

Welcome

Contents

Helpline numbers

Employer Bulletin

Your route to the latest in payroll news and views

April 2012 Issue 41



HM Revenue
& Customs



View your PAYE
and VAT tax position online

Welcome

Hello and welcome to another edition of the Employer Bulletin.

This issue contains lots of useful tips and information about filing your returns, making payments to HMRC and how to avoid penalties.

The joint initiative between HM Revenue & Customs (HMRC), the professional bodies and tax charities was launched in late 2011 to improve the end-to-end experience of dealing with HMRC. One of the areas identified as causing concern was the delay in informing employers that their PAYE end of year returns were late, and therefore subject to penalties. The article on page 10 contains details of the steps which have been agreed to help employers avoid late filing penalties and significantly reduce the number of cases where penalties in excess of £100 are charged.

On pages 4 and 5 you will find a summary of the Budget announcements from 21 March that may affect your payroll obligations, with a link to all of the Chancellor's announcements. And on page 6 there is an update on Real Time Information.

We would also like to let you know when the latest version of the Employer Bulletin is available and other PAYE products are updated online. To help us do this why not sign up to our free email alert facility at

www.hmrc.gov.uk/paye/forms-publications/register.htm Please note that registering to file online does not mean you have also registered to receive these email alerts. You must do this separately using the link shown.

And finally if you have any comments about the format or content of the Bulletin, or if there is something specific you would like to see featured, please contact me at Alison.bainbridge@hmrc.gsi.gov.uk



Alison Bainbridge
Editor

Contents

- 4** Budget Announcements Need to know
- 5** PAYE Late Payment Penalties
- 6** Improving the operation of PAYE – Real Time Information pilot now underway
- 7** Online Seminars for Businesses
- 8** Employer Annual Returns Need to know
- 10** PAYE late filing penalties – Employers will be told sooner about late PAYE returns Need to know
- 11** Construction Industry Scheme (CIS) Deductions
- 12** Expenses and Benefits
- 15** Exemption for mobile telephones
- 16** Paying Class 1A National Insurance Contributions
- 17** Paying HMRC
- 19** Increase in home working guideline rates
- 20** You can now view your PAYE (and VAT) tax position online
Employer forms & guidance
- 21** Talking to HMRC about employees' tax codes
Collecting Tax Debts through PAYE
- 22** Uncertain about the tax treatment of a specific event or transaction?
- 23** Helping us to help your employees
- 24** Regional Employer National Insurance Contributions (NICs) Holiday for New Businesses
- 25** Deductions and the National Minimum Wage
- 26** Amendments to the online versions of the Employer Helpbooks
- 27** Statutory Payment calculators
- 28** Advance Funding for Statutory Payments
- 29** State Pension age for women born between 6th April 1951 and 5th November 1951
- 30** Tax Credit
Student Loans
- 31** Workplace pensions reform
- 32** New HMRC Tax Calculator
- 33** DON'T GET FIN£D
- 34** All VAT returns must now be submitted online
- 35** Child Maintenance – changes to deduction from earnings orders
- 36** Employee share schemes
- 37** Employer diary
- 40** Helpline & Orderline numbers



Essential reading, articles
and information

Budget Announcements

The Chancellor of the Exchequer delivered his Budget on 21 March 2012. This article gives a brief summary of the announcements which may have some effect on the operation of your payroll obligations to HMRC. Full details of the Chancellor's announcements can be found at www.hmrc.gov.uk/budget2012/index.htm

Current tax year

2012-13

In his Budget on 21 March 2012, the Chancellor of the Exchequer confirmed the announcements made in his Autumn Statement on 29 November 2011 on Personal Allowances, Income Tax rates and Income Tax bandwidths for 2012-13. The Class 1 National Insurance contributions (NICs) earnings limits and thresholds remain unchanged from those confirmed on 29 November 2011.

Details of the PAYE and NICs rates, thresholds and limits can be found at www.hmrc.gov.uk/payee/rates-thresholds.htm or in the Employer Helpbook E12, PAYE and NICs rates and limits for 2012-13.

For 2012-13 tax codes, you should use the information provided on the form P9X(2012) 'Tax codes to use from 6 April 2012' to enter the correct tax code on the P11 Deductions Working Sheets or equivalent record. Form P9X is available online to download or print at www.hmrc.gov.uk/helpsheets/p9x.pdf. If you don't have Internet access phone the Employer Orderline on 08457 646 646.

There are no changes to the April 2012 versions of Payroll software and Tax Tables which should be used from 6 April 2012.

Other changes for 2012-13

Fuel benefit charge

From 6 April 2012, the fuel benefit charge multiplier used to calculate the tax payable on the benefit of free fuel for company cars will increase from £18,800 to £20,200. There is a further commitment to increase the multiplier by RPI plus 2 per cent for the tax year 2013-14 and this will be legislated by Order in the autumn.

Van and Van fuel benefit

From 6 April 2012, the van benefit charge is frozen at £3000 for 2012-13. The van fuel benefit charge is also frozen at £550 for 2012-13.

2013-14 Tax Year

Changes to tax rate and personal allowances from 6 April 2013.

The additional rate of tax will be reduced from 50% to 45% and the basic rate limit will be reduced to £32,245.

The annual level of the Class 1 Upper Earnings Limit will continue to be aligned with the income tax higher rate threshold (the sum of the personal allowance and basic rate limit) which is £41,450 for 2013-14.

The personal allowance for those aged under 65 is increased to £9,205.

[article continues >](#)

There will be three main income tax personal allowances, but entitlement will be based on the individual's date of birth rather than age

- Personal Allowance for those born after 5 April 1948 £9205
- Personal Allowance for those born after 5 April 1938 but before 6 April 1948 £10,500
- Personal Allowance for those born before 6 April 1938 £10660.

The personal allowance for those born before 6 April 1948 will not be increased. The longer-term aim is to remove the allowances for those born before 6 April 1948, when the allowance for those born after 5 April 1948 catches up. The dates of birth will be fixed, so people will not move from the £10,500 allowance to the £10600 allowance. The income limits and tapers will stay in place.

PAYE Late Payment Penalties

As part of the review of Powers, Deterrents and Safeguards, HMRC consulted widely on a new penalty regime for late payment of sums due under the PAYE system.

These penalties were designed to encourage employers to pay the tax due each month/quarter on time and reduce some of the heavy costs HMRC incurs in dealing with employers who persistently pay it late.

The legislation for the new penalty regime was included in Schedule 56 to Finance Act 2009, and provides for a penalty to be charged for each sum paid late. The first late payment during the tax year does not count as a default for the tax year and does not attract a penalty. Subsequent late payments (defaults) are charged a penalty at a percentage rate of the combined sum paid late, beginning at 1% for the second late payment rising to 4% for 10 or more late payments in a tax year. A further penalty is also payable on any amount still unpaid after 6 or 12 months.

The new late payment penalties for PAYE started on 6 April 2010. Following advance publicity during 2009-10, warning letters were sent out following employers' first late payments. Penalties were then charged and issued manually on a risk basis, rather than automatically, after the end of the 2010-11 tax year.

A number of penalties have been challenged by employers at the First Tier Tribunal. In one case (Agar Ltd published on 6 December 2011) the judge decided that HMRC had no legal right to charge a penalty for late payment of the Month 12 liability for the tax period 6 March 2011 to 5 April 2011. This is because the Month 12 payment is due by 22 April in the following tax year. The law only permits a penalty to be charged for sums paid late during the relevant tax year. HMRC has accepted this decision and began work in March to amend penalties it had already charged for 2010-11 to remove any penalties for Month 12. Employers themselves need to take no action: HMRC will be writing to every affected employer with details of their revised penalty, and where appropriate will refund any sums overpaid. HMRC aims to conclude this exercise by the end of May.

Improving the operation of PAYE – Real Time Information pilot now underway

Previous editions of the Bulletin have explained that, from April 2013, the way in which employers and pension providers report information to HMRC is changing – it will be sent each time a payroll is run, rather than once a year as now. This is known as ‘Real Time Information’, or RTI.

The RTI pilot started this month for our first group of volunteer employers. There are approximately 300 employers in this group, but we are beginning with a small step: we will be working with 10 employers and their payroll software providers to move them onto RTI reporting during April. We will then move the remaining pilot customers over during May and June.

After that, the intention is to bring more and more employers into the pilot, increasing the number to 250,000 by March 2013. All remaining employers will move to RTI between April 2013 and October 2013 but there is still time to volunteer if you would like to join the pilot.

- If you use commercial software to run your payroll, you must volunteer before 30th June 2012. Please speak to your software provider about volunteering.
- If you already use HMRC’s Basic PAYE Tools, or plan to use them, you can volunteer by sending an email to rti.migration@hmrc.gsi.gov.uk Please mark the email ‘BPT Volunteering for RTI pilot.’

Employers joining the pilot will enjoy the benefit of:

- becoming familiar with RTI reporting before the date by which most employers will be legally required to do so
- dedicated support from HMRC and their payroll software provider or payroll bureau

- not having to complete the current PAYE End of Year processes for the 2012-2013 year onwards, nor – from the date they join – having to send forms P45 and P46 to HMRC.

Form P45

And speaking of form P45, following a recent consultation with employers, we have announced that we are postponing plans to replace it with a ‘Leaver’s Statement’. Employers who have moved onto RTI will be able to continue to use form P45, but they will not send it to HMRC; it will be used by employers and pension providers to gather and exchange information when employees leave.

Employee data

Ahead of the move to RTI, we are continuing our efforts to help employers reduce the problems caused by inaccurate employee data.

We are pushing ahead with our programme of targeted visits to employers, payroll software providers, and industry and professional bodies. The purpose of these visits is to highlight the importance of data quality and, where appropriate, focus on the employer’s specific data quality issues.

As well as these targeted visits, we have launched a YouTube video which looks at examples of inaccurate data, what its implications are for employers, their employees and HMRC – and how to avoid it. The video can be seen at the YouTube website at <http://bit.ly/xVazur>

[article continues >](#)

Online Seminars for Businesses

We have also produced a webinar called ‘Accurate Employee Information Matters – it can save time and money’. This gives practical hints and tips on getting accurate information from employees and how to reduce errors.

Go to www3.gotomeeting.com/register/261725806

You can find out more about improving PAYE data quality here:

www.hmrc.gov.uk/rTI/employerfaqs.htm

September's Employer Bulletin

Come September, we will be well into the pilot and just over 6 months away from April 2013, the date from which all employers will start to move to RTI. With that in mind, the next edition of the Bulletin will be devoted largely to giving you all the information you need about RTI, from the progress of our pilot employers to advice on what you need to do in the remaining weeks and months leading up to the move to RTI.

In the meantime, we have produced a webinar which gives an overview of what RTI means for employers. You can view this at www3.gotomeeting.com/register/274066646 or visit the RTI pages on our website at www.hmrc.gov.uk/rTI/index.htm

We have recently introduced a series of free online presentations or ‘webinars’ to give tax help and advice to businesses and the self employed.

The webinars cover many different topics including – First steps as an employer, End of Year Returns and Statutory Payments but you must register in advance to use them. Registering is quick and easy – you only need your name and email address.

There are two types of presentation;

- Live presentations or ‘webinars’ – these are available on set dates at set times. The actual presentation part lasts about 30 minutes but then there are an additional 30 minutes for a live question and answer session. These presentations will also be available as ‘pre-recorded webinars’ after the event.
- Pre-recorded ‘webinars’ – these are available to view 24 hours a day, 7 days a week, at a time that suits you.

For further information about the webinars, a full list of the topics covered and details of how to register for these presentations go to www.hmrc.gov.uk/webinars

Employer Annual Returns

Sending your Employer Annual Return (P35 and P14s) online and on time

Almost all employers must send their Employer Annual Return (P35 and P14s) online. Your Employer Annual Return must reach us by 19 May 2012. There will be no period of grace beyond that date.

Once your Employer Annual Return has been completed, it should meet HMRC's quality standard validation specifications to ensure it is processed successfully.

For up to date information on business validation rules go to www.hmrc.gov.uk/ebu/qual_stand.htm

There are steps you can take to avoid errors: for more Information on avoiding and correcting errors in your Employer Annual Return, go to www.hmrc.gov.uk/payroll/year-end/errors.htm

If you have not previously sent your return online you must act now by registering for HMRC's online service and allowing sufficient time to activate your service. More information on filing online and registration can be found at www.hmrc.gov.uk/online/new.htm

We recommend that you file your return online as soon as it is ready. Don't wait until the last minute to send your return. Allow sufficient time in case you need to resubmit before the statutory deadline.

If you send your return on paper you may receive a penalty. For more information on this go to www.hmrc.gov.uk/pay/problems-inspections/wrong-filing-method.htm

Remember, to avoid penalties, file your Employer Annual Return (P35 and P14s) online and file as soon as you can before 19 May 2012.

Changes being introduced for 2011-12

To remind employers about the deadline for filing their Employer Annual Return a letter will be issued at the beginning of May in time for the return to be submitted by 19 May.

A further reminder letter will be issued after the filing deadline if we still haven't received a return or a 'no annual return' notification. This letter will explain that a penalty may already have been incurred and say that the return should be submitted immediately in order to avoid the penalty increasing. More information on penalties can be found at www.hmrc.gov.uk/pay/problems-inspections/annual-return-late.htm

Amended Employer Annual Returns (P35 and P14s)

When you need to send in further information after you have submitted your original return, either as a complete return or in parts, it is necessary to submit an additional return. Some software will not support the submission of an additional return. If this is the case you can use HMRC's Online Return and Forms – PAYE service at www.hmrc.gov.uk/pay/payroll/year-end/annual-return.htm

This software should be used for submissions with up to 50 P14s. It should not be used to submit a P35 without any forms P14. If either of these situations arises please contact the Online Service Helpdesk at <http://online.hmrc.gov.uk/information/helpdesk>

[article continues >](#)

No Employer Annual Return (P35 and P14s) to make for 2011-12

If you didn't have to complete any P11 deductions working sheets or equivalent, during the 2011-12 tax year you don't need to send us an Employer Annual Return. But you must tell us that you have no return to make so that we can update our records and prevent unnecessary reminders and penalty notices being issued.

In 2009-10 we introduced two structured email forms, one for employers and one for agents, to tell us there was no return to make. We are continuing to provide this facility for 2011-12. These forms are now available on our website to help you do this.

Using these forms is quicker, cheaper and easier than writing or calling. We will also confirm by email that we have received your notification and email you to tell you when we have acted on it.

In previous years we could not act upon a significant number of forms because the reference number entered onto the form did not match with an employer record. So please double check the reference number you enter on the form is correct. If you're not sure what your employer reference is you can find it on the front of your payment booklet (P30BC) or on the Paying PAYE electronically (P30BC letter) we send you each year.

You should only use the form on the internet to tell us you had no return to make for 2011-12. If you want to tell us about an earlier year you can write to us or telephone the employer helpline. To use the forms and for further information go to www.hmrc.gov.uk/paye/payroll/year-end/annual-return.htm#4

Important news for PAYE Desktop Viewer (PDV) users

The PDV is an application provided by HMRC which allows you to view, search and sort online PAYE tax codes, notifications and reminders.

Annual changes in notifications and reminders that are viewable on PDV mean that the PDV software has had to be updated. If you are a user of the PDV application please ensure you download and install the new version of the PDV software available from April 2012 onto your computer so that you receive the latest versions of these notices.

For more information and updates about the PDV, please go to www.hmrc.gov.uk/paye/tools/pdv

PAYE late filing penalties –

Employers will be told sooner about late PAYE returns

The joint initiative between HM Revenue & Customs (HMRC), the professional bodies and tax charities launched in late 2011, set a number of service objectives for delivery during 2012. One of these was to work together to address concerns about the delay in informing employers that their PAYE end of year returns are late, and therefore subject to penalties.

The background to this issue is that where employers do not file their annual P35 return by 19 May, they incur penalties of £100 per 50 (or fewer) employees for every month (or part month) that their return is late. In some cases, employers were unaware their returns were late until they received a first penalty letter in September covering 4 months worth of accrued penalties.

We can now announce a number of agreed measures to deal with this problem.

To help employers comply with their obligations, HMRC will:

- Change the date when we issue the “Notification to complete form P35 Employer Annual Return 2011-12” from mid-February to mid-March 2012, so that employers will receive it much nearer to the end of the tax year.
- From 28 April 2012, where we believe a 2011-12 P35 remains outstanding, we will issue an ‘Employer Annual Return Reminder’.

- From 31 May 2012, we will introduce a “P35 Interim Penalty Letter” which will be issued over a 5 day period, so that it reaches employers within a month of the filing deadline. The letter will state that the employer has incurred a late return penalty and explain what to do to avoid it increasing. We have worked together with the professional bodies on the content of this letter and it has been tested on employers and payroll agents to make it clear and employer-focussed.
- Improve the online guidance for submitting P35s online, including specific advice about the test-in-live service to reduce the number of employers who believe their test submission is the live submission. The on-screen messages within the HMRC online product will also make it much clearer that even when a successful test transmission has been made, a live transmission is still required. We would encourage those using commercial payroll software (where the text of test/ live messages may vary) to sign up for HMRC’s email alert facility to help them avoid this problem
- Instruct Employer Helpline staff to tell employers about filing dates when setting up new employer schemes, to help them avoid a penalty
- For next year, improve the information on the P35 and the reminders to include a warning that the first penalty notice will cover 4 months.

Taken together, these measures should help employers to avoid incurring unnecessary penalties and significantly reduce the number of cases where penalties in excess of £100 are charged.

Construction Industry Scheme (CIS) Deductions

A limited company can set off CIS Deductions suffered as a subcontractor against their monthly or quarterly amounts payable for PAYE, NICs and Student Loan repayments. At the end of the tax year, once we have received the company's P35 annual return, any excess CIS deductions that cannot be set off in year may be refunded or set off against another liability, for example Corporation Tax or VAT. More information can be found in the CIS guide

www.hmrc.gov.uk/cis/sub/p35return.htm

If you are a company that has an entry in box 28 of your P35 annual return and have identified an overpayment, you must send a written request to Customer Operations Employer Office, Room BP4009, Chillingham House, Benton Park View, Longbenton, NE98 1ZZ or FAX 0191 225 6677 to request a refund or set off. HMRC will not always set off overpayments as a matter of course but a written request from you may help us meet your requirements as best as possible. Your request should clearly state which liability you would like the CIS overpayment to be set off against and include all relevant tax reference numbers. Please keep a copy of your written request for reference.

Once we have received your request, we will verify that there is a CIS overpayment and a repayment is due before we can re-pay or set-off. This process relies on the accuracy of your account and other contractors' records and may take a number of weeks to complete. The process is likely to be delayed significantly if we are unable to verify that CIS deductions have been made.

You may be required to supply evidence of the CIS deductions made to verify your claim. This may include providing copies of the monthly CIS Payment and Deduction statements you will have received from Contractors and your bank statements to confirm the amounts involved.

While we are dealing with your request, you may receive letters requesting payment of the outstanding liability you have asked to be set-off. If you contact us to discuss our request for payment, please ensure you have details of when your set-off was requested, the relevant reference numbers and the amounts involved. We will need this information to verify your request is being processed and enable us to deal with your outstanding liability more effectively. You will be asked to make payment of any amount owing over and above the amount of your set-off request.

Expenses and Benefits

Reporting Expenses and Benefits – Helping you get it right first time

Errors completing P11Ds can cause delays in processing and problems with employee tax codes. We frequently have to reject P11D forms/lists and request resubmission because they do not meet the P11D Quality Standard or common mistakes have been made. We also reject forms P11D(b) that have not been signed correctly. The following guidance should help you get it right first time.

The P11D Quality Standard

The quality standard sets out the following requirements that every form P11D must meet:

- You must include your employer reference
- You must include your employee's name and National Insurance number. If you don't know the employee's National Insurance number, you must provide their date of birth and gender
- If you're reporting a car that you've provided to an employee, you must include its list price
- If you complete box 10 in section F (total cash equivalent of car fuel provided), then you must also complete box 9 (total cash equivalent of cars provided)
- If you've provided a beneficial loan to an employee and are reporting it in section H, you must also complete box 15 (cash equivalent of loans).

If you submit your P11D information in list format rather than on P11D forms, then our quality standard requires that you must:

- Present your list in an easy-to-read format using a font size no smaller than 11-point Arial when printed
- Sort your list by employee, not by type of benefit

- Include your employer reference
- Include each employee's name, National Insurance number, date of birth and gender
- Include all the expenses and benefits provided to an employee on the same list – HMRC cannot accept separate lists for each benefit
- Show the code letters assigned to each benefit as on form P11D – these are the letters in the dark blue boxes at the left of each section of the form
- Where the list contains payrolled expenses and benefits, the front of the list and each of its pages, are clearly marked 'PAYROLLED'.

Common Mistakes

The following is a list of common errors which are easily avoidable but delay processing and cause problems with employees tax codes each year;

- Submitting duplicate P11D information on paper where P11D information has already been filed online to ensure 'HMRC have received it'. This causes processing problems
- Using a paper form that relates to the wrong tax year – check the top right hand corner of the first page
- Not ticking the 'director' box if the employee is a director
- Not including some form of description or abbreviation, where amounts are included in sections A, B, L, M or N of the form
- Leaving the 'cash equivalent' box empty where you've entered a figure in the corresponding 'cost to you' box of a section
- Sending P11Ds when you've also ticked the box in Part 5 of form P35 (in your Employer Annual Return) to indicate that P11Ds are not due

[article continues >](#)

- Where a benefit has been provided for mixed business and private use, entering only the value of the private-use portion – you must report the full gross value of the benefit
- Not completing the fuel benefit where this applies. This means an amended P11D has to be sent in
- Completing the ‘from’ and ‘to’ dates incorrectly in the ‘Dates car was available’ boxes by showing the whole tax year. For example entering 06/04/2011 to 05/04/2012 to indicate the car was available throughout that year. If the car had been available in the previous tax year, the ‘from’ box should not be completed and if the car is to be available in the next tax year, the ‘to’ box should not be completed.

Payrolling expenses and benefits – what you need to do, and how to record them on your P11Ds

Currently no formal system is in place to payroll expenses and benefits in kind but some employers do this, typically under an informal HMRC agreement.

You still need to send in forms P11D or equivalent lists and form P11D(b) even if you have arranged to payroll expenses and benefits because you may be liable to penalties if you fail to do so.

To avoid incorrect data processing of any payrolled P11Ds you wish to submit online, it is essential that you notify us that payrolling has taken place **before** you submit these returns.

To avoid incorrect processing of other information, please send only P11D related correspondence with your paper forms or lists. For example, P11D(b)s, Section 336 claims submitted on behalf of your employees attached to the relevant P11Ds, covering letters etc. Sending other correspondence with P11Ds may cause processing delays.

Expenses and Benefits that have been wholly payrolled

This applies to employers who payroll **all expenses and benefits** paid to their employees. Where all expenses and benefits have been payrolled, this P11D information can be sent online or on paper. **If sent on paper**, all paper P11D forms or all pages of a P11D list, must be clearly marked ‘PAYROLLED’.

Where you intend to send these online or by other electronic submission, it is important that you tell the Employer Helpline **prior** to sending the P11D information that all expenses and benefits for the year have been payrolled.

Enter the amount payrolled in the ‘amount made good or from which tax deducted’ box on the P11D, where this is available for the relevant benefit.

Where there is ‘no amount made good or from which tax deducted’ box available for the relevant benefit, enter the amount payrolled in the ‘cash equivalent’ box.

All payrolled expenses and benefits must be declared even if the net ‘cash equivalent’ is nil, as the amount of the benefit payrolled may be liable to Class 1A National Insurance.

[article continues >](#)

The P11D (b) should be completed as described below.

Expenses and Benefits that have been partially payrolled

This applies to employers who payroll **some expenses and benefits** for all or some employees.

The non-payrolled benefit P11D information can be sent online or on paper.

Where the non-payrolled benefit P11D information has or will be submitted online, the payrolled benefit P11D information must be sent on paper. (Payrolled P11D information can only be sent online where all the P11D information in the online submission relates to payrolled expenses and benefits).

Where appropriate, complete the ‘amount made good or from which tax deducted’ box on the P11D where this is available for the relevant benefit.

The payrolled benefit P11D information where there is an ‘amount made good or from which tax deducted’ box, can be included with either the non-payrolled information or the payrolled information. But if included with the payrolled P11D information, then all paper forms or all pages of a P11D list, must be clearly marked ‘PAYROLLED’.

All payrolled expenses and benefits must be declared even if the net ‘cash equivalent’ is nil, as the amount of benefit payrolled may be liable to Class 1A National Insurance.

The P11D (b) should be completed as described below.

Signature on paper form P11D(b)

Where an employer files a paper form P11D(b), the declaration on the form must include a signature that is written in ink (‘wet signature’). HMRC will not accept a form that is a photocopy or scanned image of a completed form or a form that includes a stamp of a signature.

A paper form P11D(b) submitted without a ‘wet signature’ will be rejected and returned to the employer for correction. If the employer returns the corrected form to HMRC after the due date, this may result in a late filing penalty.

Completion of form P11D (b) for payrolled expenses and benefits

Employer’s Class 1A National Insurance is payable on all relevant expenses and benefits even if payrolled and should be calculated on the amount included in payroll, not the net ‘cash equivalent’ after payrolling has taken place.

The entries in the brown ‘1A’ boxes on the form P11D normally make up the total value of all expenses and benefits liable to CL1A NIC, which is then entered in box 1A on the form P11D(b). But for payrolled expenses and benefits where there is an ‘amount made good or from which tax deducted’ box, the entries in the ‘1A’ boxes will not provide you with the correct value on which CL1A NIC is payable. In these cases you will need to recalculate the total value of all expenses and benefits on which you are liable to pay CL1A NIC, ensuring the actual amount of the expense or benefit included in payroll is used in your calculation not the net ‘cash equivalent’ amount after payrolling has taken place.

[article continues >](#)

Exemption for mobile telephones

Where the recalculated total value of expenses and benefits liable to CL1A NIC exceeds that shown in box 1A on your P11D (b), the excess should be entered in box 4B, then added to the amount in box 1A and CL1A NIC recalculated on the revised total.

Dispensations

Don't forget that you can apply to HMRC for a dispensation to cover routine expenses and benefits for which an employee gets a full tax deduction and would remove the necessity for you to report these on form P11D/P9D.

For example, business expenses incurred in the performance of the duties of an employment for which an employee would normally have to submit a S336 claim to receive a tax deduction.

Further information on what items can be included in a dispensation and instructions on how to apply can be found at

www.hmrc.gov.uk/payex/schemes/dispensation.htm

Online Guidance for employers

The online guidance for employers relating to the completion and submission of P11D information has been updated and can be found on our website at

www.hmrc.gov.uk/payex/index.htm

We have recently published a Revenue & Customs Brief about the exemption from being taxed as an employee benefit where an employer provides just one mobile telephone to an employee, without transfer of ownership.

The Brief confirms that smartphones fall within the meaning of “mobile telephone” in this context and can therefore qualify for the exemption.

For many of you, this will simply confirm what you already thought. In practice, this confirmation is likely to only be relevant to you if you provided employees with **just one** smartphone which you have treated as a **taxable benefit** by returning it on form P11D. We now accept that in these circumstances, you do not need to include a benefit on form P11D.

If you've provided more than one mobile telephone or smartphone, and one of them is already covered by the mobile telephones exemption, with the additional devices treated as taxable benefits, this continues to be correct as the mobile telephones exemption only applies to one device per employee.

For more information, including the action to take if you have previously reported the benefit of a smartphone to us on form P11D where the employee concerned has been provided with no more than one mobile telephone or smartphone, please refer to the Revenue & Customs Brief at www.hmrc.gov.uk/briefs/income-tax/brief0212.htm

Paying Class 1A National Insurance Contributions

Class 1A NICs are due on most taxable benefits provided to employees, and are paid by employers.

Payment of the Class 1A NICs declared on form P11D(b) must clear by 22nd July if paid by electronic methods, or be received by 19th July if paid by cheque. Interest due on late payment of 2011-12 Class 1A will be calculated from 19th or 22nd July 2012 depending on the payment method used.

Common errors to avoid when paying your Class 1A NICs

- Do not add the Class 1A amount to the payment of your PAYE/NIC for the current, 2012-13, deduction year, because the Class 1A payment due in July 2012 is for the previous, 2011-12, deduction year.
Class 1A NICs should be paid separately, either electronically or by using the P30B CL1A payslip provided. Do not use one of the P30B payslips from the Employer Payment Booklet.
- Because the Class 1A payment is for the previous, 2011-12, deduction year, the Accounts Office reference used needs the correct 'year ending' and 'tax month' adding, making the reference 17 characters long. The correct Accounts Office reference number is printed on the P30B CL1A payslip we issue.
To make a payment for 2011-12 Class 1A, **1213** should be added to your Accounts Office reference, making 123PA00012345**1213** (**this reference is only an example and should not be used to make a payment**). If paying by BillPay you need to add 1212 instead as BillPay is unable to accept 'Month 13'.

The last four digits are essential and make sure your payment goes to the correct year. If they are left off your payment will automatically go to the current deduction year instead. You can check your reference number by using our online reference checker at www.hmrc.gov.uk/payinghmrc/referencechecker.htm

Each electronic payment method is different and if using one for the first time please take a look at www.hmrc.gov.uk/payinghmrc/class1anics.htm

- Another problem can occur if your Class 1A payment arrives before your P11D(b) return reaches your record as your payment may be automatically reallocated to the current tax year.

To avoid this, make sure you submit your return by 6th July at the latest. Pay after you send your return, so any electronic payment clears by 22nd July, or is received by 19th July if paid by cheque.

Hopefully the above information will help you avoid any problem with your Class 1A National Insurance Contributions payment in July.

Paying HMRC

Payment Booklets

Payment Booklets for the new 2012-13 tax year

If you still use payslips you should have received your 2012-13 Employer Payment Booklet (P30BC) in good time to make your first payment for 2012-13.

If your booklet hasn't arrived by the end of April 2012, have a good search because we started issuing it earlier than in previous years so it may have been put somewhere safe.

If you haven't a payment booklet, please pay using an electronic payment option, or call **08453 667 816** and we will send you a payslip for your first payment, and a duplicate booklet for the remainder of the year. Remember it is your responsibility to pay in full and on time to avoid the possibility of a late payment penalty being charged.

Pay using the correct payslip

When you pay using a payslip, make sure you use the correct one for the month or quarter. Let us know if you have used the wrong one so we can move your payment to the correct period and see what needs doing to get you back on track.

The spare payslip at the back of the booklet should only be used for the tax year printed on it. If you need one for a different tax year please contact us on the number above.

If you have nothing to pay for a month or quarter

You should tell us so we don't contact you unnecessarily. You don't need to use a payslip, just complete the online form at www.hmrc.gov.uk/nilpayedue

If you no longer require a Payment Booklet

The Payment Booklet is only needed if you pay at your bank, Post Office or by post. (We prefer you pay at your bank or Post Office, than by post as these electronic payments are more efficient.) If you no longer need a booklet, please let us know by completing the online form at www.businesslink.gov.uk/payingpaye as it will help HMRC reduce carbon emissions.

Electronic Payments

Paying PAYE electronically letter

The Paying PAYE electronically letter (P30B letter) is issued to employers who pay electronically without a payslip. It should arrive in time to make your first 2012-13 payment, but if it doesn't you can find details of the available payment methods at www.businesslink.gov.uk/payingpaye

Paying Electronically

Electronic payment is safe, secure, quick and easy.

Online pay by:

- Direct Debit if you are registered to use the PAYE for Employers service
- Debit or credit card using the BillPay service at www.santanderbillpayment.co.uk/hmrc

[article continues >](#)

At your own bank/building society pay by:

- Internet or Telephone banking
- Bacs Direct Credit
- CHAPS.

If you still receive your payment booklet you can pay electronically:

- at your own bank/building society branch
- at any participating Post Office.

Faster Payments

Now HMRC accept Faster Payments employers may be able to make a cleared payment on the 22nd whatever day of the week the 22nd falls on. Only payments sent by the Faster Payments Service are able to clear into our account on a non banking day – a Saturday, Sunday and most Bank Holidays.

You should check with your bank or building society before making each payment to confirm whether the service is available for that payment and explain how it works.

For more information go to www.hmrc.gov.uk/payinghmrc/fps.htm

If you have nothing to pay for a month or quarter you should let HMRC know by completing the online form at www.hmrc.gov.uk/nilpayedue so we don't contact you unnecessarily.

Misallocated Payments

Avoid misallocated payments – use the correct payslip and payment reference

If you pay using a payslip, use the right one from the Employer Payment Booklet. They are printed in tax month order with the period ending in the top right corner and if you pay every month it should be simple. Quarterly payers need to take care to use the payslips with July, October, January and April on them.

When paying electronically it is very important to use the correct payment reference, as this will avoid the payment being misallocated. Unfortunately many employers make payments using incorrect reference formats which result in payment misallocation and additional work to trace and reallocate the payment.

When paying your PAYE deductions electronically, including tax, NIC, student loan and CIS use your Accounts Office Reference number with no gaps between the characters. This is 13 character long and you can find it in the box at the top right of the front of your payment booklet or on the Paying PAYE electronically letter. Don't use the employer PAYE reference number as a payment reference.

If you ever pay early, late or send more than one payment for the same period, you need to add four numbers to the end of your Accounts Office reference making it 17 characters long with no spaces between. This will tell us what tax year ending and tax month your payment is for. For further details please see previous editions of the Employer Bulletin or go to www.hmrc.gov.uk/payinghmrc/payee.htm

[article continues >](#)

Increase in home working guideline rates

If you are paying a PAYE penalty, PAYE Settlement Agreement or NICs Class 1A don't add the payment to your monthly or quarterly PAYE payments or use one of the payslips out of the booklet. If you do your payment won't reach where you intended it to and you will receive reminders for something you have already paid. You will be sent a separate notification for paying each of these and you should either use the payslip provided with that notification or follow the specific guidance for paying electronically together with the reference provided to make sure your payment reaches the correct account.

Payment deadlines

Payment deadlines

The PAYE/Class 1 NICs electronic payment deadline means **your cleared payment must reach HMRC's bank account no later than the 22nd** of the month following the end of the tax month or quarter to which it relates.

If you pay by post, your cheque has to arrive by 19th of month following the end of the tax month or quarter to which it relates.

It is your responsibility to ensure your payments are made on time, whichever payment method you use. If your payment is late you may be charged a penalty.

To create a calendar of key tax deadlines and sign up to receive regular emails alerting you to forthcoming deadlines, including payments go to

www.businesslink.gov.uk/bdotg/action/keydates

Employees who work regularly from home can be reimbursed for the additional household expenses they incur without incurring an extra tax or NICs charge. The additional expenses that you may reimburse are those connected with the day to day running of the employee's home. This might include additional costs of heating and lighting the work area, and the additional cost of metered water.

Because it might be difficult for you to calculate the exact additional costs, we have previously published a guideline rate that can be paid without having to justify the amount paid or the employee having to keep any records to demonstrate the additional expenditure. The guideline rate is not a maximum amount and greater amounts can be paid where there is evidence to justify them.

From 6 April 2012 the guideline rate you can pay employees working from home increased from £3 to £4 per week. For employees who are paid monthly, the guideline rate is £18 per month. The guideline rate from 6 April 2008 to 5 April 2012 was £3 per week, and before that it was £2 per week.

You can now view your PAYE (and VAT) tax position online

From mid April 2012, if you have registered and enrolled for HMRC Online services, and this includes access to either a Corporation Tax Online or Self Assessment Online record, you can create an online Business Tax Dashboard. You'll be able to see a summary of your tax position on a single screen – so either Corporation Tax or Self Assessment and PAYE for Employers and/or VAT account information.

For each tax displayed on the dashboard you can navigate, using the links provided, to view detailed account information such as payments and repayments. The dashboard view also features a facility to check and change some of the contact details that HMRC holds for your business.

When you login to an HMRC online service that contains a Corporation Tax or Self Assessment record you'll be presented with the option to enrol for the Business Tax Dashboard service. The dashboard will then be added to the list of services you can use on the 'Your HMRC services' page.

If you use the same User ID and Password (login) to access PAYE and VAT that you use for Corporation Tax (or Self Assessment), then you'll get the full benefit of a Business Tax Dashboard as it will show all three.

If you have more than one login, for example you have one User ID and Password (login) to access Corporation Tax Online and a different one to access your PAYE and/or VAT online records you won't be able to see these services on a Business

Tax Dashboard but you'll still be able to view account information for each from the 'At a glance' page. You can amalgamate your services to a single login by de-enrolling a service and then adding the service to the new login. You will be sent an activation code within 7 days which you will need to use before you can fully use the service; so don't move a service you will need in the very near future, for example if a return is due.

For further information about the online Business Tax Dashboard service go to www.hmrc.gov.uk/online/dashboard.htm

Employer forms & guidance

In February's edition of the Employer Bulletin (Issue 40) we reminded you that we now expect most employers & agents to use electronic means to self serve our products from the HMRC website. This means that the Employer Orderline now has very limited stocks of paper items.

The 'Forms and publications for employers' page on the HMRC website at www.hmrc.gov.uk/payee/forms-publications.htm provides the latest information on what's available.

Those who have difficulty accessing the Internet can request a disc, containing the Basic PAYE Tools, along with pdf copies of most 2012 items, from the Employer Orderline on 08457 646 646.

Talking to HMRC about employees' tax codes

Each year we have high volumes of calls about the coding notices (P2s) we issue to individuals. We are aware that some employees want their employer to handle their queries with HMRC so we have clarified the existing guidance for our staff. Nothing in our processes has changed.

We can confirm that our advisers can speak to an employer who passes our security checks, in order to confirm the tax codes that should be used for one or a small number of employees. But our advisers cannot discuss any aspects of the particulars of those codes as this clearly could breach customer confidentiality.

We can, however, discuss aspects of the code with the employer (as we would with any third party) if the employee

- is present for the call
- can verify their identity to our telephone adviser, and
- confirms that they are content for the employer to represent them during that particular call.

We would not expect an employer to handle its employees' contact with HMRC as a matter of course. But we appreciate there are circumstances when that is needed.

It is important that in these circumstances employers call the right phone line. Our Employer Helpline does not have access to individual tax (NPS) records and we have put a recorded message on that line to that effect. The Taxes Helpline (0845 300 0627) can speak to an employer to confirm an individual's tax code.

Collecting Tax Debts through PAYE

HMRC have now started to collect Self Assessment (SA) debts and tax credit overpayments up to the value of £2999.99 by amending the tax code of individuals in PAYE employment or receiving a UK-based pension.

We had previously written to the individuals concerned giving them a final chance to pay in full or contact us to discuss other payment options; otherwise their debts or overpayments may be collected by tax code adjustment in April.

Safeguards already exist to prevent excessive deductions from salary via PAYE; these will still apply to HMRC's ability to code out debts.

The first PAYE coding notices (P2s) to include these changes were issued to individuals between January and March 2012. A SA debt or tax credit overpayment will be described on the P2 Annual Coding Notice as 'Outstanding debt' with a note to say whether this is SA tax, a tax credit overpayment or both.

Uncertain about the tax treatment of a specific event or transaction?

Are you an employer or agent who has looked at our guidance for employers but is still uncertain as to how tax law applies to a specific event or transaction?

Did you know that in these circumstances you may be able to apply for a non-statutory business clearance (NSBC) under the 'Clearance service for business – how to get certainty on significant business tax issues'?

What are non-statutory business clearances (NSBCs)?

A non-statutory clearance is written confirmation of our view of the application of tax law to a specific transaction or event that you can rely on in most circumstances, as our view of the tax consequences of your transaction.

We will aim to send you our view within 28 calendar days, though in complex cases this may take longer.

We will provide non-statutory clearances both:

- Pre-transaction where evidence is supplied that the transaction is genuinely contemplated
- Post-transaction

What type of events do employers most commonly ask for a NSBC?

Since the NSBC service was introduced in April 2008, we have found that applications most commonly involve:

- Salary sacrifice – **although the scheme must already be in operation before clearance can be considered**

- Share schemes
- Disguised remuneration
- Employment related securities
- Employee car ownership schemes
- Termination & redundancy payments
- It is important to note that a severance package can contain a number of elements:
 - Pay in lieu of notice
 - Statutory redundancy pay
 - Holiday pay
 - Ex-Gratia and/or compensation for loss of office.
 - Do **not** assume that the first £30,000 is automatically tax exempt. It is strongly recommended that clearance is sought in these cases.

How to make a clearance application

You will need to complete the checklist at

www.hmrc.gov.uk/cap/annex-a-checklist.pdf and return it to us, along with the information and any supporting documents that explain your clearance application.

It is important to send your application to the correct address

Applications should be sent to:

- HMRC Clearances Team, Alexander House, 21 Victoria Avenue, Southend on Sea, Essex, SS99 1BD
Email: hmrc.southendteam@hmrc.gsi.gov.uk or,
- if you are a Large Business Service customer, your Client Relationship Manager (CRM)

[article continues >](#)

Clearance applications must be sent either to your CRM or the HMRC Clearance Team. Sending clearances to any other HMRC address will cause a delay in dealing with your application and we may not be able to send you our view within 28 days.

Further detailed information and guidance can be found at www.hmrc.gov.uk/cap/links-dec07.htm

Helping us to help your employees

Each year HMRC has thousands of items of post returned, because the address we hold is out of date or incorrect.

What this means for your employees

Without the correct address your employees won't be notified of changes to their tax code, and will experience a delay in receiving any refund of tax they are due.

In addition, there is no way for us to check if other information we hold for them is correct.

What you can do to help

Completing address details on forms P45 and P46

Our systems are automated, and the address you provide on the P45 or P46 may change the address on that person's tax record, so it's important that you use a full and valid address.

When you complete the address field on forms P45 and P46, please ensure that you:

- Always include the second line of *your employee's* address and the postcode. This information isn't needed for other PAYE forms like the P14, so it might be missing from your payroll system or it might contain invalid characters. Please don't use the business address rather than the employees address
- Never use dashes on each line instead of an address
- Never put 'Not known' instead of an address.

If your employee changes their address

It is not your responsibility to tell us if your employee changes their address while they are in your employment, but some people think once they have told you that this information gets passed to us automatically.

If you are notified of a change of address by an employee it would help us if you remind them to contact HMRC as well.

The quickest way for people to tell us about a change of address is using our online email service at www.hmrc.gov.uk/report-changes/individual/name-address.htm

Regional Employer National Insurance Contributions (NICs) Holiday for New Businesses

If you have successfully applied for the scheme and have employed someone during the 2011-12 tax year, you should by now have received an Employer NICs Holiday End of Year Return (form E92), which you need to complete providing details of the NICs holiday claimed.

If you have not yet received a form, but have successfully applied for the NICs holiday you should contact the Employer Helpline on 08457 143 143.

We recommend you complete the NICs Holiday End of Year Return (form E92) at the same time as your Employer Annual Return (P35 & P14s) to avoid discrepancies. Whilst the P35 and P14s will need to be submitted online, the NICs Holiday Return, and supporting forms E89 (or equivalent) for each qualifying employee for whom you have withheld employer Class 1 NICs, must be returned in the envelope provided and reach us by 19 May 2012.

To find step by step guidance on;

- completing your NICs Holiday Return, go to www.hmrc.gov.uk/nicsholiday
- filing your Employer Annual Return (P35 and P14s) online go to www.hmrc.gov.uk/payepayroll/year-end/annual-return.htm

Is it too late to apply for the NICs holiday?

No it is not too late to apply.

If you are a **new** business who employed someone during 2011-12 you may apply retrospectively. Go to www.hmrc.gov.uk/payepayroll/intro/nics-holiday/eligibility.htm and check if you are eligible to apply for the NICs holiday.

Any new business wishing to take advantage of the NICs holiday must submit an application for the scheme **before** they withhold any employer NICs. If your application is successful and you did employ someone during 2011-12 you will be given credit for the NICs already paid for that particular employee.

Applications can also be submitted by agents on behalf of clients as long as we hold a valid client authorisation – form 64-8.

Deductions and the National Minimum Wage

Deductions you make from a worker's pay will always reduce national minimum wage pay if they are either in respect of a worker's expenditure in connection with their employment or, with limited exceptions, made for your own use and/or benefit and are not a liability owed by the worker and paid on his behalf to a third party.

I provide services to my workers such as meals and only make deductions from their pay to cover my costs. How is this treated?

The deduction would reduce NMW pay. It is made for your own use and benefit as it is to cover the cost of a service provided by yourself and you are free to use the money as you wish. It does not matter whether you make a profit from the arrangement, whether the deduction is made from gross or net pay, whether the worker has agreed to the deduction nor whether the worker benefits from the arrangement.

I make a deduction which I pass straight on to a third party. Does this affect national minimum wage?

As long as the deduction is not in respect of expenditure in connection with the employment, you can make certain deductions from wages and pay them over to a third party on a worker's behalf without the amount affecting the worker's national minimum wage pay, for example deductions to meet the worker's own liability to pay for a public transport travel ticket. However if you also deduct an administration charge or fee for handling the transaction on behalf of the worker, then the amount of the administration charge or fee will always reduce the worker's

national minimum wage pay, since it is made for your use and benefit. This applies even where you are legally entitled to make the charge (such as where there is an attachment of earnings order).

My workers have agreed that I can make deductions. Does this reduce their national minimum wage pay?

Each deduction must be considered on its own merits under national minimum wage legislation. The legislation does not have a definition or concept of a "voluntary deduction". Employers are in a strong position with regard to a worker's continued employment and can also withhold amounts from workers prior to payment of their wages being made. National minimum wage legislation is designed to protect vulnerable workers and cannot be circumvented by employers and workers simply making arrangements or agreements between themselves which may limit workers' entitlement to national minimum wage. Any such agreement would be void under the National Minimum Wage Act 1998.

I pay my workers at national minimum wage rates. Why do the deductions I make matter?

The basis of national minimum wage legislation is that it requires a worker to be paid a minimum level (their national minimum wage rate) on average for every hour worked in a pay reference period. Where workers are paid well in excess of the national minimum wage, the effect of particular deductions will be to reduce their national minimum wage pay but this is unlikely to result in them being paid below national minimum wage rates.

[article continues >](#)

However, where workers are earning at or near national minimum wage rates, their national minimum wage pay could be reduced below national minimum wage rates as a result of the deductions.

Where can I find out more?

For further information on the national minimum wage visit www.businesslink.gov.uk/nmw

Advice about appealing a Notice of Underpayment

If you have appealed or are considering appealing a notice of underpayment, you should consider telephoning the ACAS Helpline for independent and impartial advice. The number is 08457 47 47 47. The ACAS Helpline is open Monday to Friday 8am to 8pm and Saturday 9am to 1pm.

Amendments to the online versions of the Employer Helpbooks

The following amendments have been made to the helpbooks on our website;

E12 (2012) PAYE and NICs rates and limits for 2012-13

The Contracted-out National Insurance contribution table on page 5 has been amended to remove categories F, G & S which are obsolete from 6 April 2012.

If you are using the online version of Helpbook E12(2012) you can download the updated version from www.hmrc.gov.uk/helpsheets/2012/e12.pdf

E13 (2012) Day-to-day payroll

We have amended the 'Employer NIC rebate example' in the right hand column on page 12.

If you are using the online version of Helpbook E13(2012) you can download the updated version from www.hmrc.gov.uk/helpsheets/2012/e13.pdf

CWG2 (2012) Employer Further Guide to PAYE and NICs

It has been necessary to make the following amendments in employer helpbook CWG2 (2012):

- Page 11 paragraph two – under the heading 'For PAYE purposes', the tax code has been amended from 'BR (week 1/month1 basis non-cumulatively)' to '0T (week1/month 1 basis non-cumulatively)'
- page 35 – the example for 'Employer's NICs rebate on contracted-out earnings' on page 35 and the corresponding P11 and P14 entries on page 36
- page 37 example three – the text in the first bullet underneath the heading 'Employers contributions are due at :-' has been changed to 'The appropriate contracted-out percentage rate on the total earnings above the Secondary Threshold (£624).

If you are using the online version of Helpbook CWG2(2012) you can download the updated version from www.hmrc.gov.uk/guidance/2012/cwg2.pdf

Statutory Payment calculators

As part of our ongoing commitment to review and improve our services we have developed three new simple and interactive Statutory Payment calculators;

Additional Statutory Paternity Pay (ASPP) calculator

The ASPP calculator works out how much ASPP you will have to pay and how much you can recover. For more information and to use the calculator go to www.businesslink.gov.uk/asppcalculator

Statutory Maternity Pay (SMP) calculator

The SMP calculator will work out whether your employee is entitled to be paid SMP, the amount of SMP you should pay and from what date and how much you can recover. For further information and to use the calculator go to www.businesslink.gov.uk/smpcalculator

Statutory Sick Pay (SSP) calculator

The SSP calculator will work out whether your employee is entitled to be paid SSP, the amount of SSP you should pay and from what date and how much you can recover. There is also a recovery calculator which will work out how much you may be able to recover. For further information and to use the calculators go to www.businesslink.gov.uk/sspcalculator

The remaining Statutory Payment calculators are still in their original format on our website.

To use the Statutory Adoption Pay (SAP) calculator go to www.hmrc.gov.uk/calcs/sap.htm

To use the Ordinary Statutory Paternity Pay (OSPP) for birth calculator go to www.hmrc.gov.uk/calcs/sppb.htm

To use the OSPP for adoption calculator go to www.hmrc.gov.uk/calcs/sppa.htm

The Basic PAYE Tools also contains a complete set of Statutory Payment calculators, Additional Statutory Paternity Pay (ASPP), Ordinary Statutory Paternity Pay (OSPP), Statutory Adoption Pay (SAP) Statutory Maternity Pay (SMP) and Statutory Sick Pay (SSP).

To download the Basic PAYE Tools, go to www.hmrc.gov.uk/payee/tools/basic-payee-tools.htm

All of the above calculators include the new rates for ASPP, SMP, SAP and OSPP for the first complete pay week following Sunday 1st April 2012 and SSP from 6th April 2012.

Advance Funding for Statutory Payments

If one or more of your employees is entitled to a Statutory Payment (SP) then you are liable to pay them, but you may also be able to recover some or all of the SP you pay. You should fund this from the payroll deductions you're due to send to HM Revenue and Customs (HMRC). The payments you can use for this purpose are Pay As You Earn (PAYE) tax, National Insurance Contributions (NICs), student loan (SL) and Construction Industry Scheme (CIS) deductions. If you don't have sufficient deductions in the month you make payment or over the coming months to cover the amount of statutory payment you are entitled to recover then you can apply to HMRC for a payment to cover the balance.

To apply for funding you'll need to provide us with information about your PAYE scheme and details of the statutory payments that your claim relates to. Full details of the process can be found on our website at

www.hmrc.gov.uk/payee/employees/statutory-pay/funding.htm

With effect from the beginning of June a change is being introduced to the process and you should take this into consideration when making an application for advance funding. An application for advance funding should be made no more than four weeks before the first payment of statutory payment is due. We will not issue payments more than four weeks before the statutory payment is due to be paid to your employee(s). If your application is received too early it will be returned to you and you will need to make another application at the appropriate time.

With claims that cover two tax years, funding will be issued in two instalments. We will send a payment relating to the current tax year and the balance will then follow

in the first month of the new tax year. Any new rates will be taken into account with any payment which spans two tax years.

Penalties

If you obtain incorrect funding or include incorrect statutory payment information on your return, either fraudulently or negligently, you could be liable to a penalty up to a maximum of £3,000 per offence. We will charge a penalty for each employee for whom you incorrectly claimed advance funding or include incorrect information for on your returns. If the claim spans more than one tax year we will charge a penalty for each year. A repeat offence will increase the amount of the penalty.

Recovery

With the exception of Statutory Sick pay (SSP), you can recover most if not all of the SP you paid to your employee. The amount you can recover depends on your total employee's and employer's NICs you paid in the 'relevant' tax year. The amount of SSP if any you can recover is dependent on the amount of SSP you have paid in any tax month and your total gross NICs in that same month.

Full details can be found on our website at

www.hmrc.gov.uk/payee/employees/statutory-pay/index.htm

It is important that you only recover the amount you are entitled to and do not claim the small employer's compensation rate unless you have an annual NICs liability of £45,000 or less.

State Pension age for women born between 6th April 1951 and 5th November 1951

The age at which women reach State Pension age is rising gradually to equal that of men. The changes are being phased in on a sliding scale between April 2010 and November 2018. Details of women's new pension age during the tax year 2012-13 are shown opposite.

Women born on or before 5th April 1951 will have already reached State Pension age so details are not included.

Recording National Insurance Contributions

Any employees over State Pension age do not have to pay employee's National Insurance Contributions (NICs).

However, employers still pay Class 1 category C rate NICs.

If you employ any women over 60 you will need to continue deducting Class 1 NICs up to their new State Pension age. Please ensure that you have accurate dates of birth for all employees to determine when they no longer need to pay Class 1 NICs.

Female Date of Birth	State Pension Age Date
6 April 1951 to 5 May 1951	6 May 2012
6 May 1951 to 5 June 1951	6 July 2012
6 June 1951 to 5 July 1951	6 September 2012
6 July 1951 to 5 August 1951	6 November 2012
6 August 1951 to 5 September 1951	6 January 2013
6 September 1951 to 5 October 1951	6 March 2013
6 October 1951 to 5 November 1951	6 May 2013

Tax Credit

The 2012 Tax Credit renewal campaign will encourage customers to renew early, renew accurately and before the 31st July deadline.

The annual renewal campaign is a key campaign for HMRC. Last year over 400,000 customers failed to meet their obligations and lost their tax credit payments as a result. Although 66% of these did subsequently renew, they may have suffered financially whilst waiting for their payments to be restored. The main aim of the renewals campaign is to educate customers and help them to claim the right money at the right time.

We will continue to follow the principle of Get It Right First Time, based around a programme of customer education and pre-award checks. We are using a check first, then pay system as opposed to our previous approach which was to pay now, check later. This approach has been developed as part of our strategy to significantly reduce the amount of fraudulent and erroneous claims made for tax credits.

As part of this approach, we may contact your organisation to confirm earnings or hours worked by some of your employees. Contact will normally be by telephone during the period April – October and will relate to one specific employee per call.

If you would like to help make sure your employees correctly claim what they are entitled to, we have produced some promotional material that you can download and use in the workplace:

- messages which can be used on payslips – see www.hmrc.gov.uk/payee/employer-bulletin/eb41/taxcreditspayslip.pdf
- an article to use if your company produces a newsletter for employees – see www.hmrc.gov.uk/payee/employer-bulletin/eb41/taxcreditsarticle.pdf
- a poster which can be displayed in the workplace – see www.hmrc.gov.uk/payee/employer-bulletin/eb38/taxcreditsposter.pdf

Encouraging your staff to renew their tax credit claims early and accurately will help us process claims more efficiently and should mean that requests from us for further information should be kept to a minimum.

Student Loans

Student loans are only collected when an employee's earnings reach a certain level. From April 2012 this level, or threshold for repayment, has increased to £15,795. This figure should be applied to all employees making student loan repayments on and from 6 April 2012.

Workplace pensions reform

- understand who will need to be automatically enrolled into a pension scheme

All employers will have new duties under workplace pensions reform.

As an employer you must assess each member of your workforce to identify into which category of worker they each fall. This is to determine whether you will have workers who you will have to automatically enrol, or workers with a right to opt in or to join a pension scheme.

You will need to identify:

- the worker's age
- whether the worker is working, or ordinarily working, in the UK, and
- the worker's earnings.

All workers will be classified as either **eligible jobholders**, **non-eligible jobholders** or **entitled workers**.

An **eligible jobholder** is a worker who is:

- aged between 22 and state pension age
- working, or ordinarily working, in the UK, and
- earning more than the higher trigger for automatic enrolment (currently set at £7,475 pa).

A **non-eligible jobholder** is a worker who is:

- working, or ordinarily working, in the UK, and
- either:
 - aged between 16 and 74 and earning between the lower and higher trigger amounts (currently £5,035 and £7,475), or

- aged between 16 and 21 or between state pension age and 74, with earnings above the higher trigger (currently £7,475).

An **entitled worker** is a worker who is:

- aged between 16 and 74
- working, or ordinarily working, in the UK, and
- earning less than the lower trigger for automatic enrolment (currently set at £5,035 pa).

Your payroll processes may not support this assessment of earnings. Business software providers are being made aware of the pensions reform changes, so you may wish to discuss your requirements with your software providers.

Research conducted by The Pensions Regulator suggests that many employers will turn to existing advisers for help in understanding and fulfilling their duties.

Another of the new duties you will have as an employer will be to provide information to your workers within prescribed time limits.

If the worker is an **eligible jobholder** they must be **automatically enrolled** unless they are already an active member of a qualifying pension scheme with you.

If the worker is a **non-eligible jobholder**, you must give them information about their right to **opt in** to a qualifying pension scheme and enrol them if they decide to opt in.

If the worker is an **entitled worker**, you must give them information about their right to **join** a pension scheme.

[article continues >](#)

New HMRC Tax Calculator

This information must be provided in writing. This can include information sent by email, but does not include signposting to an internet or intranet site or displaying a poster in the workplace.

Someone acting on the employer's behalf, such as an independent financial adviser (IFA), pension scheme provider or benefit consultant, can provide the information, but it remains your responsibility to make sure it is provided to the worker on time and is complete and correct.

Once you know what categories of workers you have, the next step is to select a pension scheme for workers who must be automatically enrolled.

Detailed guidance as well as introductory materials for employers and their advisers, to help you understand what needs to be done and when – including the duties that apply to each category of worker – is available on The Pensions Regulator's website at: <http://tinyurl.com/tpr-hmrc5>

As part of The Pensions Regulator's communications for automatic enrolment, they recently held a webinar which gave a detailed look at assessing your workforce. If you missed the session and would like to take a look at what was covered, you can view the webinar in full at: <http://tinyurl.com/tpr-hmrc6>

Introduction

In his March 2011 Budget, the Chancellor announced that to support the Government's aims for greater tax transparency for individuals, a new online Tax Calculator and downloadable mobile application for smart phones would be developed by HMRC and would be available from April 2012.

What is the HMRC Tax Calculator?

The web based and mobile application calculators will enable individuals to calculate both the annual tax and in year tax and National Insurance contributions (NICs) they can expect to pay. There will be a simple, quick calculation option and an option to request a more detailed calculation depending on an individual's needs. It will also provide a visual display of how their Tax and NICs are allocated across the Government's spending programme. It will be user friendly and will let individuals enter their pay details for a pay period, together with other detail such as their Tax Code if known. The result screen will display an estimated amount of tax and National Insurance they can expect to pay. This amount may however not match to the exact penny the amounts shown on their pay slips. Customers will be told in the supporting guidance that the calculation is an estimate only.

Further information about the Tax Calculator will be available on our website within the next few weeks.

DON'T GET FIN£D

- Make sure your employees are allowed to work.

Employing someone who is not allowed to work in the UK is illegal

As an employer you have a duty to prevent illegal working by carrying out document checks on people to make sure they have the right to work in the UK before you employ them. Illegal working has damaging social and economic consequences for the UK: it undercuts businesses that operate within the law, undermines British workers, and exploits migrant workers.

3 steps to making employee checks

To avoid a possible £10,000 fine there are three steps you must follow:

1. You must ask for and take copies of original, acceptable documents showing the holder is allowed to work before you employ them.
2. You must satisfy yourself that the documents presented are genuine and that the person presenting them is both the rightful holder and allowed to do the type of work you are offering.
3. If a person you go onto employ has a time limit on their stay then you must carry out repeat checks at least once every 12 months.

Making checking easier, simpler and more secure

The UK Border Agency is committed to helping legitimate businesses follow the rules and to simplifying the documents it issues to foreign nationals.

Migrants from outside the European Economic Area (EEA) who are applying in the UK to stay for more than six months are now issued with a biometric residence

permit if successful in their application. It is considerably more secure and tamper-proof than the vignette (sticker) type residence permits that are placed in passports and other paper based UK immigration status documents employers use to check non-EEA nationals' right to work in the UK. It will progressively replace these other forms of immigration documentation issued to new applicants.

Biometric residence permits are credit card sized immigration documents that hold a person's fingerprints and photograph on a secure chip. The permits are issued to non-EEA nationals with permission to remain in the UK for more than six months.

By February, around 650,000 Biometric Residence Permits had been issued since they were launched in November 2008, mostly to those working or studying in the UK under the points-based system for migration. The rollout to all new applicants extending their stay in the UK is now complete. In addition, anyone given permission to stay in the UK for more than six months on or after 1st December 2012 will be required to obtain a biometric residence permit (if they have not already applied for one). This ensures those who made an application before a biometric requirement in their immigration category, and still have an application or appeal in the system by that date, get this format of document if they are successful. This ensures that from this date there will only be one format of document issued in-country by the UK Border Agency to those from outside the EEA or Switzerland here for more than six months, making it simpler for employers and others required to check them.

[article continues >](#)

All VAT returns must now be submitted online

Online checking service

Also from spring 2012, employers will be able to verify that the details contained on an employee's biometric residence permit are correct online. The new online checking service will provide quick and easy real time checks on the permit, the holder's identity and their right to work.

The new online checking service for Biometric Residence Permits, alongside simplified guidance for employers, will help ensure businesses are aware of the checks they need to make and can do so confidently and with ease.

Employers can download specific guidance for checking biometric residence permits from the UK Border Agency's website.

To find out more go to

www.ukba.homeoffice.gov.uk/business-sponsors/preventing-illegal-working/

We wrote to you in February, explaining that – for accounting periods starting on or after 1 April 2012 – you must submit your VAT returns online and pay any VAT due electronically.

Well over half (about 60%) of the businesses affected by this new requirement are already submitting online. But if you have not yet signed up to VAT Online, we included with our letter, a step by step guide explaining how to sign up to the VAT Online service and how to submit a return online.

This will be – for the majority of businesses – all you need to get started and successfully make the move to online VAT returns.

If you have not yet signed up to VAT Online services – **you need to act now.**

Signing up is straightforward, but if you need additional support, you can find guidance on our website at www.hmrc.gov.uk/vat/online-return-help.pdf that explains where and how you can get further help from HMRC and third parties.

You can also find more information about the various ways you can pay electronically, including Direct Debit, Bacs Direct Credit, internet/telephone banking or Faster Payments at www.hmrc.gov.uk/payingvat

Child Maintenance – changes to deduction from earnings orders

Major changes are coming to the way child maintenance is managed in the UK.

The Government is creating an improved system to help separated parents support their children and make their own family-based arrangements outside of the state service, which is currently provided by the Child Support Agency (CSA).

For those who cannot make their own arrangement, a new state service will begin to be introduced later this year.

Around 12% of clients who use the state service pay their maintenance via deduction from earnings orders (DEOs). Following a consultation exercise with employer and payroll software representative bodies, DEOs will change under the new state service resulting in some important differences for employers. The most immediate benefit will be that **client income data will generally be obtained from HMRC rather than directly from employers**. This will reduce the need for routine day-to-day contact from the maintenance service.

Other features of the new service include:

- A single monthly schedule to cover all employees who have a Deduction from Earnings Order
- A dedicated employer team to manage employer contact. This will introduce a single point of contact providing help and advice on all aspects of the deductions process
- A self-service portal. Employers will be able to view and upload schedules, report changes and manage payments online using their existing Government Gateway login
- A single payment for all maintenance deductions. The facility to pay by Detailed Automated Credit Transfer (DACT) will be removed, and instead employers can send a single payment for all DEOs with an accompanying schedule and electronic payments may continue to be made via the Banking Automated Clearing Services (BACS) system.

The existing CSA schemes will not close straight away; instead, there will be a period when the old CSA schemes and the new scheme overlap. During this time employers administering existing scheme DEOs will not need to change their existing processes until they are requested to do so. A new dedicated employer team will be on hand to support employers when they require it.

Employee share schemes

- it's that time of the year again when you need to start the process of completing your annual returns!

Employee share schemes – it's that time of the year again when you need to start the process of completing your annual returns!

Do you offer share incentives to your employees either as part of a share scheme or as a one off award? If you do you need to give us details of those share incentives and awards by the deadlines given below following the end of the tax year in which those events took place. Don't leave the completion of the returns till the last moment as you may have to gather information from different sources and it is very easy to miss the deadlines.

Some companies offer their employees' participation in HMRC approved employee share schemes or schemes with tax and NICs reliefs, which are the Share Incentive Plan, Save As You Earn scheme, Company Share Option Plan and the Enterprise Management Incentives. These schemes have their own unique annual return that you must complete and send it to us. We will be issuing letters on 10 April 2012, to let you know that this return is now due. We give you 92 days to complete the returns for the tax-advantaged share schemes, meaning these have to be with us by 10 July 2012.

You may also offer employee share schemes which do not have any tax or NICs advantages. We commonly refer to these as unapproved share schemes. You may have one or more of these schemes in place but you only need to complete one annual return form to give us information about all your unapproved share schemes. For these schemes you will need to send us a return on Form 42 if there

were any reportable events in the 12 months ending 5 April 2012. Please remember that this form has to be completed, if applicable, whether or not you get a letter from us asking you to complete one. The deadline for sending this form to us is the 6 July 2012.

If you do receive a letter from us asking you to send in an annual return for the scheme or plan you are operating then please follow the instructions given in that letter. The letter will have a unique reference number shown on it which you should quote on the front page of the employee share scheme annual return that you send to us. By doing so you will help us to update our records quickly and accurately and reduce the need to chase you for the annual return.

Each of the annual share scheme returns has guidance notes on the form. Please read these notes carefully and only provide the information requested on the form, clearly and legibly. There will be occasions when we need to speak to you about the information you have provided. We find it is easier to resolve minor errors over the phone so it is always helpful if you give us a telephone number and name of a person to contact.

Further information and copies of the share scheme returns for 2011-12 can be found at www.hmrc.gov.uk/shareschemes/ann-app-schemes.htm Unfortunately these returns cannot be completed online or electronically so you will need to print them off.

Employer diary

Apr - May 2012

Jun - Jul 2012

Aug - Sept 2012

April 2012

- 5 You must send your Employer Annual Return (form P35 and P14s) for 2011-12 online. Penalties may be charged if you send them on paper. If you have finalised your payroll for 2011-12 file your Employer Annual Return now. Don't wait for the deadline in May.

- 6 Please ensure you use the new Taxable Pay Tables B to D from today. Check you have made all necessary changes to your employees' tax codes for 2012-13 as explained on Form P9X.

Computerised payroll users - make sure you have updated your payroll parameters and have the correct version of the software for 2012-13.

Mid to End If you recently registered to use PAYE Online for Employers, look out for your Activation PIN (and ensure you have made a note of your User ID) - you must activate the service within 28 days.

- 19 Cheque payments for month/quarter ended 5 April to reach our Accounts Office.

Last date for any outstanding cheque payments of PAYE and Class 1 NICs for 2011-12 to reach our Accounts Office. We will charge interest on any payments received after this date and you may have to pay a late payment penalty.

- 22 Electronic payments for month/quarter ended 5 April **must clear the HMRC bank account by 22 April 2012.**

As 22 April 2012 is a Sunday, the final electronic payment for 2011-12 will need to clear into the HMRC account by Friday 20 unless you are able to arrange a Faster Payment to clear on or by the 22. You should check with your bank in good time to see if you are able to use Faster Payments; what single transaction/daily limits affect the amount payable, and when you need to arrange payment for it to clear by the 22.

Ensure you
are registered
for online filing

Last date for any outstanding PAYE and Class 1 NICs payments for 2011-12 to reach our bank account. We will charge interest on any payments received after this date and you may have to pay a late payment penalty.

May 2012

Early May Expect your email alerts which will advise any updates to the Basic PAYE Tools following the Budget.

File your Employer Annual Return (P35 and P14s) online - don't wait till the 19 May deadline.

- 3 Forms P46(Car) for quarter ended 5 April should reach us by this date.

- 9 Last date to register to use PAYE Online for Employers if you are required or intend to send your 2011-12 Employer Annual Return online.

- 19 Cheque payments for month ended 5 May should reach our Accounts Office. If you pay late, interest will be charged and you may have to pay a late payment penalty.

Filing deadline for submitting your Employers Annual Return (P35 and P14's). A late filing penalty will be charged on forms received after this date. Penalties are also charged for failing to file online unless exempt.

- 22 Electronic payments for month ended 5 May should have cleared into our bank account.

If you pay late, interest will be charged and you may have to pay a late payment penalty.

- 31 Last date for giving a 2011-12 form P60 to each employee working for you on 5 April 2012.

Employer diary

Apr - May 2012

Jun - Jul 2012

Aug - Sept 2012

Ensure you
are registered
for online filing

Jun 2012

- Early If you have an HMRC Approved Employer Share Scheme including Enterprise Management incentives, we recommend you finalise completion of your 2011-12 Annual Returns Form 34, Form 35, Form 39 and Form 40 to ensure we receive them by the 10 July 2012. If you have Employment-related securities then finalise completion of Form 42 to ensure we receive it by 6 July 2012.
- 19 Cheque payments for month ended 5 June to reach our Accounts Office. If you pay late, interest will be charged and you may have to pay a late payment penalty.
- 22 Electronic Payments for month ended 5 June should have cleared into our bank account.
If you pay late, interest will be charged and you may have to pay a late payment penalty.

Jul 2012

- 5 Last date for agreeing your PAYE Settlement Agreement for 2011-12 (if any) with HMRC.
- 6 Filing deadline date for Expenses & Benefits Forms P11D(b), P9D and P11D to reach us.

Last date for you to give forms P9D and P11D to relevant employees.

Last date for Employee Share Scheme Annual Return Form 42 to reach us.

- 10 Last date for Employee Share Scheme annual returns Form 34, Form 35, Form 39 and Form 40 to reach us.
- 19 Cheque payments for month/quarter ended 5 July to reach our Accounts Office. If you pay late, interest will be charged and you may have to pay a late payment penalty.

Cheque payments of Class 1A NICs payments for 2011-12 to reach our Accounts Office. You may be charged interest and penalties on payments made after this date.

- 22 Electronic payments for month/quarter ended 5 July **must clear the HMRC bank account by 22 July 2012.**

As 22 July 2012 is a Sunday, the electronic payment will need to clear into the HMRC account by Friday 20 unless you are able to arrange a Faster Payment to clear on or by the 22. You should check with your bank in good time to see if you are able to use Faster Payments; what single transaction/daily limits affect the amount payable, and when you need to arrange payment for it to clear by the 22. If you pay late, interest will be charged and you may have to pay a late payment penalty.

Electronic payments of Class 1A NICs for 2011-12 should have cleared into our bank account. You may be charged interest and penalties on payments made after this date.

Employer diary

Apr - May 2012

Jun - Jul 2012

Aug - Sept 2012

Ensure you
are registered
for online filing

Aug 2012

- 2 Forms P46(Car) for quarter ended 5 July should reach us by this date.
- 19 Cheque payments for month ended 5 August to reach our Accounts Office. If you pay late, interest will be charged and you may have to pay a late payment penalty.
- 22 Electronic Payments for month ended 5 August should have cleared in our bank account. If you pay late, interest will be charged and you may have to pay a late payment penalty.

Sep 2012

- 19 Cheque payments for month ended 5 September should reach your Accounts Office by this date. If you pay late, interest will be charged and you may have to pay a late payment penalty.
- 22 Electronic payments for month ended 5 September **must clear the HMRC bank account by 22 September 2012.**

As 22 September 2012 is a Saturday, the electronic payment will need to clear into the HMRC account by Friday 21 unless you are able to arrange a Faster Payment to clear on or by the 22. You should check with your bank in good time to see if you are able to use Faster Payments; what single transaction/daily limits affect the amount payable, and when you need to arrange payment for it to clear by the 22. If you pay late, interest will be charged and you may have to pay a late payment penalty.

Helpline & Orderline numbers

'Helpline - telephone advice and Orderline - for employers exempt from online filing obligations to order forms and guidance.

Calls may be monitored for quality control and training purposes

To access a wide range of employer information at a time to suit you, visit the Employer pages on our website at

www.hmrc.gov.uk/employers

General payroll matters - for example PAYE and NICs

Been an employer 3 years or less? **08456 070 143** Mon - Fri 8am - 8pm, Sat 8am - 4pm

Been an employer more than 3 years? **08457 143 143** Mon - Fri 8am - 8pm, Sat 8am - 4pm

Textphone **08456 021 380** for employers who are deaf or hard of hearing (only people with specialised equipment such as Minicom are able to use this number)

Order forms and guidance

Website www.hmrc.gov.uk/employers/emp-form.htm

Orderline **08457 646 646** Mon - Fri 8am - 8pm, Sat 10am - 1pm

Fax **08702 406 406** (Please use your Fax Order Form)

Construction Industry Scheme (CIS)

CIS Helpline **08453 667 899** Mon - Fri 8am - 8pm, Sat 8am - 4pm

Minicom **08453 667 894**

NICs: special topics

Contracted-out Pensions Helpline and Orderline **08459 150 150** Mon - Fri 8am - 5pm

Non-residents Helpline and Orderline **08459 154 811** Mon - Fri 8am - 5pm

NMW Information Orderline

Pay and Work Rights helpline **0800 917 2368** Mon - Fri 8am - 8pm, Sat 9am - 1pm

Orderline **08458 450 360** 7 days a week 24 hours

Other helplines

HMRC Online Services Helpdesk*

*including technical support for the Basic PAYE Tools

Helpline **08456 055 999** Mon - Fri 8am - 8pm, Sat 8am - 4pm

email helpdesk@ir-efile.gov.uk

PAYE/SA payment enquiries **08453 667 816** Mon - Fri 8am - 8pm, Sat 8am - 4pm