



## Welcome

### Hello and welcome to the June's edition of the Employer Bulletin.

There is a lot of useful information contained in this edition of the Bulletin. If you haven't already sent us your expenses and benefit information for the 2014 to 2015 tax year you may want to have a look at the article on page 3.

There's also a useful article on page 5 about PAYE payment reference numbers containing some advice on what you can do to help make sure we correctly allocate any PAYE payments you send us.

We've recently carried out some analysis on our paper post receipts and have discovered that on occasions this post is being sent when we have already successfully received the information electronically. Please remember, that unless specifically instructed to do so, it is not necessary to submit information to HMRC in paper form when the information has already been sent electronically.

We hope you continue to find the items in the Bulletin both helpful and informative. To help make sure you don't miss future updates, I'd recommend [you sign up to receive our email alerts](#). Doing so means we'll be able to send you an email each time a new edition of the Bulletin is published.

There is also a facility on GOV.UK where you can also sign up to receive alerts when new or updated information is published. If you click on [www.gov.uk/business-tax/payee](http://www.gov.uk/business-tax/payee) there is a link in the top right hand corner which says 'Subscribe to email alerts'. There are no restrictions on the number of individuals who can register for these alerts, as long as they have their own individual email address. Subscribers to this facility will be notified each time any of the content listed on that page is updated.

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

Alison Bainbridge  
Editor

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## RTI two years on

HMRC introduced RTI in April 2013, over two years ago, and now virtually all employers are reporting PAYE in real time for over 99% of individuals. This was a huge change for employers and HMRC alike.

We've learned a lot from the phased implementation of RTI – not least the benefits of working with stakeholders and employers as early as possible.

We started small – with just 10 pilot employers – building up gradually with volunteer software developers and employers throughout 2012-13, listening and adapting our systems, processes and guidance for employers and staff. This helped ensure that many issues were resolved before main rollout in April 2013.

We have continued to listen and adapt over the last two years. Examples include the adjustments for smaller employers to reporting 'on or before' payment dates, the phased introduction of in-year penalties, and not charging penalties where a PAYE report is no more than three days late.

We would like to say 'thank you' to everyone who has worked with us during RTI's implementation and who has provided us with useful feedback, which we continue to use to improve our services.

For example:

- Using feedback about the PAYE Liabilities and Payments Viewer, we will begin to roll out improvements to 'Your Tax Account' in summer 2015 to better meet customers' ePAYE needs. This will improve the appearance of PAYE accounts, for example, by including a monthly breakdown of liabilities and payments for the first time. Initially, only a small number of employers will have access to allow us to make improvements before we make them available to all employers.
- Alongside this our Agent Online Self Serve (AOSS) project is working with volunteer agents to give authorised agents access to their clients' accounts. This way we can design the new service with the customer in mind and use their feedback to inform and improve future versions. You can view the prototype screen currently under development on [HMRC Digital Service Screenshots](#), and we will advertise for new volunteers in the future through the [Agent Blog](#).
- Many of the charges referred by employers to our disputes team are because our system has created two employments where there should only be one. This can also result in the individual paying the wrong amount of tax and NICs.

We have introduced changes within our system to automatically identify and correct a proportion of these duplicate employments before they can affect customers. We have also developed software to identify and correct further duplicate employment types. We also work constantly to improve our guidance.

- We have continued to work closely with the payroll software industry to reduce the errors that will cause submissions to be rejected, reducing the number of rejections by three quarters between 2013-14 and 2014-15. We have also worked with them to improve the quality of the data being submitted by employers for processing onto HMRC systems; an example was the work we did to reduce the number of cases where employers were incorrectly reporting that their employees were seconded to work in the UK.
- You told us that we were producing the non-filing GNS too early and that was very frustrating for those who fully intended to file. So in early 2015 we put back the date by a few days so that the GNS was more up to date and therefore a more useful reminder to send an FPS or EPS.
- We extended the 'nil payments' facility to 12 months Employer Payment Summary (EPS), and added the facility to identify a relevant tax month for an adjustment.

We recognise that RTI, like any system, isn't perfect; it needs to continue to evolve and improve. And there is still a way to go before we can fully exploit the data that we receive. We will continue to monitor employer experience of reporting PAYE in real time to make sure the improvements we have made are effective, and identify where future development would be beneficial.

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## Form P45 can be issued to employees electronically

Until recently, our understanding was that employers could not provide Parts 1A, 2 and 3 of form P45 to a departing employee electronically.

However, recent legal advice has confirmed that the relevant PAYE Regulation governs the electronic transmission of information to and from HMRC and not between the employer and employee. You must however ensure that you provide P45 information to the employee in the correct form or type of document.

# Reporting expenses and benefits for the tax year ending 5 April 2015

Don't forget you need to tell HMRC about any expenses and benefits you've provided to your employees or directors during the tax year ending 5 April 2015. You must report these details to us by 6 July 2015.

Pages 9 to 13 from the [April 2015](#) edition of the Employer Bulletin provide further in-depth guidance to help with the completion of these forms.

We also have an [Expenses and benefits from employment toolkit](#) which you may find useful as it provides guidance on how to avoid making common errors that HMRC see in filed returns.

[Full guidance](#) for employers who provide expenses and benefits to their employees or directors is available.

## Amendments to the PAYE: end of year expenses and benefits (P11D Guide) and to form P11D

We have recently made amendments to the [PAYE: end of year expenses and benefits \(P11D Guide\) and to form P11D](#).

The wording on page 2 section B of the [PAYE: end of year expenses and benefits \(P11D Guide\)](#) has been changed

from: *'Enter tax on such notional payments not recouped from the director/employee within 90 days of each notional payment'*

to: *'Enter tax on such notional payments not recouped from the director/employee within 90 days of the end of the tax year'*

The wording on form P11D has been changed

from: *'Tax on notional payments not borne by employee within 90 days of receipt of each notional payment'*

to: *'Tax on notional payments not borne by employee within 90 days of the end of the tax year'*

The changes have been introduced following amendments to the legislation governing Tax on notional payments. However we will still accept and process the older version of the form on the understanding that you (or your registered Agent) have completed 'box b' following the new legislation.

Further information can be found in [480: Expenses and benefits – a tax guide](#).

## Replacement of employee's car during the tax year

If you supply your employee with a replacement car during the tax year you are not required to notify HMRC during the tax year. Experience has shown that most replacement cars are of similar specification to the car previously supplied and there is not normally a significant difference in the benefit charge.

If you do decide to advise HMRC of any significant changes in cars supplied during the tax year you must submit the information on [form P46 car](#).

## Employees receiving a car for the first time or employees ceasing to have the use of a car

In both of these situations employers must advise HMRC of the change. The change can be notified using [form P46 car](#).

Employers can calculate the taxable amount of company cars using a simple [online calculator](#).

Go to [Tell HMRC about a company car](#) for more information.

## Paying Class 1A National Insurance contributions (NIC)

An electronic payment for Class 1A NIC declared on your P11D(b) return for the tax year ended 5 April 2015 must clear into the HMRC account by 22 July 2015.

## Use the right payment reference when paying Class 1A NIC

It is important that your payment goes to the correct charge and you can help ensure it is correctly allocated by providing the correct payment reference when making your payment.

To allocate your payment correctly please use your 13 character Accounts Office reference followed by 1513.

For example if your Accounts Office reference is 123PA00123456, you would use 123PA001234561513. Please ensure you use your own Accounts Office reference followed by 1513, not the example used here. The reference should have no gaps between the characters, as that could delay update. Adding 1513 is important because 15 tells us the payment is for the tax year ended 5 April 2015, and 13 lets us know the payment is for Class 1A NIC.

If you don't add 1513 your payment will be allocated to your PAYE account (which includes tax, student loan, CIS and Class 1 NIC – not Class 1A NIC) and HMRC may contact you to ask about your Class 1A NIC payment until the error is identified and the payment is reallocated. This may also happen if you include your Class 1A NIC payment with your PAYE payment for the month or quarter ended 5 July 2015.

Please note not all payment methods have the month 13 option. If your regular payment method does not allow this it would be better to use another method to directly allocate a payment to your Class 1A NIC charge.

To pay at a bank, Post Office or by post you should only use the specific Class 1A NIC payslip issued by HMRC, as it is pre-printed with the correct reference number. Do not use a payslip from your P30B payment booklet if you have one, as these should only be used to make your current year PAYE payments.

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## Do you employ apprentices under the age of 25?

From 6 April 2016, if you employ apprentices under the age of 25 you may no longer need to pay employer Class 1 secondary National Insurance contributions (NICs) for them.

The rate of Class 1 secondary NICs for certain apprentices under age 25 will be zero up to the new 'Apprentice Upper Secondary Threshold' (AUST) which, for the tax year starting 6 April 2016, will be the same as the Upper Earnings Limit (UEL). Class 1 secondary NICs will however continue to be payable on all earnings above this threshold. The basic rules and calculations of National Insurance including how Class 1 NICs are assessed will not be changed.

**The Apprentice Upper Secondary Threshold (AUST) is different to the Upper Secondary Threshold (UST) which applies to employees under age 21; although it is set at the same amount for tax year starting 6 April 2016.**

Class 1A and Class 1B NICs are not affected by this change and should be collected and reported as normal.

From 6 April 2016 two new category letters will be introduced to use when assessing Class 1 NICs for qualifying apprentices who are under the age of 25. The definition of a qualifying apprentice for this purpose will be available later in the year.

The new category letters will be:

- H – Standard rate contributions for Apprentices under age 25.
- G – Standard rate contributions for Apprentice Mariners under age 25.

Please note you will also need to use the above new category letters from April 2016 for any qualifying apprentices you employ who also currently qualify for the secondary Class 1 National Insurance exemption because they are under the age of 21.

As with all other NICs calculations, it will be the responsibility of the employer to ensure the correct category letter is used. To do this, you will need to make sure you hold the correct date of birth for your employees.

The Employment Allowance will not be impacted by the introduction of this change. The £2,000 allowance will continue to be deducted from any secondary NICs the employer is due to pay, as it is now.

We are currently working with software developers so their products can be updated to reflect the zero rate, AUST and category letters. HMRC's Basic PAYE Tools will also be updated to reflect this change.

We will keep you updated through the Employer Bulletin and further information will be available on GOV.UK later this year.

# PAYE Payment Allocation

Most electronic payments are made on time and are correctly referenced, but some arrive with an incorrect reference. When this happens it takes extra time for payments to reach your account, so we think it would be helpful to provide more information about how payments are allocated.

## Paying electronically

Most employers pay electronically. These payments pass directly from your account to the HMRC bank account. The reference you tell your bank or other provider to use decides where the payment is allocated once the payment reaches us. Mistakes could lead to payments not reaching your account or the specific charges you intended to pay.

Some employers use the same incorrect payment reference each time they pay us. It is important the correct payment reference is used as it helps us allocate your payment quickly to the correct charge. Please check that the payment reference you use is the right one, using the following advice.

## Pay PAYE on time

When paying PAYE (which includes tax, student loan, CIS and Class 1 NIC) on time, use your Accounts Office reference with no gaps between the characters. Your Accounts Office reference is 13 characters long and you can find it on your new employer letter, on your paying electronically letter, or payment booklet if you receive one. It will look similar to this example: 123PA00123456.

When we receive a PAYE payment with the 13 character Accounts Office reference we assume the payment is for the tax month just ended and allocate it accordingly, as this is what the majority of employers will be paying at that time.

Whilst Faster Payments normally clear on the same day, some payment methods take longer or only work on a bank working day so you should check with your bank if you aren't sure when to initiate your payment to ensure it clears by the 22nd. Please do not leave payment to the last minute, if you do you risk a penalty and interest may be charged too.

## Add the tax year and tax month if paying very early or very late

If you are paying more than two weeks earlier or later than the 22nd due date, you need to tell us what period ending the payment is for by adding the tax year ending and tax month to your Accounts Office reference. For example if you wanted the payment to be allocated to 2015/16 month 01, (for the month ending 5th May 2015) you would need to add 1601, making the reference 17 characters long. The example reference shown earlier would look like this: 123PA001234561601.

**As the 4 numbers relate to a specific tax year and tax month you will need to delete or update them for your next payment.** More advice is available on the [Pay employers' PAYE page](#).

## What happens if we receive a payment with an incorrect reference?

If we receive a payment without the correct 13 or 17 character reference, we may have to contact you for further information. If we are able to work out your Accounts Office reference then the payment will be put to your account but it may not go exactly where you intended. We will normally allocate it to the oldest interest bearing debt when more precise instructions are missing.

## Paying a PAYE penalty, PAYE Settlement Agreement or other miscellaneous payment

Don't use your Accounts Office reference when paying a one-off charge such as a late payment penalty, a PAYE Settlement Agreement or a miscellaneous payment (payment reference beginning with 'X'). Also, don't add payment of one of these charges to your monthly or quarterly PAYE payments or use one of the payslips out of the booklet as your payment won't reach the correct account.

Instead, when paying a one-off charge you will need to provide the reference number of the specific charge. This is shown on the separate notification and payslip you'll be sent. You'll find this printed in the format XA123456789012 (this reference is only an example and should not be used to make a payment).

## Marriage Allowance

Marriage Allowance (previously referred to as Transferable Allowances for Married Couples and Civil Partners) was introduced from April 2015.

Where neither spouse/civil partner 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 up to £1,060 will be transferable, representing a saving of up to £212 per year for eligible couples.

Individuals can [check their eligibility and register their interest online](#). Those customers who don't register an interest will still be able to apply later in the year when the full service opens. HMRC will have an advertising campaign so that customers will know when the service opens.

To support the change both the transferor and recipient's tax codes will have to be amended. This will in turn introduce two new tax code suffixes. They will be:

- M will be used for the spouse/civil partner receiving the transferred allowance.
- N will be used for the spouse/civil partner transferring the allowance.

These new suffixes were not used on tax codes prior to April 2015.

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## Ending of Contracting-out

Contracting-out of the additional State Pension on a defined benefit (DB) basis will end on 5 April 2016. This means that from 6 April 2016 employees will automatically be brought back into the State Pension scheme and will no longer be able to use a contracted-out salary related (COSR) occupational pension scheme to contract out of the State Scheme.

Employees may, depending on their level of earnings, start to accrue entitlement to the new State Pension instead, see article on page 13 for further details.

Eligibility for the contracted-out National Insurance contributions (NICs) rebate of 3.4% for employers and 1.4% for employees will also cease from this date.

The introduction of the new State Pension will bring with it some changes in what and how you report to HMRC:

- from 6 April 2016: You will not be able to use your Contracted-out Salary Related (COSR) occupational pension scheme to contract employees out of the new State Pension scheme
- there will no longer be a requirement to report the Employers Contracting-out Number (ECON) and Scheme Contracted-out Number (SCON) details on Full Payment Submission (FPS) for tax years commencing 6 April 2016 and onwards
- there will no longer be a requirement to separate the National Insurance (NI) earnings between the Primary Threshold (PT) and Upper Accrual Point (UAP) & UAP to Upper Earnings Limit (UEL)
- there will be a requirement to report NI earnings between the PT to UEL as there was prior to 2009
- there will be one less column to complete on forms P11 and P60. These forms will be updated in due course and will be available on the Basic PAYE Tools or can be ordered from the Employer orderline.

All HMRC systems will be amended to reflect these changes and the UAP data field will be removed from the FPS and Earlier Year Update (EYU).

As all payroll software will need to be amended, technical specification packs will be issued in June 2015.

### National Insurance Categories from 6 April 2016

Contracted-out National Insurance tables/categories D, E, I, K, L, N, O and V will be replaced by Standard National Insurance tables/categories A, B, J, M, P, Q, R, T, Y and Z.

### National Insurance Categories from April 2015 for employees under age 21

Contracted-out National Insurance categories I, K and V will operate for the 2015-16 tax year **only** for individuals who are aged under 21 and are in contracted-out employment.

# Changes to the taxation of expenses and benefits in Kind

As a result of legislation included in Finance Act 2015, three significant changes in the taxation of expenses and benefits in kind that employers give to their employees will take effect from 6 April 2016. These are:

- Abolition of the £8,500 threshold for taxing certain benefits in kind;
- Voluntary ‘payrolling’ of benefits in kind; and
- Replacing dispensations with an exemption for paid or reimbursed expenses.

## Abolition of the £8,500 threshold for taxing certain benefits in kind

The £8,500 threshold for taxing certain expenses and benefits in kind will be abolished with effect from 6 April 2016. With the steady rise over the last few years in the level of the Personal Allowance (now £10,600 for the tax year beginning 6 April 2015) the vast majority of employees earning at a rate of less than £8,500 a year are no longer liable to pay income tax.

This means that from 6 April 2016 you will need to report all expenses and benefits in kind on form P11D, unless you intend to use ‘voluntary payrolling’, see below. Form P9D will also be withdrawn. The last form P9D you will be required to complete will be in respect of the tax year from 6 April 2015 to 5 April 2016 and must be sent to us by 6 July 2016.

We have also introduced two further changes as part of the abolition of the £8,500 threshold. From 6 April 2016;

- There will be no change in the way expenses and benefits in kind of a minister of religion earning at a rate of less than £8,500 are taxed. You will, however, need to report any taxable benefits in kind on form P11D instead of form P9D.
- If you employ a home care worker and provide board and/or lodgings to them in your own home, you will no longer have to pay income tax or Class 1A National Insurance contributions (NICs) on these benefits in kind. This does not apply to workers who are providing domestic services only.

Apart from the two exceptions, from 6 April 2016 Class 1A NICs will be payable on all benefits in kind, regardless of an employee’s earnings, and should be reported on form P11D(b). There are no changes to the payment dates for Class 1A NICs.

## Voluntary ‘Payrolling’ of benefits in kind

A new statutory framework which will allow you to deduct the tax due on benefits in kind through your payroll processes rather than through an employee’s tax code will be introduced from 6 April 2016. To start with you will be allowed to payroll four benefits in kind. These are:

- cars
- car fuel
- private medical insurance and
- subscriptions – such as gym membership.

If you would like to payroll any of these benefits in kind, you will need to register your intention with HMRC. A new online registration service to allow you to do this will be available from July 2015. Once you have registered your intention you will not need to complete a P11D for those benefits in kind which you will have registered to ‘payroll’ once it is introduced from April 2016.

Payrolling benefits in kind should result in fewer tax coding notices being issued, as well as fewer under and overpayments of tax.

The draft regulations setting out the framework for voluntary payrolling will be published in the summer for consultation.

## Replacing Dispensations with an exemption for paid or reimbursed expenses

At the moment, if you pay or reimburse deductible expenses (or provide benefits in kind that are covered by a matching deductible expense) to any of your employees, you have to report these on form P11D and those employees must then contact HMRC to claim back any tax relief they are entitled to – unless you have previously agreed a ‘dispensation’ with HMRC. A dispensation is an agreement that specified expenses and benefits can be provided to employees without deducting tax and NICs, and without reporting them to HMRC.

From 6 April 2016, a new exemption means you will no longer have to agree a dispensation with HMRC or report expenses or benefits in kind on form P11D where the employee is entitled to tax relief for those expenses or benefits in kind. Those expenses or benefits in kind will now be exempt from income tax. This means however, that you will need to determine the correct tax treatment of the expenses you pay to your employees and whether a matching deduction is due. You will still be required to keep records of what has been paid or reimbursed to your employees as you do now. The exemption will not apply in conjunction with a salary sacrifice arrangement.

The exemption will also apply if you pay approved scale rates to your employees in respect of certain expenses that they incur, rather than reimbursing the actual amount of the expense. You will be able to use either our benchmark scale rates for subsistence, or apply to us for a 'bespoke scale rate' based on evidence of the amounts your employees actually incur on the relevant expense. If you have recently agreed a bespoke scale rate with us as part of your dispensation, you will be able to apply to continue to use that scale rate without providing further evidence until the fifth anniversary of the rate being agreed.

More detailed information about all these changes, including details on how to apply to use a bespoke scale rate, what your record keeping requirements will be, and how to register to start payrolling benefits in kind, will feature in future Employer Bulletins.

## National Minimum Wage - Change in Penalty Charges

The Government has increased the penalties imposed on employers that underpay their workers in breach of the National Minimum Wage (NMW) legislation. For pay reference periods starting on or after 26 May 2015 the basis for the maximum NMW penalty has changed from £20,000 per notice to £20,000 per worker.

Further details of the increase in NMW penalties can be found in the [NMW law: enforcement policy](#).

## Basic PAYE Tools

### Microsoft has withdrawn support for the XP system

In 2014 Microsoft withdrew support for the XP operating system and as a result the Basic PAYE Tools (BPT) will no longer be able to support this system beyond the April 2016 release.

This message is therefore to allow you to update your systems as necessary before the April 2017 release of BPT.

### What happens if I continue to use Windows XP?

If you continue to use Windows XP when the support has ended, our operators on the Online Services Helpdesk may not always be able to offer full technical support if you encounter difficulties with the installation or operation of BPT. Your computer will still work but it might also become more vulnerable to security risks and viruses. Internet Explorer 8 is also no longer supported, so if your Windows XP computer is connected to the Internet and you use Internet Explorer 8 to surf the web, you might be exposed to additional threats. As more software and hardware manufacturers continue to use more recent versions of Windows, you can expect to encounter more applications and devices that do not work with Windows XP.

### Error message when opening the BPT installation file

Some customers are being presented with an error message when opening the BPT installation file, the error message states 'Basic PAYE Tools has encountered a problem and needs to close' or find nothing happens when trying to run the installation file. This is due to the fact that the latest version will not work on certain processors now.

They are;

- Intel processors prior to Pentium 4
- AMD processors prior to Athlon 64, including all Socket A-based processors
- Some Celeron processors

If you want to continue using the BPT, you may want to consider upgrading your current computer system.

# Appealing online against a Construction Industry Scheme late-filing penalty using the Penalty and Appeals Service

## What is the change?

Contractors and their authorised agents will soon be able to use HMRCs online Penalty Appeal Service (PAS) to make an electronic appeal against Construction Industry Scheme (CIS) late-filing penalties. PAS will display the penalty details.

We recommend that you or your representative look out for the launch of this new service over the next couple of weeks and sign up to use it as online is the quickest, easiest way to make an appeal. We will deal promptly with the appeal online providing contractors or their representatives with an immediate acknowledgement. In some cases, HMRC will accept and settle the appeal automatically. If we need more information to support your appeal, we will contact you.

## How to make an appeal

To make an online appeal, contractors or their agents should:

1. Go into the PAYE/CIS Online section of Online Services
2. 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 (shown on the penalty notice)
- Type of penalty
- Issue date (shown on the penalty notice)
- Tax (Return) period end date
- Amount of penalty

3. Select the Unique ID as shown on the penalty notice for the penalty that you wish to appeal.

## What will be displayed if there are no penalties to appeal?

The system 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 a representative, 'Your client does not currently have any penalties that can be appealed'.

## How am I told if the appeal is successful?

Once the appeal has been processed a Generic Notice will be issued; check the Notice for the result of the appeal. These notices can be accessed through the 'Generic Notices' which is the option below the 'Appeal a Penalty' option.

**To avoid receiving a CIS late-filing penalty please ensure Contractor Monthly Returns are submitted by the 19th of every month.**

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# Appealing against PAYE filing penalties if your report was no more than three days late

If you are an employer with 50 or more employees and you received an in-year filing penalty for the period 6 January 2015 to 5 March 2015 although you filed no more than 3 days late, you should appeal online by completing the 'Reason code A' box and add 'Return filed within 3 days'. Reason code A is for use specifically in this circumstance. You should also use reason code A if you appeal in writing.

This replaces the instruction in our [HMRC will not impose PAYE filing penalties for short delays from March 2015](#) announcement of 17 February, which advised you to complete the 'Other' box and add 'Return filed within 3 days'.

We have updated our [What happens if you don't report payroll information on time guidance accordingly](#).

# Scottish Rate of Income Tax

**The Scottish Rate of Income Tax (SRIT) is the amount of income tax Scottish taxpayers will have to pay and will come in to force from 6 April 2016.**

## Scottish Taxpayer Status

A Scottish taxpayer is someone who is resident in the United Kingdom (UK) for tax purposes and who has their sole or main place of residence in Scotland for more of the tax year than in another part of the UK.

The location of an employer, trustee etc. is not of any relevance, it is the location of the individual's main place of residence that is the key factor in deciding Scottish taxpayer status.

HMRC will identify those individuals who will be Scottish taxpayers – you, as an employer, will not have to make any assessments on taxpayer status.

For the majority of individuals, identifying their main place of residence will be very simple. For those with more complex living arrangements, guidance will be published on GOV.UK later this year.

Although there is currently no legislation in place that states customers need to keep HMRC informed of a change in address, it would in their best interest to tell us about any changes in personal circumstances, including changes in address, as soon as possible, as this could potentially amend their taxpayer status and tax code.

We will be letting individuals know about the importance of notifying HMRC if they change their address but would be grateful if you could also reinforce this message with your employees.

## Tax codes

Scottish taxpayers will have their tax codes prefixed with the letter 'S'.

You should not use a tax code prefixed with the letter 'S' unless advised to do so by HMRC.

For new starters, the Scottish Rate solution will look to assess and assign the appropriate Tax Code after the first Full Payment Submission (FPS) is received, using the information we hold at that time. We will then let you know the correct tax code to use.

You should continue to operate the tax code provided by HMRC, even if there is a change to your employees' circumstances.

In-year notifications will be issued where the customer notifies us of their change of address and this changes their taxpayer status and tax code.

## Transparency of Scottish Rate:

### P60s and payslips

We previously told you that P60's would need to separately show the Scottish Rate of Income Tax proportion on 'In This Employment' section of the P60. However, we are pleased to tell you that there is no longer a requirement to include the Scottish rate separately on the P60.

Over the last few months HMRC and the Scottish Government have consulted with employers and Software Developers on how best to implement these changes. We have listened to the concerns and issues raised about the complexity of making this change especially given the potential for further changes to accommodate the extended income tax powers contained within the current Scotland Bill. Therefore, the decision was taken by the Scottish Government to no longer mandate the inclusion of SRIT separately on the P60 from April 2016.

However, the P60 should show a Scottish Tax Code, where appropriate.

HMRC will show Scottish Rate portion separately on the individual's Annual Tax Summary for the tax year beginning 6 April 2016 onwards.

While there is no HMRC requirement to include the Scottish Rate amount separately on payslips, we will continue to work with employers on how best to ensure employees have visibility and understanding of the Scottish Rate of Income Tax.

## Forms P45 and P46

Form P45 will allow the Scottish tax code format to be displayed. Scottish taxpayer status applies for a full tax year so, depending on when an individual moves, their taxpayer status may not change until the end of the tax year in question. Our systems will determine taxpayer status based on the number of days an individual resides in Scotland and will inform you if there is a change in the tax code.

As with current processing, if an individual changes employment during the tax year, you should continue to operate the tax code shown on the form P45. If you do not have form P45, or are unsure which tax code to use, you should use the rest of the UK (rUK) tax code and rate unless you receive a notification from us stating otherwise.

There are no changes to the Declaration Checklist (previously form P46) for SRIT. As we will determine taxpayer status, there are no plans to amend or add a question to the Declaration Checklist specifically for Scottish taxpayers. The rUK tax code and rates will need to be applied until we issue an S code.

However, form P6 will be amended to show the correct tax code, based on the taxpayer status we hold for that individual.

## Changes to RTI

There will be no change as a result of SRIT on RTI for employers, other than reporting a new Scottish specific tax code for individual employees.

## Calculations

The current process for week 1/month 1 will continue and will not be impacted by SRIT. We will advise you which tax code to apply, and this should be applied to the employees' income for the year to date. Any resulting under or overpayments will usually be corrected in-year using current processes.

From 6 April 2015, the 50% overriding limit for PAYE deductions will apply to all tax codes. An employee's tax deduction for each pay period cannot be more than 50% of their pre-tax pay or pension. The 50% regulations will be applied to both rUK and to Scottish rate tax calculations.

There will be Scottish tax tables for the Scottish tax codes so that the correct tax deduction is made in the same way as for existing tax codes/tax tables.

You will not be expected to split the tax between Scottish and rUK, but will be expected to apply the correct rates of income tax based on tax tables and tax codes.

## In Year Changes

If the individual's main place of residence is in Scotland for 183 days or more they will be classed as a Scottish taxpayer for the full tax year. If the customer changes their address in year, their taxpayer status will be reassessed according to the date they moved to that address. Our systems will reconcile an individual's tax in accordance with current processes.

## Pension Schemes

### Pension schemes operating PAYE

If the SRIT is different to the Income Tax operated by the rest of the UK then as a PAYE operator they will already know if the employee is a Scottish taxpayer in order to collect the correct PAYE. HMRC would expect Registered Pension Scheme Administrators (RPSA) to tell their employees in advance that the amount they have to pay is changing due to the appropriate rate of Scottish rate in place at that time and will have adjusted their IT systems to collect the right amount.

### Pension schemes operating relief at source

It should however be noted the government has agreed that from April 2016, Registered Pension Scheme Administrators/Pension Providers can continue to claim Relief at Source at the rUK basic rate for all members irrespective of any difference between the Scottish & rUK basic rates. We will identify Scottish taxpayers & make any adjustment (based on the rate set by the Scottish Government) to the relief given directly with the scheme member. Adjustments will then be made by HMRC through the Self-Assessment process or through PAYE coding.

# Shared Parental Leave and Pay are here. Are you ready?

Shared Parental Leave and Pay is now in force for the parents of babies due and adopters of children placed for adoption on or after 5 April 2015. It gives working parents and adopters greater choice and flexibility over how they care for their child in the first year. The new rights operate in Great Britain and Northern Ireland.

## How does it work? – Birth

Shared parental leave and pay is created from the untaken balance of mother's maternity leave or, where the mother is not eligible for maternity leave, calculated by reference to the untaken balance of the mother's statutory maternity pay or maternity allowance.

The mother must take at least 2 weeks of maternity leave and pay (if the mother is eligible for pay) after birth (4 weeks if she works in a factory). This means that up to 50 weeks of leave and up to 37 weeks of pay can potentially be shared with the child's father or the mother's partner. The leave and pay must be taken in weekly blocks and any leave and pay not taken by the child's 1st birthday is lost (i.e. it can't be carried over to the following year).

Shared parental leave and pay can be stopped and started (with the employee returning to work between periods of leave) and employees are entitled to take up to 3 separate blocks of shared parental leave and pay if they wish (more if their employer agrees to this).

Employees are required to give their employer at least 8 weeks' notice before they are absent from work on shared parental leave. Special rules apply in the event of early births.

## Who is eligible for shared parental leave and pay?

Shared parental leave and pay is only available for both parents of a child or for the mother and her partner. It is not available for single parents. The mother must be entitled to maternity leave, pay or allowance and she must have ended (or given notice that she plans to end) those entitlements and opted into the shared parental leave and pay system. Her partner must meet an employment and earnings test. The parent that wants to take the shared parental leave must:

- Have the main responsibility for caring for the child (together with the other parent)
- Have worked for their employer for 26 weeks at the 'qualifying week'

- Give their employer the required notice (normally at least 8 weeks)
- Provide additional information (if their employer request this).

To qualify for statutory shared parental pay the employee must have earned, on average, at least the lower earnings limit, in an 8 week test period.

## How does it work? – Adoption

Adopters as well as birth parents are able to opt into shared parental leave and pay. The same principles apply and shared parental leave and pay can be 'created' from the untaken balance of the adopter's statutory adoption leave and pay. The adopter must take at least 2 weeks of adoption leave and pay.

The Government has published [detailed guidance for employers](#) on shared parental leave and pay.

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# Automatic enrolment: New online step-by-step guide

The law on workplace pensions has changed. Every employer with at least one member of staff now has duties, including enrolling those who are eligible into a workplace pension scheme and contributing to it. This is called automatic enrolment.

The best place to start looking for information if you haven't done so already is The Pensions Regulator's [website](#). They've recently launched an online step-by-step guide which takes you through the various tasks you'll need to complete and includes links to resources to help you at different steps in the process, including a [planning tool](#).

You're considered an employer even if you just employ someone to help you around the home. If you employ a care or support worker, the regulator has some additional guidance that will help you with your legal duties – it's available [here](#).

If you don't have any staff other than directors, you may not have any duties. Check whether automatic enrolment applies to you [here](#).

Sign up for the regulator's [news-by-email service](#) to receive up to date news and information.

To find out more visit [www.tpr.gov.uk](http://www.tpr.gov.uk)

## Employment-related Securities

[New legislation](#) for National Insurance contributions (NICs) came into force on the 6 April 2015 for Employment-related securities (ERS) income earned by internationally mobile employees (IMEs). This provides a disregard for the proportion of employment income in relation to ERS which is attributable to periods where the IME, owing to residence conditions, European Union social security rules or an international social security convention is not liable for earnings-related NICs.

These new rules apply to ERS that:

- vest on or after 6 April 2015;
- are awarded/granted prior to 6 April 2015 that vest on or after this date.

HMRC has published further guidance in the [National Insurance Manual](#) to help with these changes.

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## Explaining State Pension changes

A new State Pension system is being introduced for people reaching State Pension age on or after 6 April 2016. The new State Pension is designed to give people greater clarity about what they will get from the state in retirement.

### PensionTube

Did you know there is a dedicated YouTube channel devoted to pensions? The Department for Work and Pensions' [PensionTube](#) brings together videos featuring independent experts, employers, employees, charities and the government to highlight the changes happening in pensions and help people with planning for their retirement.

With over 25,000 views since its launch in November 2014, PensionTube has proved popular with viewers. The channel hosts fifty-four videos covering:

- State Pension changes
- automatic enrolment into a workplace pension
- State Pension top up

### The end of contracting out

If you sponsor a salary related workplace pension, your employees are likely to be 'contracted-out' of the additional State Pension. If so, you and your employee may pay National Insurance contributions at a lower rate because you get a National Insurance rebate. Contracting-out and the National Insurance rebate will end under the new State Pension, see the article on page 6 for further information.

[Guidance](#) about what this change means for employers, employees and trustees is now available.

### State Pension statements for the over 55s

Anyone over the age of 55 can request a personalised State Pension statement, giving them an estimate of how much they will get under the new State Pension based on their current NI record.

If you have any employees over the age of 55 who would like an estimate of how much they will receive under the new rules they can either download the application from [www.gov.uk/state-pension-statement](http://www.gov.uk/state-pension-statement) or call the Newcastle Pension Centre (Futures Group) on 0345 3000168.

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## Are you an alcohol wholesaler, retailer or trader?

The Chancellor of the Exchequer announced in his [Autumn Statement 2013](#) the introduction of a scheme to tackle alcohol duty fraud.

The [Alcohol Wholesaler Registration Scheme](#) (AWRS) will introduce effective control at the point in alcohol supply chains most vulnerable to organised criminal attack.

From October 2015, wholesalers of alcohol trading at or after the point at which excise duty has become payable will need to apply to register for the scheme.

In addition, from April 2017 any businesses who trade in, or retail, alcohol will need to ensure that any UK wholesalers they buy from are registered with HMRC. Sign up for [email alerts](#) about alcohol duties.

# Tax credits – help your employees renew without delay

**Almost six million claimants will renew their tax credits claim this year, so HMRC is asking employers to encourage their staff to renew their tax credits online, as soon as possible. Tax credits helplines get very busy in the lead up to the 31 July deadline and if a tax credits claimant renews their claim after this deadline, they risk their payments stopping.**

From April, HMRC started issuing renewals packs to almost six million tax credits claimants. Last year, 14 per cent of claimants, which equates to almost half a million people, lost their tax credits payments because they didn't renew on time. Although a number of those claimants went on to renew their claim after the deadline, it was too late for some to avoid a break in their tax credits payments. As well as suffering financially whilst waiting for their payments to be restored, some people were paid too much money, which they have to pay back.

To help claimants beat the rush, HMRC has improved the online service which was introduced last year. Claimants can complete their renewal and report changes in their circumstances securely, online, at any time of day.

HMRC understands it's important that claimants know when their renewal has been received, so if a customer renews online, or sends in a new claim, HMRC will send them a text message to confirm they've received it, giving them peace of mind.

## How can you help?

If you want to help make sure your employees renew early and receive the correct tax credits, there are some simple things you can do:

- Encourage your employees to check the details on their renewals pack are correct, then beat the rush by renewing online at [www.gov.uk/renewtaxcredits](http://www.gov.uk/renewtaxcredits)

- The tax credits your employees receive are based on the earnings you tell us about through Real Time Information. You can help us to help them by keeping your Real Time Information accurate and up-to-date.
- Adding the message below on your employees' payslips from April to July:
  - Check your details are correct, then go to [www.gov.uk/renewtaxcredits](http://www.gov.uk/renewtaxcredits) to renew your tax credits online before the 31 July deadline
  - Beat the rush, renew your tax credits online at [www.gov.uk/renewtaxcredits](http://www.gov.uk/renewtaxcredits)
  - Take care when renewing your tax credits claim – your details might be checked.
- If your company produces a newsletter for employees, you could include this article to remind them to renew their tax credits claim:
  - If you're a tax credits claimant, make sure you renew your tax credits claim before the 31 July 2015 deadline or your payments could stop. Tax credits helplines get very busy in the lead up to the deadline, so beat the rush by renewing online, securely, at any time of day. Go to [www.gov.uk/renewtaxcredits](http://www.gov.uk/renewtaxcredits)

Read your renewals pack carefully when you receive it. It's important you make sure the details on your claim are right, so that you receive the right amount of tax credits. HMRC make checks, so they could contact us as your employer and ask us to provide details of your hours and earnings

If you need to complete your renewal, do it without delay to make sure you receive the right amount of tax credits.

## Further information

To find out more about tax credits, visit [www.hmrc.gov.uk/taxcredits](http://www.hmrc.gov.uk/taxcredits)

## Fit for Work

Fit for Work offers free, expert and impartial work-related health advice to help you support both staff in work and those who are off sick and also to help you manage the impact sickness absence can have on your business.

There are two elements to Fit for Work:

- Free, expert and impartial work-related health **advice** for you, your employees and GPs via a website and telephone line
- **Referral** to an occupational health professional for employees who have been off sick, or who are likely to be off sick, for four weeks or more.

The Fit for Work advice service went live at the end of 2014 and from early March 2015, GPs in Sheffield and North Wales began referring eligible patients to a Fit for Work occupational health assessment. Fit for Work will be expanded across England and Wales over a period of months with GPs being able to refer nationwide by autumn 2015.

If you are an employer in an area where GPs can refer, you may start to receive Return to Work Plans, which offer advice as to how you can work together with your employees to help them back to work. The Return to Work Plans provide recommendations and evidence of sickness, replacing the need for a fit note. You'll be able to refer from autumn 2015, once GP roll-out has been completed.

The intention is that Fit for Work complements, not replaces, existing occupational health provision. The Government has also introduced [tax exemptions of up to £500 on medical treatments](#) recommended by Fit for Work or an employer's occupational health service.

If you have an internal intranet site or newsletter, include a link to the Fit for Work website – [www.fitforwork.org](http://www.fitforwork.org) and let your employees know about the service and the benefits it can bring for both employers and employees.

Visit [Fit for Work](#) and [Fit for Work Scotland](#) to find out where the service is live and where it is rolling out soon.

Further advice and guidance for employers is available from [Fit for Work: guidance for employers](#).

### Electronic Fit Note is introduced in Northern Ireland

The electronic Fit Note, which has been in use in Great Britain since 2012, was introduced in Northern Ireland on 31 March 2015.

#### What has changed?

General Practitioners in Northern Ireland now have the facility to complete an electronic template version of the Fit Note – eMED3 and print it, rather than handwrite it – similar to the computer printed prescription form.

#### Why has this changed?

An eMED3 will:

- be completed by the General Practitioner quicker
- be easier to read
- allow the General Practitioner to record the information in the patients' clinical records.

#### What should Northern Ireland employers do now?

Northern Ireland employers should use the eMED3 in exactly the same way as they use the handwritten Fit Note. A General Practitioner or hospital doctor may complete a handwritten Fit Note which you should continue to accept.

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## Brand new webinar for growing businesses from HSE and HMRC

As your business starts to grow or you take on more employees you'll face new issues and concerns. HMRC and the Health and Safety Executive are working together to deliver a live webinar about the typical situations you are likely to face. It looks at some of the questions you may have and guides you through the answers. The first webinar will be on 15 July 2015 at 10am and you can register using the link below:

[HSE and HMRC working together for you – growing your business](#)

## Toolkits to reduce common errors in returns

HMRC has a range of 20 free toolkits to provide guidance on how to avoid making common errors that are seen in filed returns.

The toolkits are principally aimed at tax agents and advisers but they may also be of interest to employers. The most relevant toolkits for employers are:

- [Expenses and benefits from employment toolkit](#)
- [National Insurance contributions and statutory payments toolkit](#)

The errors addressed by the toolkits are real errors that HMRC frequently see in filed returns.

For more information about all of the toolkits please visit [www.gov.uk/government/collections/tax-agents-toolkits](http://www.gov.uk/government/collections/tax-agents-toolkits)

## New reporting rules for businesses supplying staff

The majority of employment intermediaries now have to tell HMRC about workers they supply, including important payment details. An employment intermediary is any business that supplies a worker for their client and the client then pays the intermediary for this service.

If you supply two or more workers to a client but don't operate PAYE for these individuals you may be classed as an employment intermediary and should be sending in quarterly reports to HMRC. You should [check the guidelines on employment intermediaries](#) to see if the new rules apply to you, as you may face a penalty if you do not submit the appropriate reports.

To submit the reports you need to be registered to use [HMRC online services](#). You then need to log in to the [employment intermediaries' service](#) to upload and send in your reports.

Your reports need to be submitted on a quarterly basis using [HMRC's report template](#). You must provide full details of any workers you provide but don't operate PAYE for including the amounts you have paid each of these individuals.

We have produced some guidance – [How to use the employment intermediaries template](#) to help make sure you submit all the required information in the correct format.

## Repayments to debit and credit cards

Many of you pay HMRC by debit and credit cards. To comply with industry standards, we have made changes which extend our ability to make repayments to debit and credit cards. The changes apply to debit and credit card payments made on or after 7 April 2015.

Provided the following conditions are met, any subsequent repayment will be made to the relevant card:

- the most recent payment on record was made by debit or credit card
- the payment was made during the last 9 months
- the amount of the repayment does not exceed the debit or credit card payment.

## Help and support on employing people

We've just released new dates and times for live webinars on employing people. Live webinars last for an hour. You can ask questions during the presentation and get answers from the HMRC host. For live webinars, you will need to register and log in at least 5 minutes before the start time.

Help and support includes topics on:

- Getting started as an employer
- PAYE using Basic PAYE Tools
- Employers – what's new for 2015 to 2016
- Employers: how to avoid in year penalties
- National Minimum Wage for employers
- Care and support employers
- Statutory Sick Pay
- Statutory payments for births
- Statutory Shared Parental Pay and Leave
- Expenses and benefits for employers
- Company directors: understanding your responsibilities
- Business record keeping

Go to [GOV.UK](https://www.gov.uk) for more information.

## No starter declaration received in time for a new employee's first Full Payment Submission

It is very important to have a starter declaration completed for the first Full Payment Submission (FPS). Using an incorrect PAYE tax code and starter declaration code for new employees may cause an automated PAYE tax code to be sent which then has to be corrected, often by the employee contacting us. 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 and starter declaration code right first time.

If it has not been at all possible to obtain a starter declaration for the new employees first FPS then use starter declaration code C with PAYE tax code 0Tx (week/month one basis). For the next FPS, provided you have not received a P45 from the employee or P6 from HMRC, update your payroll records based on the starter declaration.