

Year end planning and compliance for employers

(Lecture B1183 – 12.59 minutes)

Now is a good time to remind ourselves and our clients of what payroll tasks need to be completed leading up to, over and after the end of the tax year 2019/20.

Final pay run

For those operating monthly payroll, the last pay run will be for month 12. Remember, for anyone running a weekly, fortnightly or four weekly payroll, then an additional 53 week pay run may be required, which must be entered on Final Payment Submission (FPS) as week 53, 54 or 56 respectively.

File the final FPS

The FPS is filed every time a payroll is run and must be filed on or before payday. When the last payroll for the year is run, the FPS will be submitted and in the filed marked 'Final submission for the year' YES can be entered. The final FPS submission for the year needs to be submitted by 19th April 2020. This allows for corrections and amendments to be made after the final payroll has been run. Provided the amendments are made by this date, a revised FPS can be run and submitted to HMRC.

Final Employment Payment Summary (EPS)

An EPS needs to be submitted if there is a need to adjust the amounts being paid to HMRC. For example, this could be for items like CIS deductions or SMP payments.

An EPS would also be needed if no employees had been paid on the last payment period.

Final payroll checklist

It is worth running through a checklist to ensure that you have not missed anything so check:

- Do PAYE/ NI amounts paid to HMRC agree to payroll deductions records? Reconcile and amend any discrepancies.
- Do CIS deductions made through payroll agree what has been paid over to HMRC?
- Check that claims have been made on an EPS to recover:
 - SMP/SAP;
 - Employment allowance;
 - CIS suffered if limited company;
- If not, submit final EPS and amend final payment to HMRC by 19th April 2020.

Late error found

Where an error is discovered after 19th April 2020:

- For 2018/19 and before – submit an Earlier Year Update (EYU) that shows the difference between the final FPS and the corrected year-to-date amounts.
- For 2019/20 onwards – The EYU is no longer used. The error is reported on a 2020/21 FPS. In this situation, the payroll would be run as normal in 2020/21 and filed; a second FPS would then be run showing the 2019/20 amendment, stating the actual pay date in 2019/20 as the pay period. It is important that HMRC know that this is an amendment and so you would use the 'late reporting' reason 'option H', showing HMRC that you are making a correction to an earlier submission.

P60s

All employers must issue P60s to all employees working for the employer and on the payroll at the end of the tax year 2019/20. This must be done by 31st May 2020 at the latest.

The P60 shows gross taxable pay, tax deducted and national insurance contributions for the current and any previous employments in the tax year.

Anyone who left during the year will have been issued with a P45 and so no P60 is produced.

Preparing for 2020/21

It is important to check that the payroll software is ready for the next tax year by downloading any updates that are required and checking that the following are correct:

- Personal allowances;
- Tax bands;
- Tax rates;
- NIC thresholds;
- Current rates for statutory payments such as SMP, SAP, SSP etc;
- Current National Minimum Wage rates.

It is important to update employee records by rolling them forward to 2020/21. As we know, the basic personal allowance is unchanged for 2020/21 so we know that the standard tax code will be 1250L.

The start of the tax year is the only time that we can remove any week 1/month 1 indicators without HMRC permission.

We should make sure that any other tax codes notified by HMRC on Form P9T are reflected in employee records. Failure to do so will result in employees paying the incorrect amount of tax going forward.

P11D

If expenses and benefits are not being payrolled, these must be reported on form P11D by 6th July 2020. The relevant Class 1A NICs must be paid over to HMRC by 19th July 2020.

Employment allowance

It is worth checking to see whether, under the new rules relating to the Employment Allowance, claiming this allowance on the first EPS of the tax year.

Created from the seminar by Alexandra Durrant