

**REGULATORY IMPACT ASSESSMENT -  
QUARTERLY PAYMENTS FOR SMALL EMPLOYERS**

i. The issue

Increasing the level below which small employers (and contractors in the construction industry) can pay PAYE and NICs quarterly rather than monthly by £400 per month to £1,000, from next April. This is a wholly deregulatory proposal.

ii. The benefits

Normally employers have to pay PAYE/NICs deducted from employees' salaries in each tax month by the following 19<sup>th</sup>. That in itself gives employers up to six weeks cash flow benefit. Quarterly payments are specifically designed for small employers and gives them the option of a further eight or nine weeks before they have to pay: for example, PAYE and NICs for the months ended 5 May, 5 June, and 5 July would not be due until 19 July. In addition to the cash flow benefit employers will also benefit from not having to prepare cheques for the Revenue twelve times but only four times per year, with additional consequential savings in employers' time.

iii. Quantifying and valuing the benefits

Increasing the quarterly payment limit to £1,000 is of potential benefit to an additional 130,000 small employers and would increase the number of employers eligible to participate in the scheme to around 722,000 employers, or just over 60% of the total.

The option of quarterly payments gives small employers a cash flow saving of up to £100 a year, or around 15 per cent of the costs to them of operating PAYE/ NICs, and will reduce their administrative costs as they will only have to make four payments per year to the Revenue instead of twelve.

The cash flow benefit to employers will depend on whether they can use it to reduce their borrowings or increase their interest-earning surplus cash. An employer who is having to borrow money and is currently paying £800 a month in PAYE and NICs could achieve a cash flow saving of about £100 a year in compliance costs which would typically be about £600 a year for an employer with two full time employees. The benefit to employers who use the benefit to increase sums held on deposit or otherwise invested will be about £30 a year.

iv. Business Sectors affected

The quarterly payment arrangements are aimed specifically at small employers, and contractors in the construction industry, whose average monthly PAYE and NIC bill is less than £1,000. Employers' PAYE tax/NIC bills will vary depending on the level of income of each of their employees and on each employees' entitlement to tax allowances, but by way of example, a quarterly payment limit of £1000 would extend the facility to employers with a maximum of 8 employees on earnings of £600 per month, or 4 employees on £800 per month.

vi. Summary

Increasing the quarterly payments limit by £400 to £1,000 is of potential benefit to an additional 130,000 small employers, increasing the number of employers eligible to participate in the scheme to over 700,000 - 60% of the total. It will give those employers eligible a cash flow saving of up to £100 a year, or around 15% of the costs to them of operating PAYE/ NICs, as well as reducing their administrative costs.

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