

NEWSLETTER MARCH 2014

RTI AND MICRO EMPLOYERS

HMRC have announced that, although the vast majority of employers are finding PAYE reporting in real time straightforward, a small proportion of micro employers and their agents still need more time to adapt. They have therefore announced that **existing employers with nine or fewer employees** who need more time to adapt will be able to report PAYE information **on or before the last payday in the tax month until April 2016**.

HMRC will be encouraging micro businesses to adapt their processes sooner to ensure that they are ready to report all payments each time they pay their employees by April 2016.

End to the current relaxation

The current relaxation which applies to employers with fewer than 50 employees comes to an end in April 2014. Conditions for the current relaxation can be found by visiting the link at the end of the HMRC article.

All employers starting to operate PAYE after 6 April 2014, as well as existing employers with 10 or more employees, will need to report each time they pay their employees from April 2014.

This relaxation is part of a package of measures to help micro employers as they move towards full reporting of PAYE information in real time. The package also includes:

- guidance such as 'Situations where employers will not have to report PAYE information 'on or before' the time they pay their employee' which can be found at the end of the HMRC article and
- ongoing work to develop new ways to report PAYE information on a timely basis, for example using mobile apps.

If you would like any help with payroll issues please do get in touch.

DWP ISSUE GUIDANCE ON NEW CLASS 3A NIC

The Government wants to offer help to existing pensioners and people who reach State Pension age before 6 April 2016, when the single-tier pension is introduced, to give:

- *'people in the pre single tier population, who may have lost out because of the structure of the legacy second pension system, the opportunity to increase their state pension in retirement*
- *hard pressed pensioners, especially those who rely on their capital to supplement their income, an opportunity to top up their pension in a way that will protect them from inflation and*
- *people with small amounts of pension saving a secure way of achieving an income.'*

The Government intends to introduce Class 3A in October 2015 and the scheme will be open for a limited period. There will be two entitlement conditions:

- contributors must have entitlement to a UK State Pension (either basic State Pension or additional State Pension) and
- must reach State Pension age before 6 April 2016.

'Prices will reflect the age an individual takes up Class 3A. This is a key component of an actuarially fair price. Prices will be lower for older pensioners simply because on average they will have a shorter life in retirement at the point they take up Class 3A. The Government intends to publish a list showing prices of a unit by age.

Class 3A will not replace the existing Class 3...The Class 3A information products will make clear that individuals should consider making Class 3, contributions where that is possible, before taking up Class 3A. HMRC intend to identify applicants in that position and inform them of the option.

Each Class 3A contribution will result in the acquisition of a unit of extra pension which will increase the contributor's additional State Pension by £1 a week up to a cap of potentially £25.'

'We estimate that around 7 million pensioners will have enough savings to pay the new National Insurance contribution.'

'Class 3A will be set at an actuarially fair rate which means that over time the policy will be broadly cost neutral. This reflects the funding position of the single tier and means that today's workers will not have to fund the policy.'

We will keep you informed of further announcements.

PAYE CODING NOTICES

Over the next few months HMRC will be sending out new PAYE tax codes for the 2014/15 tax year.

HMRC are advising that some individuals may receive more than one coding especially if they have:

- two or more employments at the same time
- income from two or more pensions
- pension income and employment income.

HMRC may send a PAYE coding notice for each job or pension and the new tax codes will be used from 6 April 2014.

If you would like help checking your tax code please do get in touch so we can ensure you pay the correct amount of tax.

Those individuals with more straightforward affairs may not receive a coding notice and their tax codes will be automatically updated, generally to reflect the increase in the personal allowance from the current £9,440 to £10,000.

EMPLOYMENT ALLOWANCE

The Government has announced further details of the Employment Allowance which is available from 6 April 2014. Eligible employers can reduce their employer Class 1 NICs by up to £2,000 each tax year.

The Employment Allowance can be claimed by a business or charity (including Community Amateur Sports Clubs) that pays employer Class 1 NICs on their employees' or directors' earnings.

However there are some circumstances which may limit the availability of the allowance:

- if a company belongs to a group of companies or a charity is part of a charities structure, only one company or charity can claim the allowance
- the £2,000 Employment Allowance can only be claimed against one PAYE scheme, even if the business has more than one PAYE scheme.

Not all businesses can claim the Employment Allowance and the government guidance gives the following details of excluded employers.

You cannot claim the Employment Allowance, for example if you:

- *employ someone for personal, household or domestic work, such as a nanny, au pair, chauffeur, gardener or care support worker*
- *already claim the allowance through a connected company or charity*
- *are a public authority, this includes; local, district, town and parish councils*

- *carry out functions either wholly or mainly of a public nature (unless you have charitable status), for example:*
 - *NHS services*
 - *General Practitioner services*
 - *the managing of housing stock owned by or for a local council*
 - *providing a meals on wheels service for a local council*
 - *refuse collection for a local council*
 - *prison services*
 - *collecting debt for a government department*

If you would like any guidance on claiming the allowance please do get in touch. If we deal with your payroll we will ensure this matter is dealt with on your behalf.

INCREASES TO NMW PENALTIES AND LATEST TARGETS

The Government has announced that rogue employers who do not pay their workers the National Minimum Wage (NMW) will face an increased penalty of up to £20,000 as part of a Government crackdown.

Currently employers that break NMW law must pay the unpaid wages plus a financial penalty calculated as 50% of the total underpayment for all workers found to be underpaid. The maximum penalty an employer can face is £5,000.

The Government plans to increase the financial penalty percentage from 50% to 100% of the unpaid wages owed to workers. The maximum penalty will increase from £5,000 to £20,000. Regulations introducing these new limits are subject to Parliamentary approval and are expected to be enacted this month.

Latest target

Major record labels involved in this year's Brit Awards are among the latest targets of HMRC's continued crackdown on unpaid internships.

HMRC have written to record labels and event companies warning them about the consequences for non-payment of the NMW for any unpaid interns they take on. HMRC intend to follow up these letters with compliance visits later in the year to ensure the rules are being followed.

Michelle Wyrer, HMRC's Assistant Director NMW, said:

'Non-payment of the National Minimum Wage is not an option, it's the law, and we're letting the music industry know that we've got them in our sights. If they are not playing by the rules, now is the time to put things in order.'

'Last year we fined over around 800 employers, so our message is clear: if you are not paying your interns, but should be, come forward now and put things right to avoid a penalty.'

HELP FOR THOSE AFFECTED BY FLOODS

The Prime Minister has announced a package of measures to help flood affected businesses get back on their feet. The package of measures includes:

- A Government Business Support Helpline providing comprehensive advice and support to businesses affected by floods. The helpline number is 0300 456 3565.
- A new Business Support Scheme to provide hardship funding for SME businesses in areas affected by the floods. Both businesses that have been flooded, and businesses that are in affected areas and have suffered significant loss of trade, will be able to apply for support. Eligible businesses will be able to claim for funding for things like immediate clean-up costs, materials, and exceptional costs to help them continue trading.

- Extra time for businesses to file accounts without any penalties.
- All affected businesses will be able to apply to their local authority to get business rate relief for 3 months.
- HMRC will also set up a new hotline for those who have been affected by flooding and may have difficulties in meeting their tax liabilities. HMRC will look to offer up to 3 months additional time to pay. This will cover all taxes owed to HMRC, including VAT, PAYE and corporation tax. The helpline number is 0800 904 7900.

Help is also available for communities affected.

HMRC WARNINGS ABOUT PHISHING SCAMS

HMRC are warning taxpayers to be wary of the latest in a long line of email phishing scams that claim to offer tax rebates in return for bank account details.

HMRC have received over 23,000 reports of phishing scam emails in the three months to the 31 January 2014 self assessment deadline which is a 47% increase on the same period in 2013.

HMRC have confirmed that it never contacts taxpayers via e-mail regarding a refund and advised anyone who receives an email claiming to be from HMRC:

- not to click on any links or attachments
- forward it to phishing@hmrc.gsi.gov.uk and then
- delete it permanently.

PAYE END OF YEAR APPROACHING

HMRC are reminding employers that with the end of the 2013/14 tax year approaching they will soon need to make their final 2013/14 PAYE (RTI) submission.

For most employers, the final submission will be their final Full Payment Submission (FPS) which advises HMRC about the very last employee payments for 2013/14 and this needs to be made on or before 5 April 2014. Details of how to make the final submission can be found on the HMRC website using the link below.

If we deal with the payroll on your behalf we will ensure this matter is dealt with on a timely basis.

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