

Payroll Consultation meeting 27 September 2011 Bush House, Strand, London WC2 4RD

Present:

Sarah Eason- External Rep
Josie Smith- External Rep
Alison McCrave- External Rep
Alison Paling- External Rep
Pauline Dunham- External Rep
Tracey Crank- External Rep
Dave Whitaker- External Rep
Nick Chaplin- HMRC (Chair)
Matt Ray- HMRC
Sam Tennakoon- HMRC
Tracey Horrocks- DWP
Robert Devaney -HMRC

Apologies:

Denis Madden External Rep
Diane Coulson- External Rep
Mark Smith- External Rep
Phyllis Freedman- External Rep

Minutes/contact point-: Nahid Khan

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Welcome and introductions:

1 – Matters arising and outstanding action points

There were no outstanding action points.

2- Tax/NICs integration

MR and ST gave an update following the call for evidence which closed on Monday 19 September 2011. They had received over 70 responses and some representatives had also surveyed their members. Due to the volume received they had not had time to fully analyse this.

Responses indicated that burdens are felt by employers through:

- differences in the earnings definition (BIKs, expenses termination payments)
- differences in the earnings period
- existence of different rates and thresholds

There were concerns about the transitional costs of any change and changes to the contributory nature of the system. The members were asked for their ideas.

A quick win was considered to be aligning thresholds.

Align tax and NIC charging rules so only cash payments which are charged to Income Tax via the payroll are subject to Class 1 NICs, and benefits-i--kind and expenses which are reported via P11D are subject to Class 1A NIC.

Align the self-employed, IR35, could also tackle CIS (possible considerable savings).

There would be differences between Limited Cos and self-employed views. NICs on cumulative and annual basis.

Take away evasion by directors – annual check at end of year and on leaving. Termination payments.

Deferment of NICs.

Percentage of reductions not whole numbers.

Changes to the way NICs operate, for example a move to an annual and cumulative basis may see some employers and employees pay more or less than they currently pay. In particular, the Government needs to make sure it understands the impact of any changes on low paid employees before committing to reform.

The quick wins should be implemented as soon as practicable after consulting on detail, with other more radical potential charges subjected to detailed thought and consultation.

There is the scope to make the system easier as currently it is difficult to change something when an earnings period is closed.

The formal consultation is due in the autumn

AP - MR is happy to come back in December 2011 to give a further update.

3-Universal Credits- Tracey Horrocks

The Department for Work and Pensions (DWP) announced its strategy for moving 12 million working-age benefit and credit recipients on to Universal Credit by 2017.

Universal Credit is intended to provide a streamlined welfare system which makes the financial advantages of taking work or increasing hours clear to claimants. We recognise that the move from one welfare system to another needs to be carefully managed to ensure social outcomes are maximised and no one is left without support.

The transition from the old benefit system to Universal Credit will therefore take place in three phases over four years, ending in 2017 with around 7.7 million households receiving more support to find more work and be more self-sufficient.

Between October 2013 and April 2014, 500,000 new claimants will receive Universal Credit in place of Jobseeker's Allowance, Employment Support Allowance, housing benefit, Working Tax Credit and Child Tax Credit. At the same time, a further 500,000 existing claimants (and their partners and dependants) will also move on to Universal Credit as and when their circumstances change significantly, such as when they find work or when a child is born.

From April 2014, the second phase will give priority to households who will benefit most from the transition, such as those Working Tax Credit claimants who currently work a small number of hours a week but could work more hours with the support that Universal Credit brings. Overall, 3.5 million existing claimants (and their partners and dependents) will be transferred on to Universal Credit during this second phase.

The last and final phase, which begins at the end of 2015 and runs through to the end of 2017, will see around three million households being transferred to

Universal Credit by local authority boundary. This phase will have the flexibility to respond to the circumstances of particular local authorities as they change and will focus on safeguarding financial support, such as housing benefit payments, to claimants as the old benefit system winds down. The DWP will continue to work with HMRC and local authorities to settle on a precise timing schedule of the move to Universal Credit. Once agreed, the schedule will be kept under regular review.

4- Employer Dashboard- Harry Armstrong

HA introduced the Employer PAYE Dashboard concept - a new idea designed to give employers access to their PAYE performance metrics, and enhance HMRC's ability to deal with employer issues in a joined up way. The areas covered were:

- Introduction to Data Improvement Programme, data quality initiatives
- Explanation of Employer PAYE Dashboard (EPD) concept
- Demonstration of dashboard prototype
- Walk through of possible dashboard data items
- Additional functionality ideas
- Benefits/costs envisaged

5- Income Tax Self Assessment penalties and interest

Background

As a result of the merger of two Departments (Inland Revenue and Customs and Excise) the O'Donnell Review identified the need for a review of 'Powers'. The policy team reviewed the legislation and designed new penalty models. These models were aligned where possible with the objective of changing behaviour rather than raising revenue - HMRC want the return. The penalties increase the longer the default continues. HMRC are now implementing the penalty changes using a staged approach and currently are introducing the changes to PAYE late payments, Construction Industry Scheme and Income Tax Self Assessment.

Changes to penalty regime

The penalty changes for Income Tax Self Assessment late filing will commence for the tax year 2010-11.

The penalties only affect those that do not meet their obligation.

The new late filing structure is:

- the removal of capping a penalty
- an automatic fixed £100 penalty immediately the return is late
- automatic daily penalties of £10 per day for up to 90 days commencing at three months
- a Tax Geared Penalty at six months of 5 per cent of the amount shown on the return or a minimum charge of £300, **whichever is greater**

- a Tax Geared Penalty at 12 months of 5 per cent of the amount shown on the return or a minimum charge of £300, **whichever is greater**

The percentage element at 12 months could be up to 100 per cent if, by failing to submit the return, the customer is deliberately withholding information that would enable HMRC to assess their liability.

Interest will be charged on all late payments of penalties.

The new late payment penalty structure is:

- a 5 per cent Tax Geared Penalty 30 days after the due date
- a second 5 per cent Tax Geared Penalty at six months after the due date
- a third 5 per cent Tax Geared Penalty at 12 months after the due date

Information to customers:

- an information sheet explaining the changes **was** sent out with the 2010-11 notices to file a return and paper returns in April 2011
- we intend to minimise letters by combining messages onto one letter where possible and appropriate to do so
- we want to work with external organisations to inform and support the transition to this new structure
- we want customers to come to us especially if they believe that they should not receive an Income Tax Return
- we are keen to ensure we only send out returns and notices to file to those who should be filing a return
- we are planning regular targeted updates with agents and customer groups

Key messages

This means our Self Assessment customers need to file their tax returns by the appropriate deadlines so we can calculate how much they need to pay quickly, efficiently and accurately. Once this calculation has taken place, they also need to pay what they owe on time.

This gives the customer certainty over their tax affairs and allows us to collect what is owed efficiently. The overwhelming majority of our customers do fulfil their tax obligations by filing and paying on time.

Despite the well publicised deadlines, there remains a significant minority of customers who fail to comply with their tax obligations by either filing or paying past the set deadlines, or not at all.

For customers intending to file a paper return but who miss the 31 October deadline it is still possible to avoid a penalty by sending an online return by the 31 January deadline.

The message is simple - customers who file their returns and pay the due amounts on time and in full have nothing to worry about. These changes will not affect them.

These are robust measures designed to deter those who fail to comply with SA deadlines. It must be remembered that the overwhelming majority of SA customers are compliant and meet their filing and payment obligations.

Customers who deliberately fail to comply with the deadlines or fail to pay amounts that are owed to the public purse directly affect HMRC's ability to

collect money that pays for vital public services such as schools and hospitals. HMRC will identify and take action against these customers.

AOB- updates

Orderline strategy

In February 2011 edition of the Bulletin HMRC told employers that they were reducing the number of paper products we provided and as most employers now have to file online, they would also expect them to use the online PAYE forms and guidance which are available from HMRC website at [PAYE for employers](#).

Alternatively, the [Find a Form' tool](#) will help employers to find forms for a variety of subjects.

This is in line with the Government's 'Digital Default' agenda which provides a commitment to move more Government Services online and reduce the cost of the services HMRC currently provide.

Since then there has been a significant reduction in the number of paper products being issued by the Employer Orderline. Recent customer feedback confirms that the majority of employers and their agents are happy to self serve from our website, many using the Basic PAYE Tools, and they have continued to meet their PAYE payroll obligations.

Potential changes in 2012

HMRC are now considering what further measures may be possible in these times of austerity, so that they might continue to drive down costs, help reduce carbon footprint and benefit the environment, by limiting the amount of paper being used. Following consultation over the coming months, HMRC aim to:

- reduce the number of versions of some forms such as P45 and P60
- produce downloadable forms which are easier to print and use, such as the P11 form on the website
- remove availability of some paper items, such as forms CA6855 and SC2
- revise the Employer Orderline online form to reduce the number of items available to order online

Details of the changes will be published on the ['Forms and Publications for employers' pages of the Business Link website](#) when they are introduced. Also watch out for the next edition of the Employer Bulletin due in February 2012, at the above link, which will provide the finalised arrangements for the Employer Orderline next year.

HMRC appreciate your co-operation and any feedback (via the Editor as shown on Page 1 please) during these times of change

Employer Office

The Employer Engagement Team (EET) continues to develop its role with partners in Large Business Services/L&C and Debt Management and Banking, HMRC have also established escalation routes for Agent Account Managers to come direct to teams where they cannot get resolution through BAU channels

and this now seems to be working well. Employer Office are also heavily involved in the RTI programme and the EET will act as 'hand holders' for the 140 or so SME's who will join the RTI Pilot in April 2012.

Employer Office have recently begun a pilot with EHL to look at ways to work more closely together to improve the overall service, it is very early days but the teams from Employer Office and EHL have already identified areas where, with perhaps some extra IT functionality and training EHL will be able to do a more complete job instead of having to send so much to Employer Office for further action. This pilot offers a great opportunity to develop a better service and for EO and EHL to help each other out more at future peak times.

RTI update

During the last couple of month's the Customer Migration Team held a series of 'Boot Camp' events for the Customer Relationship Managers (CRM's) who will be supporting the RTI Pilot Employers during the Pilot. The purpose of those events was to discuss their role in supporting the volunteer employers and equip them with sufficient background and support material to carry this out. Each Boot Camp event lasted one day and consisted of a variety of presentations including background information about RTI, The Pilot, and the role of the CRM in the pilot. We were pleased that a few representatives from TDSF were also able to attend this event, and give very useful feedback. In addition to the Boot Camp events the Customer Migration Team are now finalising the next set of events which will be for those employers taking part in the pilot. There will be approximately five of these at various venues around the country. Their purpose is to provide an understanding of what changes RTI will bring for employers, and to explain what employers in the pilot will need to do in preparation of commencing in the pilot in April 2012.

Over the next few months, the Policy/Customer Engagement Team will be embarking on delivering a series of customer update seminars for a variety of external stakeholders. For many of those customers the last update delivered by the team was during the consultation period, so these events will be beneficial for relaying some of the prominent changes following the consultation period. A formal response to the consultation summary is currently being prepared for publication in the autumn. The guidance and draft legislation are also in progress for release in coming months.

The RTI team are continuing to engage with stakeholders in various different forums and will continue to do so throughout the RTI migration period.

The Data Improvement Team is also continuing to do some key work around data quality. This includes educating employers about the importance of improving their data quality in preparation for RTI. As we approach the mandation of RTI, the team will work with some employers in improving legacy data for all current employees prior to RTI's implementation.

Date of next meeting – 13 December 2011 Bush House, London.