

ER Bulletins July and August (Lectures B1458/ 1459 – 20.43/12.46 minutes)

Tax calculation repayments for PAYE

Currently employees who receive a tax calculation letter and do not claim the repayment online automatically, receive a cheque after 21 days. In July, HMRC advised that from 31 May 2024, cheques would no longer be automatically issued. Customers will need to take action to receive their repayments.

Customers can claim their repayments at tax overpayments and underpayments (<https://www.gov.uk/tax-overpayments-and-underpayments>). They can also request a cheque if preferred.

Instructions on how to claim will be available when they receive their tax calculation letter.

PAYE Settlement Agreements (PSA) – 2023/24

Where an employer or their agent has agreed a PSA with HMRC for 2023/24, any tax and national insurance payable must be paid by 22 October 2024 if paying electronically and by 19 October 2024 if paying by post.

A calculation of the liability must be submitted for HMRC so they can agree what the payment is for and that the amount is correct.

The easiest way to do this is online at “Tell HMRC the value of items in your PAYE Settlement Agreement” <https://www.gov.uk/government/publications/payee-payee-settlement-agreement-psa1>

This is a service for employers to submit their yearly calculations online and it determines the amount of tax and Class1B national insurance is due to tax year 2023/2024. To submit the calculation the employer needs:

- Employer reference
- Tax year of PSA calculation – must send in calculation even if it is a NIL return
- Type of expenses and benefits included in PSA
- Number of employees receiving each expense or benefit
- The correct rate of tax for each employee

Once calculation processed HMRC will automatically issue a payslip confirming amount due and payment reference number

RTI for off payroll workers (IR35)

Off-payroll working rules have been in place for several years. They were introduced to ensure individuals working through an intermediary – like a personal service company – pay similar income tax and NIC to other employees working in a similar way.

The responsibility for determining whether the rules apply moved to public sector bodies from April 2017 and medium and large sized organisations from April 2021.

If the rules apply, the individual is classed as a “deemed” employee and is added to the deemed employer’s payroll as a new starter.

A record must be kept of all payments made as well as income tax and national insurance contributions which must be reported under RTI using the FPS.

The RTI flag – “the off-payroll worker marker” – should be set to show the individual is an off-payroll worker. This is to ensure the worker is treated correctly for tax and for status determination

Deemed employers must not take deductions for student or postgraduate loans from deemed Employees. The deemed worker will make these on their Self Assessment tax return.

The deemed worker has NO employment rights with deemed employer.

Reporting advances of salary

HMRC has been mentioning this issue since February 2023.

Strictly, advances of salary are just pay received in advance of pay day. This should be reported to HMRC via an RTI return on or before midnight on the pay day. However, employers had been not reporting the advances through the pay month, just catching up when the monthly pay was run. HMRC realised reporting twice in a month was a pain, but employers are required to comply with the law.

HMRC now confirm it will only expect one RTI report for each pay period where certain conditions are met:

- the salary is ordinarily paid at regularly intervals of between one week and one month and employer pays part of salary in advance;
- the salary advance reasonably represents work undertaken or obligations performed by the employee under their contract with the employer and no other relevant payment has been made for this work;
- employer makes a regular relevant payment to the employee at the regular payday after the advance payment is made, they should reduce the regular relevant payment by the amount of the salary advances.

P11D and P11D(b) for tax year 2023/24

2023/24 P11Ds should have been filed online by 6 July 2024, otherwise a penalty will be due

The form needs to be completed correctly first time, although corrections can be made using the online P11D amendment form.

A P11D is required for each employee in receipt of benefits or non-exempt expenses unless they were taxed through the payroll.

If there is nothing to declare, you only make declaration if HMRC asks for P11D(b).

Common errors

- Putting in tax year start and end date in when the car is available all year;
- Submitting P11D forms over several days; they must all be submitted together with P11D(b)

When reporting a fully electric car ensure, you must include the approved CO₂ emission, and when reporting a hybrid car with an approved CO₂ emissions figure between 1 and 50g/km make sure you include the approved zero emissions mileage.

Finally, only send one P11D(b) for each scheme showing the total amount due. Do not do separate returns for employees and directors as each separate P11D(b) received is treated as an amendment to any previous one submitted.

Paying Class1A National Insurance contributions

Electronic payments for Class 1A NIC declared on the P11D(b) must be cleared funds with HMRC by 22 July 2024.

The right payment reference for the payment must be used which is the 13-character accounts office reference followed by 2413 with no gaps. Adding 2413 tells HMRC the payment is for tax year 24 and 13 indicates it is for Class 1A

Student and postgraduate loans

Where a student loan or postgraduate loan start notice is received – SL1/PGL1 or both from HMRC for an employee, the employer must:

- check and use the correct information;
- include the loan or plan type and the start date shown on the start notice;

If employee earnings are below the threshold, update the employee's payroll record to show the loan and file start notice. Do not return it to HMRC.

If employee earnings are above the threshold and deductions have not been taken, HMRC will send a generic notification service prompt as a reminder; if deduction is still not started, HMRC may contact employer.

Deductions should continue until HMRC say STOP.

If no start notice is received but the student says they have a loan, ask which plan or loan type. If they are unsure, they can log into their student online account

Pensions for seasonal staff

This was a reminder about taking on seasonal staff as Christmas and New Year approach.

Failure to comply with workplace pension duties may result in a warning notice with a deadline to comply. Failure to comply can result in a fine

Do not forget that you must check all new employees to see if they are eligible for automatic enrolment for workplace pensions.

Seasonal or temporary employees must also be assessed each time you pay them.

Where staff will work for less than three months, the employer can use postponement which delays the assessment. At the end of the postponement, the assessment would need to be complete if they were still on the payroll.

Getting your new employee on the right pay

Once an employer has registered with HMRC it can take up to 30 working days for them to receive their Employer PAYE Reference number - a key piece of data for RTI reporting. Do not call HMRC unless more than 30 days has elapsed – it does take time!

Here are a few HMRC tips to avoid making errors during the “onboarding” process:

- Gather the correct personal information from your new employee - the right name, correct date of birth and NI number and enter in the correct format;
- Double check against official documents e.g. passports to check data correct;
- Find the correct starter declaration code and tax code;
- If the starter does not have form P45, use the online starter checklist to find appropriate codes.

When the starter code checklist determines the employee should be on starter declaration code C, use tax code BR.

If you are unable to complete the checklist and your employee has no form P45 use tax code OT with starter declaration code C

Statutory Neonatal Care Pay and Leave

Under Neonatal Care (Leave and Pay) Act that was passed last year, a neonatal baby is a baby that is aged 28 days or less and had been in hospital for 7 days or more. From day one, employees have the right to receive up to 12 weeks paid leave where in addition to all of their other statutory leave and pay.

Agents Update 123 - issued September 2024 states that from April 2025 there will be a new statutory allowance introduced:

- NEW Statutory neonatal care leave;
- NEW Statutory neonatal care pay.

Rates broadly expected to follow other existing statutory payments such as statutory parental bereavement pay and leave.

Article created from the two online sessions by Alexandra Durrant