

Best practice guide for reporting PAYE information ‘on or before’ paying an employee

Advice from employers, payroll professionals and agents on how to successfully report ‘on or before’ paying an employee.

Scenario one - How can we reduce the chances of adjustments between reporting to HMRC and paying employees?	
Employer query	Advice from other employers
<p>I’m an employer running a monthly payroll and I send our RTI information 10 days in advance of the Bacs submission. Sometimes I’m told about an overtime payment after the RTI information is sent.</p> <p>How can I reduce the chances of this happening?</p>	<p>HMRC asked other employers how they tackled this question and they had some key tips:</p> <ul style="list-style-type: none"> • 'A good starting point may be to review your process for paying employees and reporting to HMRC - we found that a gap of 10 days was quite a long time and shortening it may help you out.' • 'We found that submitting the information to HMRC at the same time as submitting the Bacs file helped. By bringing these two processes together, there was less scope for the information to change. We also found it easier just to do everything in one go!' • 'Even though we’ve tried hard to align our Bacs and RTI processes, we find that there are still some changes sometimes, but in our experience, RTI systems are fairly flexible and allow me to make corrections and amendments if I need to.' <p>Scenario two covers what to do if changes mean you need to correct an error on a submission you’ve previously submitted.</p>

Scenario two - Corrections and amendments	
Employer query	Advice from other employers
<p>I'm an employer running a monthly payroll.</p> <p>I reported that an employee was paid £1,200 in June, making her year to date total £5,000. But now two days later I've discovered she worked some overtime and is actually due £1,400 for June, making the year to date total 5,200.</p> <p>What should I do? If I ask my bureau to re-run the entire payroll again they will charge me.</p>	<p>HMRC asked other employers what they do in this situation and a couple of their responses are below:</p> <ol style="list-style-type: none"> 1. 'The best thing we found is using payroll software that makes it easy to send the updated information to HMRC - this is because it means HMRC have up-to-date information about how much money you have deducted from employees wages and will calculate the amount you need to pay to HMRC for the tax month accordingly. It also has the added advantage of ensuring that if any of your employees are claiming Universal Credit - they should get the right amount each month.' 2. 'If we make an adjustment we can't send the information in straight away. But HMRC told us that this was OK – we can just let HMRC know about the change the next time the regular payroll is run. They said as long as we took reasonable care to submit an accurate figure when we made the original submission, there would be no penalty for submitting an inaccurate return, even if the overall tax liability increases as a result of the change. <p>'But, if you do it this way, you need to remember that the amount you need to pay HMRC is the amount you have reported that you have deducted on your RTI returns. Add or deduct the amount of any adjustments to the payment for the tax month in which you report the adjustments. Your employee's Universal Credit will also be based on the amount you have reported that they received.'</p> <ol style="list-style-type: none"> 3. 'It was helpful for us to know that HMRC's systems will look at the most recent information we've sent in. That means that there's no need to delete the information that we've previously sent in.' <p>You can read more about this in 'Exceptions to reporting PAYE information 'on or before'</p>

	paying an employee (PDF 27K) (see the section 'Ad hoc payments made outside of the regular payroll').
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Scenario three - seven-day rule	
Query from payroll professional	Advice from other payroll professionals
<p>I have a weekly payroll but I also employ staff whom I pay at the end of their shift for the hours they have worked. How can I report PAYE information for these employees 'on or before' I pay them if I don't know until the end of the shift what I'm going to pay them?</p>	<p>HMRC asked other payroll professionals how they tackled this issue and their response is below.</p> <p>'We work in the catering industry and we regularly employ casual staff and we did find it challenging to send information about those staff who just worked the odd shift when we were really busy - especially if we were paying them at the end of a late shift. We realised that the best way to tackle this was to take advantage of the 'seven-day rule' which basically means that we have seven days to report PAYE information to HMRC as long as:</p> <ul style="list-style-type: none"> • we made the payment to the employee before they left on the day that they worked • we couldn't reasonably calculate the amount due until the shift had finished • it wasn't reasonably practicable for it to be reported 'on or before' the time of making the payment <p>You would need to check that you are entitled to use this seven-day rule but it applies to most people employing casual staff.'</p> <p>HMRC guidance 'Exceptions to reporting PAYE information 'on or before' paying an employee (PDF 27K)' explains the various situations where information doesn't have to be sent 'on or before' payment is made to an employee - and what you must do instead.</p>

Scenario four - Service Level Agreements (SLAs) and Engagement Letters

Query from an agent

We keep being told by HMRC that the RTI information must be reported online to HMRC 'on or before' the date the employee is paid. However, as an agent, I sometimes find it difficult to get the initial information from a client never mind the follow up sign-off before sending it off to HMRC. How do you suggest I get my clients to send their payroll information to me on time?

Advice from other agents

HMRC asked other agents how they tackled this question and their response is below.

'This was a big problem for us, but the way we got round it was with a Service Level Agreement (SLA) with my clients. Other agents have told me they achieved the same outcome with an engagement letter or contract between them and their clients.

By setting out on paper what was required by both sides, it helped my clients understand that it is their responsibility to provide me with information in time for me to send the submission to HMRC on or before they pay their employees.

When we developed the SLA, we also took the opportunity to agree on defined schedules and processes to ensure we could meet HMRC's reporting requirements. This may not be an option for everyone, but it worked for us - it meant that our clients understood their responsibilities and knew that if they wanted to check PAYE information before we sent it to HMRC we had to have an agreed process which allows time for this to be done.

It's worth remembering that you can make amendments to data that you have already submitted. As long as you took reasonable care to submit as accurate figures as possible when you made the original submission, then there will be no penalty for submitting an inaccurate return even if the overall tax liability does increase as a result of the amendment. HMRC will calculate how much is owed using the information that has been reported, so you also need to make sure your client pays HMRC accordingly.'

For more information see HMRC's guides:

[When to report your payroll information](#)

[Correcting payroll errors - current year](#)

[Correcting payroll errors - previous year](#)

Scenario five - Ad-hoc payments	
Query from an agent	Advice from other agents
<p>As an agent running weekly payrolls for clients, I sometimes find that the employer has paid their employee a different amount than the amount they told me they planned to pay their employee - perhaps as a result of extra hours worked. How do I deal with that?</p>	<p>HMRC asked other agents how they addressed this issue and the response from one is below.</p> <p>'I've encountered several different situations where my clients have had to make payments to their employees outside the regular payroll run - not only where extra hours are worked, but also, for example, where a client makes a payment to a new starter to avoid hardship ahead of the next payroll run.</p> <p>But when this happens, I just treat it as an 'ad-hoc payment' and report it the next time the payroll is run. This is fine as long as it isn't a regular payment made outside the normal weekly payroll. HMRC will calculate how much is owed using the information that has been reported, so the client needs to pay HMRC accordingly.'</p> <p>You can read more about this in 'Exceptions to reporting PAYE information 'on or before' paying an employee (PDF 27K)' (see the section 'Ad hoc payments made outside of the regular payroll').</p>

Scenario six - Holidays and reporting in advance

Query from a payroll professional

I run a number of weekly payrolls for clients. How do I meet the 'on or before' reporting requirements if I am away from the office, eg on my annual holiday?

Advice from other payroll professionals

HMRC asked other payroll professionals how they tackled this question and their response is below.

'When I take time off, I submit our PAYE information to HMRC in advance. This works for me - so, for example, when I went on holiday for two weeks, I made three separate weekly submissions, one after the other, before I left. There were a few changes while I was away, but I just reported these when I came back using the corrections/amendments process.'

From HMRC's perspective this is fine. Provided you take reasonable care to make sure the information is accurate when you send it (this often includes having payroll processes that would generally be considered to be good practice), no penalties will be due even if the information does need to be corrected when you get back from holiday. You might want to tell your employees, or ask your clients to tell their employees, that this is happening because, if they are claiming Universal Credit, then the amount they receive is based on what you report. HMRC will calculate the amount that the employer needs to pay HMRC using the information that is reported. Employers need to pay HMRC this amount to avoid any possible interest or late payment penalties.

For more information see HMRC's guides:

[When to report your payroll information](#)

[Correcting payroll errors - current year](#)

[Correcting payroll errors - previous year](#)

Scenario seven - Final submission in-year	
Query from an agent	Advice from other agents
<p>I'm planning for the end of the tax year. Do I need to get my client's sign-off for the final Full Payment Submission (FPS)/Employer Payment Summary (EPS) of the tax year before I send it?</p>	<p>HMRC asked agents involved in the pilot how they tackled this question in April 2013 and their response is below.</p> <p>'HMRC confirmed that our client didn't need to approve a copy of the final submission in the same way as they previously did for the P35 return. But we did do three things:</p> <ol style="list-style-type: none"> 1. We drew our clients' attention to the questions that need to be answered on the final FPS/EPS. 2. We told them what we thought the answers were and asked them to tell us if they disagreed. 3. We made them aware of all the deadlines in plenty of time.' <p>Guidance from HMRC</p> <p>The rules require the employer to submit an FPS each time they make a payment to an employee, so for most employers, the final FPS should be sent 'on or before' their last pay day in the tax year - by 5 April.</p> <p>You should complete the end of year questions and declaration on the final submission. In previous years, these questions and the declaration appeared on form P35 and you had until 19 May to submit the form. Reporting in real time means that the final FPS (or EPS) should be submitted much earlier, so you may wish to make sure you have the answers to the questions before you make that submission.</p> <p>The final FPS (or EPS) should indicate that it is the 'Final submission for the tax year'. That means the final submission for the whole PAYE scheme. If the PAYE scheme covers more than one payroll (eg for weekly and monthly payrolls), please ensure that FPSs for the last payments on the other payrolls have been successfully submitted before you indicate that you are making the final submission.</p> <p>If the timing of submission of multiple FPSs is unclear you can use an EPS to send the</p>

final submission signal - and answer the questions - after all the FPSs have been successfully submitted.

If you need to correct any of the information on your final FPS, send a revised FPS as soon as possible. If you discover any errors in your final FPS on or after 20 April 2014, you must correct these by sending an Earlier Year Update (EYU).

Remember that you have until 31 May 2014 to give a P60 End of Year Certificate to any employees employed by you at 5 April - and that this can be an electronic copy rather than on paper.

The deadline for submitting returns of expenses and benefits - forms P11D, P9D and P11D(b) - remains 6 July.

For more information see HMRC's guides:

[When to report your payroll information](#)

[Final submission for the tax year and end of scheme information](#)

[PAYE final submission for the year and end-of-year tasks](#)

Scenario eight - Sign-off from client	
Query from a payroll provider	Advice from another payroll bureau
<p>Do I need to get sign-off from my client before I press the 'send' button? It's sometimes difficult to get hold of them to obtain the confirmation in time which means that I may have to send the return in late.</p>	<p>HMRC asked a payroll bureau how they resolved this issue and their advice is detailed below.</p> <p>'We just process the return based on the information that is sent to us by the client. We don't get it signed-off again. If we find out later that there has been a change, we just make an amendment to the data we've already submitted. There isn't a penalty for submitting an inaccurate return in these circumstances even if the overall tax liability does increase as a result of the amendment.</p> <p>This arrangement is something we cover in the SLA that we have set up with all our clients.'</p> <p>Advice from HMRC is that while you may have your own reasons for including a confirmation process, HMRC doesn't require it for RTI reporting.</p>

Scenario nine - What to send when there are no employees	
Query from an agent	Advice from another agent
<p>One of my clients doesn't have any employees at the moment. What do I need to do?</p>	<p>HMRC asked other agents how they addressed this issue and the response from one is below.</p> <p>'I've found that if my client is unlikely to have any employees in the future, and they don't need a PAYE scheme for another reason (eg to tell HMRC about benefits and expenses on a P11D), then the simplest thing to do is just to close the scheme. This saves me from having to remember to send in information and stops me getting reminders I don't need.</p> <p>But, if I need to keep the scheme open, then I just tell HMRC you've no payments to make. I do this using my software to send a nil Employer Payment Summary (EPS). This can say that my client won't be paying anyone for up to months. The handy thing is that if things change they do then pay someone it's not a problem. I just send HMRC the information about the payment as normal and they'll cancel the period of inactivity.'</p> <p>For more information about the EPS and closing PAYE schemes see HMRC's guidance What payroll information to report - Employer payment Summary (EPS)</p>

Scenario ten - Information about casual workers who aren't paid	
Query from a payroll professional	Advice from another payroll professional
I have 10 casual employees, but have only paid 5 of them this week. What do information do I need to send to HMRC?	<p>HMRC asked other employers what they do in this situation and the response from one is below.</p> <p>'I know that HMRC only need information about employees who have been paid. So I put details of the payments I have made into my payroll software, and it sends in the FPS for those 5. I know that some software asks you confirm that you haven't paid the other employees, and that works for HMRC too.</p> <p>I make sure that I've set the indicator showing that the casual workers are paid irregularly.</p> <p>Finally, if I haven't paid any of my employees for a whole tax month, then I send HMRC a nil EPS.'</p> <p>For more information about nil EPS's see HMRC's guidance What payroll information to report - Employer payment Summary (EPS)</p>

Scenario eleven - Processing more than one payroll / FPS at a time	
Query from a payroll professional	Advice from another payroll professional
I run the payroll for quite a few small employers. It can take me a long time to submit the information for all of my clients because I need to enter my log-in details separately for each one and submit the information separately, one at a time. What can I do?	<p>HMRC asked other payroll professionals how they addressed this issue and the response from one is below.</p> <p>'This used to cause us some difficulty so we spoke to our payroll software provider to see if they could help. They were able to set up batch processes for us, meaning that we only needed to enter our log-in details once, and then the submissions are automatically sent in one after the other. We've now got this set up so the submissions get sent in overnight which is much easier for our business.'</p>

Scenario twelve - Reporting for directors with earnings normally below the Lower Earnings Limit

Query from an agent

One of my clients is a company who has a PAYE scheme where the only employees are directors who normally earn below the Lower Earnings Limit (LEL) each month. What information do I need to send to HMRC?

Advice from other agents

HMRC asked other agents how they tackled this question and their responses are below.

- 'The way my payroll software works, it's easy for me to record the payment in the software each month and send an FPS to HMRC each time even where it's below the LEL. So that's what I do.'
- 'Some of my clients are directors who are only paid above the LEL once a year. I have registered these schemes as annual schemes with HMRC and only need to report the one payment to HMRC each year. That's helped me because it means I do not need to send in a nil EPS for the other 11 months.'
- 'HMRC have told me that if I have a scheme for directors and all employees are paid below the LEL in a month then they will accept a nil EPS for that month. If I know that applies and the directors will all be paid under the LEL for a few months then I send a single EPS covering up to six months ahead. I then just send an FPS for the months where they are paid at or above the LEL.'

For more information see HMRC's guidance [What to report - Employer payment Summary \(EPS\)](#) and [When to report your payroll information - Annual schemes](#)