 'not responding' error message despite their computers meeting the published requirements.

When we investigated further we discovered that the users were trying to use BPT beyond its intended capacity.

Basic PAYE Tools was designed to be used by small employers with 9 or fewer live employees. It should not be used for multiple employers of that size. Users dealing with more than one employer may need to look at other 3rd party commercial software that is available.

Personal Savings Allowance

You may want to let your employees know that from 6 April 2016, the new Personal Savings Allowance was introduced.

This means that up to £1,000 of savings income (e.g. interest) will be tax-free for basic rate taxpayers (generally those whose total income is at or below £43,000). Higher rate taxpayers (those with total income between £43,001 and £150,000) will get up to £500 of savings income tax-free and additional rate taxpayers (total income above £150,000) won't get an allowance.

Prior to the introduction of Personal Savings Allowance, banks and building societies were required to take basic rate tax from most account interest they paid. They have now stopped doing this because approximately 95% of taxpayers have no tax to pay on their account interest.

There is no need to claim the allowance, and no action for most savers to take, as all of their savings income will be within their Personal Savings Allowance.

For those with savings income above their Personal Savings Allowance, HMRC will, where possible, collect any tax due by changing their tax code. If any of your employees believe that changes to their tax code will result in them paying too much tax over the year, or wish to discuss alternative means by which they can settle any tax liability on their savings income, please ask them to contact HMRC. Those who currently declare their savings income on a Self-Assessment tax return should continue to do so.

Further information about these changes is available at
www.gov.uk/apply-tax-free-interest-on-savings