

working *together*

issue 22

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Review of HM Revenue & Customs

Online Services

On 21 July the Paymaster General, Dawn Primarolo, announced that the Government had asked Patrick Carter to undertake a review of HMRC online services, looking at realising benefits for customers whilst ensuring that the department continues to deliver a sustainable and efficient services that supports compliance. For more information about this consultation go to www.hmrc.gov.uk/consultation/carter-review.ht

Withdrawal of Local Banking Facilities

From 1 January 2006, HMRC local offices will no longer be handling tax & National Insurance related payments made in person. Customers will be asked to make payment at a local Post Office or a branch of their bank. Posters and leaflets explaining the change to customers will be displayed in local offices. There are also many alternative methods of payment, which are safer, more secure and often faster than making payments in person. All of these more convenient and efficient methods are available immediately. For further information, please visit our website at www.hmrc.gov.uk/howtopay

Advisory Fuel Rates for Company Cars

Working Together recognised the business benefits to both employers and HMRC if the Advisory Fuel Rates for company cars were more representative of the average fuel costs. As a result of representation from Working Together, HMRC has now reviewed and introduced revised Advisory Fuel Rates.

2004-05 Employer's Annual Returns - Update

While we cannot give a full analysis yet, after allowing for duplicate submissions, we have received around 935,000 2004-05 Returns online. And of the 11,000 employers with 250 or more employees who had to file online, well over 90% met that commitment. Traditional paper and magnetic media returns were well down, accounting for around 10 million P14s this year compared to 40 million last year.

Letters telling employers with fewer than 50 employees that they have qualified for the tax-free payment for filing online have started to go out, where we have processed their complete return.

We will not issue late or online filing penalty notices for 2004-05 until we have made further progress with processing returns.

Amended P35 Returns using Online Return & Forms – PAYE

When sending an amended P35 using Online Return & Forms – PAYE the questions on the Amended P35 – “Checklist” screen must show the same details as the original P35 unless they are specifically affected by the reason for the amendment.

On the Amended P35 – “Declaration” screen, the P14 box should be ticked and only P14s that have changed as a result of the amendment must be included with the amendment. If no P14s have changed the box should still be ticked.

The P38A and P11D questions must show the same answers as the original P35. If the original P35 had the P11D button “will be sent later” checked then the amended P35 must show the same even if the amendment has been made after the P11Ds have been sent.

Amended Returns where IR35 Applies

The Return was due by 19 May, but by an arrangement with HMRC, it can contain provisional figures in respect of the “deemed payment” for IR35. Amendments to the return to correct provisional figures must be made by the following 31 January to avoid a penalty for an incorrect return.

Returns sent where IR35 applies will qualify for the online filing tax-free payment as long as the original return was sent online (even with provisional figures) and the employer had fewer than 50 employees. Amendments to the return do not change whether the tax-free payment is due, as it is based on the original return. So amendments can be made online or by paper.

Amendments sent by the 31 January deadline showing the actual figures must be sent using a P14 and P35, but can be sent online or on paper. You can use our free Online Returns and Forms – PAYE product to do this.

How to Get the £250 Tax-Free Payment - a Reminder

Employers can get their tax-free payment straight away by deducting £250 from their next payment to us for 2005-06, as long as they have had the on-screen acceptance message for the whole return. A “nil” payslip should be sent for any complete month(s) or quarter(s) covered by the tax-free payment. It does not matter if you set the payment off against tax or National Insurance.

Only after we have fully processed returns, and sent written confirmation that the tax-free payment has been credited to the employer’s payment record, will they be able to claim the £250 as a cheque. So we strongly recommend that, if they have not already done so, they or their agent simply deduct £250 from their next payment to us.

Letters telling employers that the tax-free payment has been credited to their payment record started going out in June. Employers will get this confirmation via the secure mailbox if they signed-up to get information from us electronically.

If an employer asks us for a cheque, we will take off anything that the employer owes us and pay the balance. And we will not send a cheque for the tax-free payment if any Employer’s Annual Returns for previous years are outstanding.

Employers can authorise us to repay the tax-free payment to an agent or payroll bureau using form R38. If they want to authorise us to repay the tax-free payment only and not other repayments, they must tell us on the form.

Common Errors

The most common 2004-05 errors for online filing were as follows:

- authentication failure (error code 1046). Reasons for this include incorrect completion of the Employer’s PAYE Reference fields (in some cases PAYE Accounts Office references have been entered instead of the Employer Reference) and failure to activate the online service.
- Some Electronic Data Interchange (EDI) submission failures were due to the use of invalid characters in the tax code field.
- Other EDI submission failures were down to the use of invalid NINO formats
- Part submissions:
 - P14s incorrectly sent with a P35
 - P35s showing the wrong number of parts being sent. This meant our IT systems were looking for the missing parts and could not process the return. The P35 itself is not included in the number of parts, nor should it reflect the total number of P14s being sent.
- Duplicate Returns sent on paper when a return had already been sent online.

- Users pressing “submit” again while waiting for an acceptance message. (This was particularly common during the early submission period when acceptance messages were slow.) This led to a number of duplicate submissions.

We are amending our guidance for next year to give greater prominence to these issues.

Reminders - We are Sorry

In mid-June we sent some employers online filing penalty notices, or reminders for P11DBs, even though they had already filed online or P11DBs were not due. There have also been isolated cases where our staff approached employers for their return and/or warned the employers that they may have incurred penalties for filing late. As soon as we found out that these things were happening we put a stop to them immediately, and we are very sorry for any inconvenience caused.

2005-06 Employer's Annual Returns

We are currently investigating the acceptance and validation procedures for the 2005-06 Returns, submitted at the end of this financial year and will provide full details as soon as possible.

Greater take up of online in-year transactions

We want employers to do more business with us online during the tax year, for example to send in-year forms like P45s and P46s online, and receive information, like tax codes, from us. Business Support Teams will be able to help those small employers who want to expand on their use of our PAYE Online services. At the same time, Online Business Recruiters will promote the benefits of doing in-year business online, like saving time, paper and postage, when contacting large employers who did not file online in April and medium-sized employers who must file online for 2005-06.

Notice to File Online for 2006-07

We will be undertaking our count of the number of employees in each PAYE scheme on 30 October 2005. We will mail the “notice to file” letters during November, issuing those to large and medium-sized employers first.

This count will determine the size of the PAYE scheme for 2006-07 online filing purposes. We will publish sample copies of the letters on the HMRC website at the end of October.

Do it online: Online filing and Electronic Payment Handbook

An updated version of this will be available on the Internet only at the end of August. These are just some of the sections we will be updating: using Online Return and Forms – PAYE to send amendments, how to claim the tax-free payment and sending a return for a client without an FBI 2 authorisation.

The handbook is at www.hmrc.gov.uk/employers/doit_index.htm

2005 Tax Return: Box 18 - A Reminder

Question 18 (“Do you want to calculate your tax and, if appropriate Class 4 NIC and any Student Loan Repayment?”) was changed to incorporate box 18.2B for total Class 4 NIC due. This figure was previously requested on the Self-Employment, Partnership and Lloyds Underwriter Pages in boxes 3.96, 4.25 and 3L.94.

From 2003-04 onwards, these boxes should only be used where there is an adjustment to profit chargeable to Class 4 National Insurance Contributions.

E-VAT

There is now another way for businesses to take advantage of the benefits of online services. The VAT Returns for agents is the first VAT online service to be directed solely at agents.

For the purpose of this service, an agent is a VAT registered, third party authorised to submit online returns on behalf of a VAT registered client.

Agents can already complete the VAT 1, application for VAT registration, for clients and now they can also declare and submit online on their clients' behalf without the need for signatures. The legal responsibility for the declaration and payment of any VAT remains with the client. The Agent needs to be VAT registered, and enrolls on the Government Gateway where an Agent ID is allocated. The Agent informs their clients of their Agent ID the clients log on to the Government Gateway and appoint the agent to submit VAT returns on their behalf.

This is the first phase of a developing service and should be seen as another option for agents who can use their existing agent online credentials for PAYE, Corporation Tax and Self Assessment.

Advantages for Agents using this service are

- Another option within a package of online services to offer clients - agents can build on existing agent online credentials for PAYE, Corporation Tax or Self Assessment
- Saves time - an agent can submit an online VAT return on behalf of their client
- Instant acknowledgement confirming receipt of VAT details
- Unique pin and password allocated to the agent - enabling independent access
- On screen help and guidance
- Extended time to submit the online VAT return and to pay electronically
- Built-in safeguards for additional assurance and security

For more information please visit the VAT pages on the HMRC Internet site.

Take-Up of SA Enquiry Cases and Returns Filing

We sometimes hear of concerns from agents that filing Returns earlier in the year, increases the chance of it being selected for an enquiry. We asked HMRC colleagues to extract the take-up statistics for the latest year available i.e. 2002-03 Returns where the enquiry window expired at the end of January 2005. This identified that the percentage of enquiries opened into 2002-03 Returns between April 2003 and the filing date, 31 January 2004, was 10%. The majority of enquiries i.e. 90% were made between February 2004 and January 2005. This shows that the reality is far different from the concerns expressed.

editorial

Working Together is a partnership with the CIOT, ICAEW, ATT, ACCA, ICAS and AAT. Although the material in this publication obviously reflects discussion and consultation with these bodies, HMRC is solely responsible for its contents and for the views expressed in it.

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