



Welcome

Hello and welcome to the December edition of the Employer Bulletin.

The Chancellor delivered his Autumn Statement to Parliament on 3 December and you will find a summary of the changes which may affect your payroll processes on page 2. The article on page 3 tells you about the penalties associated with filing PAYE information in real time and gives you some helpful information about how you could avoid incurring penalties unnecessarily. It also tells you how you can now file an appeal online using the Penalty and Appeals Service (PAS) should you find yourself in a penalty situation you think is wrong.

HMRC have now closed all helpline numbers starting with 0845 and any customers calling these numbers will be asked to redial using the correct number. If you need to contact HMRC, please check you are using the [correct contact](#) number before calling.

We hope you find the items in this edition both helpful and informative. To help make sure you don't miss future updates, I'd urge you to [sign up to receive our free email alerts](#). Doing so means we'll be able to send you an email each time a new edition of the Bulletin is published. The Department for Work and Pensions also produces a regular [newsletter for employers](#) which you might want to sign up to receive.

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

Alison

Alison Bainbridge
Editor

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Chancellor's Autumn Statement

The Chancellor delivered his Autumn Statement on 3 December 2014. An [overview](#) summarising the main changes impacting HMRC has been published and this article provides a brief summary of those changes which may have an impact on your payroll obligations.

Income Tax Allowances

It was announced that the basic personal allowance for the tax year starting 6 April 2015 will be increased to £10,600 and the tax code for emergency use will be 1060L.

As a result there will be a general uplift of tax codes with suffix 'L' which will be increased by 60. HMRC will also issue individual tax codes for the tax year starting 6 April 2015 for some employees and employers should receive by the end of March 2015. Full instructions on what to do for both employees with or without a tax code can be found on form [P9X](#). This link will be updated in February to show form P9X(2015).

Income Tax bands and rates

The income tax rates and income tax bandwidths for the tax year starting 6 April 2015 are shown below:

Rate	%	Bandwidth
Basic Rate	20%	£1 to £31,785
Higher Rate	40%	£31,786 to £150,000
Additional Rate	45%	£150,001 and above

National Insurance contributions (NICs) earnings limits and thresholds

The announcements confirmed the following National Insurance (NI) limits and thresholds for the tax year starting 6 April 2015

- the main rate of primary Class 1 NICs will remain unchanged at 12%
- the Class 1 secondary rate of NICs will remain unchanged at 13.8%. This rate also applies to Class 1A and Class 1B NICs
- the additional rate of primary Class 1 NICs will remain unchanged at 2%
- the Lower Earnings Limit will be £112 per week

- the Primary Threshold (for employees) will be £155 per week
- the Secondary Threshold (for employers) will be £156 per week
- the Upper Accrual Point will remain unchanged at £770 per week
- the Upper Earnings Limit (UEL) will change to £815 per week
- the new Upper Secondary Threshold (for employers) will be £815 per week*.

*This has been introduced to facilitate the abolition of employer NICs for employees under the age of 21 from 6 April 2015, when employers will no longer be required to pay Class 1 Secondary NICs on earnings paid up to the Upper Secondary Threshold to any employee under the age of 21.

The contracted out rebate percentages for Contracted-out Salary Related (COSR) Schemes will remain unchanged at 3.4% for employers and 1.4% for employees.

Other Announcements

National Insurance Employment Allowance

Individuals who employ certain carers will be able to claim the NICs Employment Allowance from April 2015. As a result, they will be able to reduce their NICs bill by up to £2,000 a year. Further information is available [here](#). (NB: Employment Allowance is only being extended to certain carers – e.g. not nannies.)

Abolishing employer NICs for apprentices under 25

From 6 April 2016 employers will no longer be required to pay Class 1 secondary NICs on earnings paid up to the UEL to apprentices under the age of 25. The definition of an apprentice will be specified at a later date following discussions with key stakeholders. Further information is available [here](#).

Other changes for the tax year 2015 to 2016 announced at Budget 2014

Fuel benefit charge

From 6 April 2015, the fuel benefit charge multiplier used to calculate the tax payable on the benefit of free fuel for company cars will increase from £21,700 to £22,100.

Van and Van fuel benefit

From 6 April 2015, the van benefit is increased from £3,090 to £3,150 for 2015 to 2016 and the van fuel benefit charge will increase from £581 to £594.

Benefits in Kind

£8500 Threshold

From 6 April 2016, the £8500 threshold that determines whether employees pay income tax on all of their benefits in kind will be abolished. Further information is available [Abolishing the £8500 threshold for benefits in kind](#).

Statutory Exception for Trivial benefits

From April 2015 a statutory exemption which be introduced to allow employers to identify and treat certain low value benefits given to their employees as ‘trivial’. Further information is available [Statutory exemption for trivial benefits in kind](#).

Dispensations

From April 2016 the requirement for an employer to apply to HMRC for a dispensation for paid or reimbursed deductible expenses and benefits will be removed. The effect of this will be that there will no longer be any reporting requirement on employers, and employees will automatically receive the tax relief that they are entitled to. Further information is available [Exemption for qualifying expenses payments](#).

Pay rolling benefits

From April 2016 a statutory framework will be introduced to support voluntary pay rolling. This will be available to all employers effective from the start of the 2016-17 tax year. Further information is available at [Introducing a statutory framework for voluntary payrolling](#).

Supporting small business: making tax easier, quicker and simpler

HMRC want dealing with tax to be as simple and straightforward as possible, so giving small businesses greater confidence and certainty.

In 2012 we published commitments to make tax easier to understand and make ‘doing tax’ quicker and simpler.

We’ve updated our [online interactive publication](#) showcasing the improvements and new and enhanced products and services that HMRC has developed. It contains links directly to those services and products - helping small businesses to get their tax right, first time.

We’ve structured the document around a number of themes, so businesses can dip in and out of the sections that most interest them, including:

- delivering new and enhanced digital services: for example our flagship new digital service, Your Tax Account, allowing businesses to manage their services via a personalised homepage.
- delivering better help, support and guidance: setting out what is available to small businesses, such as live seminars, mobile apps and payment support.
- supporting business to grow: information on the new Employment Allowance of £2,000, as well as other tax reliefs and incentives, and
- modernising our processes and services: how we’re transforming our services to be simpler and more straightforward.

We’ve also described ways in which we listen and learn from small businesses to help shape our services and how we will continue to improve.

We hope that small businesses will find this publication useful and will go on to benefit from using the products and services showcased.

RTI: filing penalties and appeals

As we explained in the October 2014 edition of the Employer Bulletin, filing penalties began on 6 October for employers with schemes of 50 or more employees.

Employers who have incurred these penalties will start to receive the quarterly penalty notices from the beginning of February 2015. Agents will not be sent a copy of the penalty notice. However, the notice will contain a prominent message instructing employers who have an agent acting for them to show them the notice immediately. The notice will be in the form of a paper letter, and will set out all filing penalties incurred for quarter 3 of 2014-15 (ie for tax months 7, 8 and 9 covering the period 6 October to 5 January 2015). The penalty notice could contain more than one penalty.

Each penalty on the notice will have a Unique Identification (Unique ID) to help employers identify the penalty should they want to appeal. The penalty notice will explain what action the employer may need to take if they disagree and wish to appeal.

We want employers to understand and comply with their reporting responsibilities rather than incur penalties.

We use our electronic message service (sometimes called ‘generic notification service’ or ‘GNS messages’) to immediately advise employers when they may be in a penalty position. These messages aren’t penalty notices, they are a prompt to help employers understand their current PAYE position and bring it up to date if necessary. It’s important therefore to check these messages on a regular basis.

To prevent incurring penalties unnecessarily employers should:

- Report PAYE on time by sending a Full Payment Submission (FPS) on or before the earliest payment date that is reported on it.
- Make sure that, if they do need to report any payments late on an FPS, they tell us why using the late reporting reason codes: see the [‘Late reporting reason’](#) section of the **What payroll information to report to HMRC** guidance.
- Send an Employer Payment Summary (EPS) if they don’t pay anyone during the tax month. Employers can also use an EPS to tell us if there is going to be a period of inactivity and they won’t be reporting for several months.
- Make sure, if they use a payroll services provider or an agent to run their payroll, that they receive payroll information in good time to meet the reporting deadlines.

- Tell us if they have changed the number of payrolls or how often they pay their employees, for example changing from weekly to monthly – for details, see the [Running payroll: changing paydays](#) guidance.
- Tell us straight away if their PAYE scheme has now ceased and they are no longer paying anyone, using a final FPS or EPS – see the [Stop being an employer](#) guidance for details of what to do.
- Send an FPS or EPS in advance if they know they will be unavailable (for example, on holiday) when it is time to make a report.

Appealing against a penalty online using the Penalty and Appeals Service (PAS)

Employers and their authorised representatives can use HMRC’s Online Services to make an electronic appeal against filing penalties. PAS will display the penalty and allow employers or their agents to appeal online.

Using PAS and appealing online is the quickest way to make an appeal and have HMRC process it, and it means that employers or agents will get an immediate online acknowledgement. We therefore recommend employers and agents sign up for email reminders and notifications using options in PAYE Online if they haven’t already.

To make an online appeal, employers or agents should:

- Go into the PAYE Online section of Online Services
- Select ‘Appeal a Penalty’. Agents will find their clients’ details under “your current clients”

‘Appeal a Penalty’ will list all the penalties that can be appealed, showing the:

- Unique ID
- Type of penalty
- issue date as shown on the penalty notice
- tax period end date
- amount of penalty.

It will also tell you if there are no penalties that can be appealed, by stating either ‘You do not currently have any penalties that can be appealed’ or, if you are an agent ‘Your client does not currently have any penalties that can be appealed’.

- Select the Unique ID as shown on the penalty notice for the penalty you wish to appeal against.

- Select the reason for appeal from the drop-down menu list. You may also be required to provide additional information, for example ill-health or IT difficulties.
- For an appeal to be successful:
 - We must have raised the penalty on an incorrect understanding of the facts (e.g. the submission was made on time or the size of the employer is wrong); or
 - there must be reasonable grounds for late submission.
- The screen will then:
 - tell you that you've lodged your appeal successfully
 - provide you with an acknowledgement reference
 - tell you to check your GNS messages, to check the status of your appeal.

Please note that there isn't a print function in the online appeal facility, so you may want to make an electronic copy of this screen for your records.

- We will then consider your appeal and issue one of two GNS messages immediately:
 - 'HMRC has received the appeal which has been accepted and settled, the penalty has been cancelled and a revised penalty notice will be issued in due course'. This notice will cancel the penalty and reduce the charge to nil.
 - 'The appeal has been received and referred for further consideration'.

Appeals can also be made in writing and should contain the following information, which can be found on the penalty notice:

- PAYE Employer reference
- Unique ID of the penalty
- Default period
- Reason for appeal

Please remember that appeals can only be made online or in writing. They will be considered in exactly the same way, whichever method of appeal you use. Appeals **cannot** be made by telephone.

Further information

[What happens if you don't report payroll information on time.](#)

[Running Payroll: sending an FPS after payday.](#)

[Disagree with a tax decision 3. Appeal against a penalty.](#)

Forward look:

1) Penalties beginning in March and April 2015

In-year filing penalties for schemes with 49 or fewer employees will begin **6 March 2015**.

Automated in-year penalties for late payment will begin from **6 April 2015** for **all** employers.

The [Are you paying HMRC correctly and on time?](#) article on page 5 gives practical advice on how employers can prepare for 2015-16 by avoiding simple mistakes and incurring late payment penalty (and interest) charges.

Don't forget that we will charge interest on any penalties that are paid late.

2) Filing for month 12

We would remind employers that the filing deadline of 19 May following the end of the tax year doesn't apply for the tax year 2014-15 onwards. Instead, employers should continue to report their PAYE for month 12 as they would for the rest of the tax year.

Are you paying HMRC correctly and on time?

Most employers pay HMRC in full on or before the date their PAYE payment is due. Postal payments should be received by the 19th, and electronic payments should clear into the HMRC account by the 22nd, of the month following the end of the tax month, quarter, or annual period, to which it relates.

By paying on time they avoid late payment interest and late payment penalty charges. But without realising it a small number of employers make mistakes with their electronic payments and these can lead to delays and in some instances interest and penalties. Here is how you can avoid this happening:

- use the correct payment reference. If you pay on time all you need is your 13 character Accounts Office Reference which will look similar to this example: 123PA00012345. You can find it on the New employer registration letter HMRC sent to you when registering, on the front of the payment booklet if you still receive one, or on the 'Paying Electronically' letter sent instead of the booklet.
- If you are one of the small number paying HMRC exceptionally early or late, and by this we mean more than 14 days earlier than your payment is due or 14 days later, you need to add an extra 4 digits to the end of your Accounts Office reference which tell us the tax year and tax month you are paying. Without this essential information your payment could be allocated to another tax month or charge. Guidance on our web pages (see links below) will help you decide which additional 4 digits you need to use.
- if you've previously paid using the 17 character reference, remember to change the 4 digits next time you pay otherwise your payment will be directed towards the same month as before.
- make sure your payments clear into the HMRC bank account on or before the payment due date. You may need to check timings with your bank as some payment methods can be affected by weekends and Bank Holidays.
- pay the total due in one amount; there is no need to send separate payments for Tax, Class 1 National Insurance contributions, Student Loan contributions or CIS.
- If you can't pay, get in touch without delay. We will help where we can.
- For more help on paying HMRC, go to www.gov.uk/pay-payee-tax and www.gov.uk/dealing-with-hmrc/paying-hmrc

Employment Allowance - have you claimed yours yet?

Eligible businesses and charities can reduce their Employer Class 1 National Insurance contributions (NICs) bill by up to £2000 every year by claiming the Employment Allowance. Over 850,000 businesses and charities throughout the UK have benefited from the Employment Allowance since it came into effect in April this year. Nearly all Employers who pay Class 1 NICs are eligible for the Employment Allowance.

The Employment Allowance doesn't only reduce your employer NICs bill by up to £2000 for one year, it also applies for future years, making it even more important to claim.

Once you have claimed your Employment Allowance for the tax year ending 5 April 2015 it automatically applies for future years, until you tell HMRC otherwise.

If you haven't claimed your Employment Allowance yet, there is still time.

Claiming the Employment Allowance is straightforward. All you need to do is check your eligibility and then claim through your payroll. This is likely to be ticking a box, or something similar depending on your payroll software.

Transferable Allowances for married couples and civil partners

In the 2013 Autumn Statement the Chancellor announced that from the tax year beginning 6 April 2015 where neither spouse is liable to income tax above the basic rate, individuals will be able to transfer part of their tax free personal allowances to their spouse or civil partner. For the 2015 to 2016 tax year £1,060 will be transferable, representing a saving of up to £212 per year for eligible couples.

For most customers the application service will be digital and accessed through GOV.UK. The on-line application will require customers to use GOV.UK “Verify” first to assure their identity. HMRC recognises that some customers may need assistance to apply to transfer the allowance and will provide online support.

Once the application has been made the transferor’s tax free personal allowance will be reduced by £1,060. The spouse or civil partner receiving the transferred amount will have their tax free personal allowance increased by £1,060.

Two new tax code suffixes will be introduced (an ‘N’ suffix for the ‘transferor’ and an ‘M’ suffix for the ‘recipient’) in order to facilitate the transferable allowance for those PAYE customers currently on an ‘L’ suffix code. The new tax code suffixes ‘M’ & ‘N’ will operate in exactly the same way as the existing suffix codes ‘L’, ‘P’, ‘T’ and ‘Y’.

These new tax suffixes will not be used on tax codes prior to April 2015 and so will not be included on the 2015 to 2016 P9 tax codes issued in January, February and March 2015.

Changes to an employee’s tax code - increasing the maximum amount recoverable

HMRC is increasing the maximum amount that can be recovered through an employee’s PAYE tax code each year. HMRC refers to this as ‘coding out’.

This will be done by introducing a graduated income-based scale, which will apply if an employee has a main source of PAYE income of £30,000 or more. There will be no change to the £3,000 limit for earnings less than £30,000.

If changes are made to your employee’s tax code, HMRC will include an explanation of these adjustments in their Annual Coding Notice (P2). Tax deductions from your employee’s pay using the 2015 to 2016 tax code will start from 6 April 2015.

To ensure a consistent approach, and to safeguard employees from excessive deductions from their pay, HMRC is extending the ‘legislative 50 per cent overriding limit’ to include all tax codes, and not just K codes. This limits any deductions to a maximum of 50 per cent of an employee’s relevant pay.

To find out more about employee tax codes, check out our guidance on [understanding your employee’s tax codes](#).

How can employers help?

To help your employees understand how they can avoid deductions from their tax code, refer them to the GOV.UK website guidance on [tax codes](#).

What do employers need to do now?

You need to ensure that your payroll software is updated to accommodate the overriding 50 per cent restriction for all tax codes from 6 April 2015.

Ending of Contracting-out

Withdrawal of the Temporary Scheme Contracting-out Number (SCON)

In the February edition of the Employer Bulletin we told you that from 6 April 2014 employers would be legally required to show the relevant SCON, in addition to the Employer's Contracting-out Number (ECON), on their Full Payment Submissions (FPS) when submitting contracted-out National Insurance contributions for employees who have been in a contracted-out pension scheme during the tax year.

We also advised that we would temporarily use the automatic failure error message to provide a temporary valid dummy SCON to allow the immediate resubmission of the FPS where an employer genuinely could not obtain the correct SCON for one or more of their employees, prior to April 2014.

The temporary SCON **will not be available for use from April 2015**. It is vital that you start recording the correct SCON that refers to the scheme that the individual is currently a member of. This can be found on your Contracting-out certificate or by contacting your Pension Scheme administrator.

If you have not started to use the correct SCON by 15 December 2014, you will receive a GNS message as a further reminder that you must take action to start recording the correct SCON. You will also receive the GNS message each time you make a subsequent submission using the temporary SCON.

If you do not have a contracted-out pension scheme you should leave the SCON field blank. If you are prompted for a SCON you should make sure you are using the correct National Insurance contribution category letter for your employee.

Scheme Reconciliation Service

The Scheme Reconciliation Service was launched in April of this year to help trustees and administrators of contracted-out Defined Benefit (salary related) pension schemes reconcile their records for all non-active members against the information that HMRC holds. Please contact your scheme administrator to make sure that your scheme records are accurate and encourage them to register for this service as soon as possible.

Removal of the Upper Accrual Point and change in earnings bands from April 2016

From April 2016 employers and employees who were contracted-out of the State Earnings Related Pension Scheme, will pay the standard rate of National Insurance instead of the lower contracted-out rate of NICs. As a result from April 2016 employers will no longer need to report earnings between the Primary Threshold and the Upper Accrual Point.

Countdown Bulletin

In the October edition of the Employer Bulletin we told you about a quarterly bulletin called [Countdown Bulletin ending contracting-out](#). This is primarily aimed at Pension Scheme Administrators but you may find the information useful.

Taking on a new employee?

How to work out your new employee's tax code

You need to work out which tax code and starter declaration to use in your payroll software when you take on a new employee. Incorrect tax codes can lead to your employee paying more tax than is due so HMRC have developed a new online tool to help you or your payroll provider get your employee's tax code right first time.

You will need to get certain information from your employee so you can set them up with the correct tax code and starter declaration on your payroll software. Usually this information is on their P45 so remember to ask your new employee to bring this with them on their first day of work.

What if your employee doesn't have a P45?

The P46 form is no longer used so you'll need to ask your employee for this information straight away. You can collect this information by asking your new employee to complete HMRC's [new starter checklist](#). This provides you with all the information you need to get your new employees onto the right code and avoid payroll adjustments later on.

Once you've collected information from your employee, you can work out their tax code and starter declaration using the new [online tool](#).

Automatic enrolment: Employers act now

Know when to be ready

Recent research by The Pensions Regulator showed a wide variation among employers in awareness of staging dates - that is the date employers need to be ready to meet their automatic enrolment duties. The research showed that only 43% of those staging between June and November 2015 and 28% of those staging between January and November 2016 were planning for the correct date.

Employers must find out this key date so that they leave sufficient time to comply with their automatic enrolment duties. The regulator has a [staging date tool](#) that employers can use to find out their staging date, they just need their PAYE reference/s.

Once employers know their staging date they must make sure they know what needs to be done, and by when, in order to comply with their responsibilities and to avoid financial penalties. [A planning tool](#) is available which allows employers to view a timeline of what should be done and by when.

How and when to declare compliance

All employers must complete their declaration of compliance within five months after their staging date. This is the mandatory provision of information to The Pensions Regulator to confirm they have complied with their automatic enrolment duties.

Thousands of medium employers (with 62-89 workers) who staged in July 2014 completed their declaration of compliance (registration) with the regulator by the end of November. Employers need to make sure that they do not risk incurring a fine by ensuring they have met their duties and that their declaration of compliance is completed on time and accurately.

A PDF copy of the [declaration of compliance checklist](#) is available to download.

Employers can sign up for [news-by-email](#) to receive up to date news or information that will help them get ready.

To find out more visit www.tpr.gov.uk.

Basic PAYE Tools

Basic PAYE Tools (BPT) has been specifically tested on Windows XP, Windows7 and Windows 8.

It has not been tested on newer versions of Windows or on Windows Vista.

Downloading BPT onto any Windows platform not specifically tested is at the users own risk.

If the download doesn't work HMRC help desks would not be able to help.

At this point BPT will not fully support Auto Enrolment, but we are working closely with the Pensions Regulator to identify how best to support users of BPT as they prepare for Auto Enrolment.

Further updates will be provided in future editions of the Employer Bulletin, from both the Pensions Regulator and HMRC.

Has your PAYE scheme had a change in circumstances?

Changes in circumstances for PAYE schemes should be reported to HMRC so that we can keep your records up to date. Guidance on how to inform HMRC of a change to your businesses such as name, address, legal structure can be found here at [Tell HMRC about a change to your business - GOV.UK](#)

If you have appointed or changed an agent to deal with your tax ask them to use HMRC's [online authorisation service](#) or complete [form 64-8](#) and send it to HMRC.

You can appoint a VAT agent using [VAT online services](#).

Agents should report changes in their own circumstances such as change of address by telephoning the Employer Helpline on 0300 200 3200 or by writing to HMRC.

Improvements to HMRC's service for bereaved customers

In October 2014 HMRC launched a new simpler and quicker service for bereaved customers.

One of the main changes we've been able to make is around form R27 'Reclaiming tax or paying tax when someone dies'. HMRC were unable to process about 50% of forms at the first point of contact and they had to be returned to the customer. It was clear that the process placed a heavy burden on both Personal Representatives and HMRC resources. Of the bereavement calls received:

- 34% were about filling in the form
- 15% were to progress chase the form.

To make it easier, we have been able to reduce the amount of information we need by making better use of the data already held. Because filing PAYE information in real time now gives us all the pay and tax information needed in respect of bereaved customers we have removed the need to complete form R27 when someone dies.

This now means for PAYE customers there is an automated process that is simple for customers and more efficient for HMRC and for Self Assessment customers there is a tailored service, which includes letters that match the individual's circumstances.

Removing the need to complete this form means customers will get their tax affairs sorted more quickly and reduces the need for further contact with HMRC. It also gives HMRC more flexibility to move staff between other high priority work areas.

The new service relies heavily on the information that you as employers submit on your returns. Could you please ensure you let us know when one of your employees or pension recipients dies by submitting your final payment information as soon as possible, and that the pay and tax details include everything up to the date of death.

Christmas gifts to employees

At this time of year it may be traditional to consider providing your employees with a Christmas or seasonal gift. We would like to remind you of your obligations as an employer.

If you provide a Christmas present paid in cash, it will always be taxable, the same as other earnings. The same treatment also applies to vouchers that can be spent in either one or a number of different shops of the employee's choice. The employee is liable to pay tax on the full value of the voucher.

If employees are given a seasonal present, such as a turkey, an 'ordinary' bottle of wine or a box of chocolates, we will not seek to tax it as long as the cost is reasonable. Further information can be found in our [guidance on trivial benefits](#).

If the gift is substantial, it should either be entered on a P11D for the employee to pay tax on it or you can enter into a Paye Settlement Agreement and pay the tax on behalf of the employee.

Further details can be found in our [guidance on PAYE Settlement Agreements](#).

New State Pension

With the introduction of the new State Pension from 6 April 2016, contracting-out of the additional State Pension will end. In conjunction with pension industry stakeholders, DWP has developed a number of products explaining these changes and what they will mean for employers, employees and trustees.

To find out if you are affected by these changes read more at [GOV.UK](#).

New rules and reporting requirements if you supply individuals to provide their services to someone else

If you supply individuals to provide their services to someone else then you could be classed as an employment intermediary and you may be affected by the new Income Tax/NIC 'Agency legislation'.

The government has changed the rules covering when an employment intermediary must treat workers as their employees for Income Tax and National Insurance purposes. From 6 April 2014, if you supply individuals to provide their services to someone else you must be able to explain to HMRC, if asked, why the worker wasn't treated as an employee. You will need to provide suitable evidence to support this and should work with your client and worker to collect the relevant information which demonstrates this.

From April 2015 further Regulations will require any employment intermediary that supplies workers without operating PAYE/NICs as the worker's employer, to make quarterly returns. You'll have to send HMRC reports that contain details of all workers and their payments where you, or your payroll operator, didn't operate PAYE. The new returns come in to force from 6 April 2015 for each quarter ending - 6 July, 6 October, 6 January, 6 April.

The changes can affect both offshore and onshore intermediaries.

Employment related securities (ERS) online service

If you give shares or employment-related securities (ERS) to your employees then you need to register your employee share scheme or arrangement on the ERS online service. If you don't know what you need to do then you can read more on Gov.uk.

The ERS service is accessed via PAYE for employers so if you don't already have access to this you need to sign-up and get your user credentials. This can take up to two weeks.

It can also take up to two weeks for your unique scheme reference number to be allocated once you have registered a scheme. This needs to happen before you can submit a return so don't leave registering your schemes till the last minute. There will be penalties if you fail to make your return by the deadline of 6 July 2015. So for each scheme you have registered where a return has not been submitted online by 6 July you will be liable to a £100 penalty. Further penalties will apply if the failure to make the return continues for three months or more.

The annual returns templates for employee share schemes are also available on Gov.uk. You can go and have a look now at the information you will need to provide for your scheme. And remember without registering your scheme in advance you won't be able to make your statutory annual return online.

Shared Parental Leave and Pay

What is Shared Parental Leave and Pay?

New legislation came into force on 1 December 2014 regarding the statutory pay and leave entitlements available to employed parents. For babies due or children matched or placed for adoption on or after 5 April 2015, a new entitlement of [Shared Parental Pay and Leave](#) (ShPP/SPL) will replace Additional Statutory Paternity Pay and Leave (ASPP/APL). The parents of babies due or children matched for adoption on or before 4 April 2015 will continue to be eligible for ASPP and APL.

The introduction of Shared Parental Leave means parents will have greater choice in how they share the care of their child and time off work in the first year of their child's life. Under the new rules, mothers will still take at least two weeks of maternity leave immediately after birth, but after that working couples can share up to 50 weeks of leave and up to 37 weeks of pay.

Every family is unique and the new Shared Parental Leave regulations give real flexibility and choice to parents. Parents and adopters can choose when they return to work and fathers and partners can spend more time bonding with their children during the precious early stages of their development.

The current entitlement to 52 weeks statutory maternity/adoption leave, 39 of which is paid, and two weeks of statutory paternity leave and pay is all unchanged. However, the first six weeks of Statutory Adoption Pay will increase to 90% of average weekly earnings to bring it in line with Statutory Maternity Pay.

How does it work?

Working parents of a baby due or a child placed for adoption on or after 5 April 2015 may be eligible for SPL and ShPP. [Guidance on eligibility and entitlement](#) for employers has been published on GOV.UK. Under SPL and ShPP, mothers/adopters will be able to choose to end their maternity/adoption leave and pay early (at any point from two weeks after the birth/placement), and share their untaken pay and leave with their partner.

Parents will be able to take their leave simultaneously so that they can spend time at home together with their child or they could opt to take it in phases, for example 20 weeks for the mother/adopter, followed by 20 weeks for the father/partner, followed by 10 weeks for the mother/adopter. So it may be the case that statutory parental pay is paid over one or two discontinuous periods. Parents must notify their employers of their plans to take SPL eight weeks before they become eligible for it, and all shared leave and pay must be taken between the baby's birth and the child's first birthday or within one year of adoption.

What do employers need to do?

It is expected that the first notifications of intention to take SPL will arrive with employers from February 2015.

We anticipate that employers will need to update payroll systems where relevant to accommodate providing ShPP to employees taking SPL, and to enable these payments to be paid discontinuously where necessary.

The Government has provided [information](#) and a [tool](#) to check eligibility, and has published detailed guidance on the rules around SPL and ShPP. A key part of SPL is the discussion between employer and employee to agree the phasing of SPL and the return to work, and ACAS have published [guidance on their website](#) to support this process.

Early births

Shared Parental Leave and Pay is available to eligible parents of babies due on or after 5 April 2015. If the baby is born early parents will still be eligible for Shared Parental Leave and Pay providing the baby was due on or after 5 April 2015.

Legislation designed to allow comparable rights for working parents to be introduced in Northern Ireland is currently being developed.

This means employees in Northern Ireland will continue to be able to apply for Additional Statutory Paternity Pay and Leave.

Zero emission vans – A reminder

In October's Bulletin we asked you to send us certain information if you have employees who drive company vans with zero emissions and who have access to those vehicles for private use. The original deadline for sending this information was 12 December, but we have now extended it to **5 April 2015**. Please note that providing this information as early as possible will reduce the potential of you and your employees receiving multiple coding notices.

We need this information because from the 6 April 2015, a benefit charge will apply to zero emission vans. This rate is tapered and will increase each year until the tax year ending 5 April 2021 when it becomes the same as the full van benefit charge as follows;

- 20% of van benefit charge in 2015-16
- 40% of van benefit charge in 2016-17
- 60% of van benefit charge in 2017-18
- 80% of van benefit charge in 2018-19
- 90% of van benefit charge in 2019-20
- 100% of van benefit charge in 2020-21

When a benefit charge is incurred

Since 6 April 2005, employees do not pay tax on the private use of a company van provided that they have the van mainly for business travel and

- their private use is limited to journeys to and from home
- their other private use is insignificant.

If there is private use beyond this, then there will be a van benefit charge

Note: For these purposes, a van is defined as:

- A vehicle of a construction primarily suited for the conveyance of goods or burden of any description (this does not include people)
- with a design weight (the weight which the vehicle is designed or adapted not to exceed when in normal use and travelling on a road laden) not exceeding 3,500 kilograms

Action Required

We need to ensure that any employee who satisfies the criteria has the correct amount of van benefit charge in their tax code. So, if you have employees who drive vans with zero emissions and they have access to these vehicles for private use, **please email us the following information by 5th April 2015**.

- Employer name and contact details (Telephone number)
- Employer PAYE reference
- Employee name
- Employee National Insurance number

Send the email to mailbox.zeroemissionvans@hmrc.gsi.gov.uk.

Providing this information to HMRC will ensure your employees pay the right amount of tax.

HMRC takes the security of information very seriously. Dealing with HMRC by email can be quicker, but we must inform you of the associated risks.

The main risks of using email that concern HMRC are as follows:

- Confidentiality/privacy - there is a risk that email sent over the internet may be intercepted.
- There is no guarantee that an email received over an insecure network, like the internet, has not been altered during transit.

Because of these risks you may prefer to send details of your employee's one at a time or in small batches, so reducing the effect on your employees if anything did occur.

Because of the potential risk of viruses we will not open any attachments. Any details should therefore be included in the bulk of the email.

Please note HMRC will not communicate with you via email.

Company cars

This note clarifies the situation where an employer has entered into a lease or hire purchase agreement for a company car and the director or employee meets the monthly payments.

The payments made by the director or employee are not private use payments and cannot be used to reduce the cash equivalent of the company car benefit. It is important to note that these payments are not capital contributions either and are not allowable deductions when calculating the cash equivalent of a company car benefit.

The EIM guidance on [private use payments](#) has been updated and the guidance now includes some examples showing when private use payments deductions are available and when they are not.

More information on company cars can be found at:
www.gov.uk/tax-company-benefits/tax-on-company-cars.

And you may find the following useful;

- [Detailed information](#) on how to calculate a company car benefit for employees who use the car for private mileage.
- [Information](#) on when deductions are available to reduce the chargeable car benefit when a company car is available for private use.
- [Information](#) on when deductions are available to reduce the chargeable car benefit when a payment is made towards the capital contributions for the purchase of a company car or qualifying accessory.

IR35 Business Entity Tests

The IR35 Forum has recently reviewed the new approach to administering IR35 introduced in 2012. This review included the Business Entity Tests (BETs) that businesses can take to self-assess their risk of IR35.

The review found the BETs were not helping customers as they're:

- used very little
- not fulfilling their intended purpose.

As a result the review recommended withdrawing the BETs. HMRC has accepted this recommendation and will withdraw the BETs from 6 April 2015. Until then, businesses can continue to take the BETs if they wish or are asked to do so as part of a tendering process.

Full details can be found on [Gov.uk](#).

Deadline for final IR35 payments/returns – tax year ending 5 April 2014

Intermediaries who have operated the IR35 concession to delay making a final return and payment for the tax year ending 5 April 2014 have until 31 January 2015 to submit accurate figures and pay any outstanding amounts. This concession operates where a provisional return and payment have been submitted but cannot be confirmed because final figures were not known at the end of the 13/14 tax year. Adjustments should be reported on an Earlier Year Update (EYU) submitted electronically to HMRC between 20 April 2014 and 31 January 2015. Interest will be charged in the normal way to the date of full payment. HMRC will not be issuing reminder letters.

Relevant Motoring Expenditure and lump sum payments - Update

HMRC have been dealing with a case where a company claimed that the car allowance lump sum payments which it made to their employees who used their private cars for business should have been accepted as payments of Relevant Motoring Expenditure (RME) and disregarded for National Insurance contributions (NICs) purposes up to the Qualifying Amount (QA). HMRC's view was that the payments were earnings for NICs purposes and liable for Class 1 NICs.

The company lodged a successful appeal with the First Tier Tribunal (FTT) which we challenged and the case progressed through to the Court of Appeal (CoA).

The CoA found that the FTT had not failed to address the issues relevant to the company's scheme based on the information provided and that full arguments had not been presented by either party. It found on the facts presented that the FTT had not erred in law and there were no grounds for the appeal to the Upper Tribunal (UT) or CoA. It therefore reinstated the original decision that the payments were payments of RME and not liable to Class 1 NICs. However this did not, in our view, provide a binding precedent.

We recognised the CoA's view and as a result are taking steps to identify a suitable lead case or cases to bring before a Tribunal where all arguments can be fully presented to provide clarity for all parties.

Following the CoA decision we contacted all companies who had already submitted refund claims informing them that the reinstated FTT decision did not, in our view, provide a legally binding precedent that could be applied to other claims. We then followed this up by starting a rolling programme of writing to the companies concerned restating our view on the operation of the legislation. The letter sets out in detail the information that we need in order to be able to provide a view on whether or not a particular scheme meets the necessary requirement for the lump sum payments to be considered payments of RME. This programme of writing to employers is still continuing.

In addition, a number of companies had already supplied HMRC with detailed information on the operation of their scheme and we are in the process of providing an opinion on their refund claim or, in some cases, have requested additional clarification or further information. If, in our view the information provided on the scheme does not satisfy the requirements which HMRC believes is necessary for the payment to be accepted as RME, the company will be issued with a formal decision refusing their refund application. They then have the option to appeal to the Tribunal.

Additional information

If you have previously lodged a refund claim we will be writing to you in the coming months but in the meantime you might wish to consider pulling together information on how your scheme operates, such as copies of staff handbooks, contracts, employer packs etc.

We will not impose a set time limit for companies to respond to the request for information but we cannot consider your claim until we receive it. If you feel that collating the information asked for will take more than 3 months from receipt of our request you should contact us, at the address shown on the request, to agree a timeframe for submission.

We are not making refunds automatically as a result of the decision made by the CoA. Where, however, a company can demonstrate their scheme meets the criteria for the lump sum payments to be accepted as payments of RME then a refund will be made. This is why we need details of how your scheme operates.

As stated above, we are looking for a further case to test all the relevant arguments before a Tribunal and to provide clarity for all parties. We have identified a number of potentially suitable lead cases but the timing of taking a case before a Tribunal is not yet clear.

Further updates will be provided via the Employer Bulletin.

How Universal Credit is working with operating PAYE in real time

Universal Credit is now available in over 80 Jobcentres and from 24 November 2014 has expanded to include claims from families in some areas. [A full list of jobcentres where people can claim Universal Credit](#) can be found on GOV.UK.

Universal Credit is delivered by the Department for Work and Pensions (DWP) and provides stronger incentives and support to get people into work and earning more. It ends the rules that force some people to restrict their working hours below 16 hours in order to keep their Jobseekers Allowance or set minimum hours worked in order to claim others, such as Tax Credits. Linking benefits with operating PAYE in real time is also reducing levels of fraud and error in the current systems.

Since April 2013 when Universal Credit was introduced, RTI has been used in nearly all Universal Credit payment assessments where the claimants are in work. It helps to deliver the right support for claimants by ensuring that the claimant's monthly Universal Credit payment reflects the earnings they have received in the previous month— so that if earnings are higher they get less Universal Credit, but if the earnings are lower their payment is increased.

Positive results

Early indications are that Universal Credit is having a positive impact on employers in the areas where it has been introduced. For example, in the past, at peak periods a large employer had to verify earnings for employees who claimed Jobseekers Allowance (JSA) some of whom had refused to work more than 16 hours, causing problems for the employer in filling temporary and seasonal vacancies. However, under Universal Credit employees claiming Universal Credit are now able to work as many hours as they agree with their employer, providing a more flexible workforce when needed. Their Universal Credit is automatically adjusted monthly to reflect their earnings, which the employer reports to HMRC.

Prior to the introduction of Universal Credit a recruitment agency and large retail employer may have been reluctant to employ benefit claimants because of the 16 hour rule, inflexibility and burden of verifying earnings. Both employers are now much more willing to recruit Universal Credit claimants.

Quality Monitoring

Universal Credit has been designed to use the RTI data automatically so it is important that RTI data is as correct and complete as possible and submitted on time. HMRC and DWP are monitoring the data received, and have developed the following best practice advice:

- ensure pensions are marked accurately and not as earnings
- ensure that earnings are reported accurately and not as pensions
- ensure year to date figures are correct; and use the BACS process appropriately. Although not mandatory for most employers,
- using the BACS hash process is good practice as it enables DWP and HMRC to check PAYE against payment data.

Further guidance is available on the [HRMC FAQs](#).

Helpline and 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.gov.uk/business-tax/payee

General payroll matters – for example PAYE and NICs

Been an employer 3 years or less? **0300 200 3211** Mon – Fri 8am – 8pm, Sat 8am – 4pm

Been an employer more than 3 years? **0300 200 3200** Mon – Fri 8am – 8pm, Sat 8am – 4pm

Textphone **0300 200 3212** 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.gov.uk/get-payee-forms

Orderline **0300 123 1074** Mon – Fri 8am – 6pm

Construction Industry Scheme (CIS)

CIS Helpline **0300 200 3210** Mon – Fri 8am – 8pm, Sat 8am – 4pm

Textphone **0300 200 3219**

NIC: special topics

Contracted-out Pensions Helpline and Orderline **0300 200 3507** Mon – Fri 8am – 5pm

Non-residents Helpline and Orderline **0300 200 3506** 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 **0300 200 3600** Mon – Fri 8am – 8pm, Sat 8am – 4pm

email helpdesk@ir-efile.gov.uk

PAYE/SA payment enquiries **0300 200 3401** Mon – Fri 8am – 8pm, Sat 8am – 4pm