



## Welcome

### Hello and welcome to August's edition of the Employer Bulletin

This edition has some useful information around reporting your payroll information, National Living Wage and National Minimum Wage and also information on fully electric company cars. There are also articles on Construction Industry Scheme (CIS) webinars and Welsh Rates of Income Tax.

We will continue to use the Employer Bulletin to tell you about new products and changes which may affect you and to give you access to further information if you need it. With that in mind I'd also like to encourage you to sign up to receive an email alert from us each time a new edition of the Employer Bulletin is published. The email alert system is no longer tied to a PAYE reference number meaning that it's no longer just employers who can sign up and there are no restrictions on the number of individuals per company who can receive the alert.

So make sure you don't miss any future updates by signing up to receive one of our [new email alerts](#). You can also follow us on Twitter [@HMRCBusiness](#) and [@hmrcgov.uk](#)

Another useful source of information is the Agent Update, the next edition of [Agent Update](#) will be available soon and provides guidance for tax agents and advisors.

And finally our aim is to be able to deliver clear, consistent and timely information which is appropriate for employers and helps you to meet your payroll obligations to HMRC. So, if you have any comments or suggestions about any of the content of the Employer Bulletin or would like to see a specific topic covered, please drop me a line at [john.berry@hmrc.gsi.gov.uk](mailto:john.berry@hmrc.gsi.gov.uk) Your feedback is always most welcome.

**John Berry**  
Editor

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# Reporting your payroll information accurately and on time

Accurate and timely reporting of your payroll information is really important; it helps to ensure that your employees pay the right amount of tax, and is vital to the success of Universal Credit (UC). UC is designed to increase the financial benefits of work and provide you with a more flexible workforce. Late or inaccurate reporting can negatively impact on your employees as UC payments are linked to the payroll information you report. It is therefore very important to report your payroll accurately and on time, as changes in earnings can affect the amount of UC your employees receive.

The payment date you report on your Full Payment Submission (FPS) should be the earlier of the date an employee is paid or the date they were entitled to that payment, not the payroll run date, or another date from your payroll system. It is important to check this and make any changes that are necessary to payroll software so that when you report, you use the correct payment date, as we often find that this is the reason why some employers receive a penalty. If you are unable to report payments on time and have a reasonable excuse for filing late you should use a [late reporting reason code](#). Include the code for every payment on the FPS where the circumstances apply.

## PAYE penalties – continuation of the risk-based approach to charging penalties

HMRC has again reviewed the effectiveness of the risk-based approach to late filing PAYE penalties and has decided to continue this approach for the tax year beginning 6 April 2018.

This means that late filing penalties will continue to be reviewed on a risk-assessed basis rather than be issued automatically. The first penalties for the tax year beginning 6 April 2018 will be issued in September 2018.

The approach will also include continuing to not charge penalties automatically if a FPS is filed late but within 3 days of the payment date and there is no pattern of persistent late-filing. This is not an extension to the statutory filing date which remains unchanged. Employers are still required to file their submissions on or before each payment date unless the circumstances set out in the [‘Sending an FPS after payday’](#) guidance are met. Employers who persistently file after the statutory filing date but within three days will continue to be monitored and may be contacted or considered for a late filing penalty.

Similarly, late payment penalties will also continue to be raised on a risk-assessed basis rather than automatically, focussing on penalising those who persistently pay late and are of greatest risk.

HMRC will continue to review their approach to PAYE penalties beyond 5 April 2019 in line with the wider review of penalties and will continue to focus on penalising those who deliberately and persistently fail to meet statutory deadlines, rather than those who make occasional and genuine errors for which other responses might be more appropriate.

## Warning messages

Don't ignore Generic Notification Service (GNS) electronic warning messages. The messages are intended to be a helpful service to notify you that you haven't filed on time or paid on time. Because of the risk-based approach we may not charge penalties in all instances where employers don't file on time. However the electronic messages give you a chance to review your submission process to ensure that things are correct in the future.

We will send you a message:

- once in a month when we receive a FPS later than the payment date without a valid reason or
- on the 11th or 12th of the month where we haven't received either a FPS for the month that just ended on the 5th or an Employment Payment summary (EPS) stating no employees were paid in that month.

You can check your messages in the same way you do if you receive electronic coding notifications, either by:

- logging into PAYE Online and selecting the generic notifications from within the “Notice summary” section
- using the PAYE Desktop Viewer
- using your commercial software – you should check with your software supplier that their product is compatible with accessing GNS messages
- accessing your Business Tax Account and using the ‘messages’ link.

We strongly recommend that you check for any electronic notice messages we may have sent you – as they contain helpful and important information.

## Irregular payments and completion of Full Payment Submissions

Where an employee works intermittently and is not paid on a regular basis (for example a student working during their holidays, a supply teacher or other individual employed 'as and when required') but their contract continues, the Irregular Employment Payment Pattern indicator should be selected on each Full Payment Submission (FPS) you complete for that individual.

HMRC carries out checks and if employees have not been paid for a specific period of time and the irregular payment indicator is not set, we will treat them as leaving that employment.

Not setting this signal can result in:

- delays to employees' tax refunds or incorrect underpayment calculations
- incorrect/ceased employees' entitlement to Benefits and Credits
- increased employee contact to yourselves and HMRC.

Incorrectly setting this signal could also lead to incorrect tax codes being issued to your employees or incorrect reconciliations at the end of the tax year, so it is important that the indicator is set correctly.

If your employees are normally paid;

- weekly (W1)
- fortnightly (W2)
- 4 weekly (W4)
- monthly (M1)
- quarterly (M3)
- twice a year (M6), or
- annually (MA).

you should treat these as regular payment patterns and the appropriate code, shown in brackets, should be recorded in the 'Pay Frequency' field.

If you have to make a one off payment to an employee you should enter 'IO' in the 'Pay Frequency' field.

You should only enter irregular (IR) in the 'Pay Frequency' field if your normal payment pattern is not one of those shown above.

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## Starter Declaration on a Full Payment Submission (FPS)

When completing the starter declaration on your payroll software [www.gov.uk/new-employee/registering](http://www.gov.uk/new-employee/registering) it is important that if you enter your employee's post code, you ensure that it is correct. This is because HMRC uses the post code to verify the employee's address.

If you enter an incorrect post code this could result in the employee's address being changed on our systems leading to correspondence being issued to the wrong address.

An incorrect address held on HMRC's systems may also affect the Department for Work and Pensions' ability to issue any Universal Credits due and any correspondence to claimants.

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## PAYE Settlement Agreements and Scottish Income Tax

The PSA1 form that employers complete to submit PAYE Settlement Agreements (PSAs) will be changing for the 2018 to 2019 tax year. This is to incorporate the rates and threshold changes for Scottish Income Tax. When completing a PSA1 form for the 2018 to 2019 tax year you will be asked whether the Expense or Benefit is for a Rest of the UK (rUK) taxpayer or a Scottish taxpayer. This will allow you to provide HMRC with accurate PSA details for all of your employees.

# The National Living Wage and National Minimum Wage - are you paying the correct rate?

The National Living Wage (NLW) and National Minimum Wage (NMW) rates have increased. More than two million people were entitled to an above-inflation pay rise when the new rates came into force.

If you are not paying the correct rate you may receive a Notice of Underpayment from HMRC, setting out the arrears to be paid to your workers together with a penalty. Employers may also be publicly named.

The new rates must be applied from the first day of the first pay period on or after 1 April 2018 and are as follows:

Those aged:

- **25 and over** are entitled to at least **£7.83** per hour (previously **£7.50** per hour)
- **21 to 24** are entitled to at least **£7.38** per hour (previously **£7.05** per hour)
- **18 to 20** are entitled to at least **£5.90** per hour (previously **£5.60** per hour)
- **Under 18** are entitled to at least **£4.20** per hour (previously **£4.05** per hour).

Apprentices are entitled to the **Apprentice** rate of **£3.70** per hour (previously **£3.50** per hour) if they are:

- Aged under 19
- Aged 19 or over and in the first year of their apprenticeship.

Apprentices aged 19 or over who have completed the first year of apprenticeship are also entitled to the age-related minimum wage:

- **19 to 20** year olds are entitled to at least **£5.90** per hour
- **21 to 24** year olds are entitled to at least **£7.38** per hour
- **25 year olds and over** are entitled to at least **£7.83** per hour.

The Government is currently running a campaign advising workers to check their pay and complain if they are being paid incorrectly.

## National Minimum Wage webinars

National Minimum Wage mistakes can be easy to make so we've made it simpler for you to self-review your compliance. Our new themed webinars spell out the step-by-step approach to take when carrying out the necessary checks for NMW.

The 'How to check you are paying correctly' series has been designed to help employers comply with NMW legislation. The bite-sized presentations guide employers through the self-review process which mirrors the approach HMRC adopts within an enquiry.

The self-review process is broken down into three steps: entitlement to minimum wage, defining type of work and common underpayment errors. Information is also provided on how to put right any underpayment you may find, including details of how to tell HMRC that you have paid arrears should you wish to.

You can watch the webinars on the [Help and Support for Employing People](#) pages of the GOV.UK website.

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## Advisory Electricity Rate for fully electric company cars

HMRC will now accept that if you pay up to 4 pence per mile when reimbursing your employees for business travel in a fully electric company car there is no profit.

If you pay a rate per mile for business travel no higher than the Advisory Electricity Rate, HMRC will accept there's no taxable profit and no Class 1 National Insurance to pay.

You can use your own rate which better reflects your circumstances if, for example, your cars are more efficient, or if the cost of business travel is higher than the guideline rate. However, if you pay a rate that is higher than the advisory rate and can't demonstrate the electricity cost per mile is higher, you'll have to treat any excess as taxable profit and as earnings for Class 1 National Insurance purposes.

While electricity is not considered a fuel for tax and NICs purposes, the Advisory Electricity Rate will be published alongside advisory fuel rates found [here](#). The rate will be kept under review.

# Welsh Rates of Income Tax

## Who will pay Welsh rates of Income Tax?

A taxpayer who is resident in the UK for tax purposes and has their sole or main place of residence in Wales for more of the tax year than in any other part of the UK will pay Welsh rates of Income Tax (WRIT).

HMRC will identify Welsh taxpayers based on information held within its systems. Employers and pension providers will not decide an individual's Welsh taxpayer status.

Welsh taxpayer status applies for a whole tax year and can't be applied for part of a year.

From April 2019, Welsh resident taxpayers employed or in receipt of a pension will have a tax code beginning with C. Those completing a Self Assessment tax return online will be asked about country of residence on their return.

## Further guidance will be published before the introduction of WRIT

Please encourage your employees to check that HMRC has their correct address details using their Personal Tax Account, [www.gov.uk/personal-tax-account](http://www.gov.uk/personal-tax-account). HMRC will be communicating this to customers, but it would be beneficial if employers would reinforce the importance of address changes in messages to their employees.

More information on these changes can be found [here](#).

# Construction Industry Scheme (CIS) webinars

## CIS for contractors – Thursday, 27 September at 15.00

For further support and advice about working as a contractor, please [register online](#) to join a live broadcast of the CIS for contractors webinar in September 2018. You can learn more about how the scheme works, including CIS Returns, verifications and deductions, and receive answers to your questions during the live broadcast.

## CIS for subcontractors – Friday, 28 September at 13.00

If you operate as a subcontractor, you can [register online](#) to join a live broadcast of the CIS for subcontractors webinar, to learn about registering, including gross payment status, deduction rates, and repayment claims.

You can also sign up for future webinars and emails about CIS, and watch recorded versions of both the CIS for subcontractors and CIS for contractors webinars online at [Webinars and emails on the Construction Industry Scheme](#).

# Postgraduate Loans

The Department for Education have launched a new Student Loan product known as Postgraduate Loans (PGL).

The earliest customers can start repayment of PGL is April 2019.

If your employee has a PGL:

- HMRC will send you a new Postgraduate start notice (PGL1) to ask you to start taking PGL deductions
- HMRC will send you a new Postgraduate stop notice (PGL2) to ask you to stop taking PGL deductions
- you will collect this through the normal Pay as You Earn (PAYE) process.

Your employee may also be liable to repay a Student Loan Plan Type 1 or 2 at the same time as the PGL. HMRC will let you know this by continuing to send the normal Student Loan start (SL1) and Student Loan stop (SL2) notices as well as PGL1s and PGL2s.

HMRC is working with software developers to finalise the technical specifications.

More information on this product will be included in the October edition of the Employer Bulletin.

# Benefits and Expenses: Company cars

## Reporting Company Cars

You need to send a P46 (Car) form to HMRC if you:

- provide company cars to your employees
- stop providing a company car
- provide someone with an additional car.

To send the form you can:

- fill it in online and send a printed copy to the address on the form
- use HMRC's PAYE Online service for employers
- use your payroll software.

You also need to report on your end-of-year forms and pay Class 1A National Insurance on the value of the car benefit.

## Replacing a company car

If your employee changes their company car, you can no longer report this online or by paper you must tell your employee to contact HMRC to tell us of this change by logging onto their [Personal Tax Account](#) or by calling the taxes helpline.

You will still report this change with your end-of-year forms.

# Tax avoidance loan schemes – settle now

If you've used a tax avoidance scheme that paid your employees or directors in loans to avoid paying tax and National Insurance then there's still time to settle with HMRC before the loan charge applies on 5 April 2019.

People who don't come forward could end up paying more when the loan charge arises.

If you've used a scheme but haven't already registered to settle it's not too late. You'll need to provide all of the information required by HMRC by 30 September 2018.

If you're already speaking to someone in HMRC about using these types of schemes, known as disguised remuneration, or if you have a customer compliance manager, you should provide the information to them. If you don't have a contact then get in touch by emailing [ca.admin@hmrc.gsi.gov.uk](mailto:ca.admin@hmrc.gsi.gov.uk).

If your business uses contractors or freelancers who might have used a scheme then please help us alert them by putting information in your newsletters or on staff notices boards.

You can find out more about [disguised remuneration, the loan charge and how to settle on GOV.UK](#).

# Completing an EYU in respect of Employee's National Insurance Contributions

We have recently amended the [www.gov.uk/payroll-errors/correcting-pay-or-deductions](http://www.gov.uk/payroll-errors/correcting-pay-or-deductions) guidance on GOV.UK to make it easier to understand when completing an Earlier Year Update (EYU) which includes a negative amount of Employee National Insurance. The new guidance explains –

If the difference is negative (because you deducted or reported too much National Insurance), you also need to set the 'NIC refund indicator' to:

- 'Yes' if you've refunded your employee or no refund was due
- 'No' if you still owe your employee a refund (for example because they've left your employment).

# Employment Income: Draft Legislation

The government published draft legislation on 6th of July for a number of measures relating to the tax treatment of employment income. These include –

## Income Tax: Clarifying effect of the Optional Remuneration Arrangements legislation in respect of taxable cars and vans

The draft legislation is intended to address two anomalies identified in the current Optional Remuneration Arrangements (OpRA) rules, by:

- ensuring that when a taxable car or van is provided through OpRA, the amount foregone, which is taken into account in working out the amount reportable for tax and NICs purposes, includes costs connected with the car or van (such as insurance), which are regarded as part of the benefit in kind under normal rules;
- adjusting the value of any capital contribution towards a taxable car when the car is made available for only part of the tax year.

**This change will have effect from 6 April 2019.**

<https://www.gov.uk/government/publications/changes-to-optional-remuneration-arrangements-rules-for-taxable-cars-and-vans>

## Income Tax: Workplace charging for all-electric and plug-in hybrid vehicles

The draft legislation introduces an exemption from income tax and NICs any liability arising from the provision of charging facilities (including electricity) to employees recharging all-electric or plug-in hybrid vehicles at or near the workplace where facilities are made available generally to the employer's employees. It does not cover reimbursements for charging elsewhere paid for by the employee.

This measure does not apply to taxable cars and vans (chargeable under the car or van benefit charge respectively). These are taxable as benefits in kind and the provision of charging facilities and electricity are treated as connected costs already subject to a separate exemption.

**The measure will have effect from 6 April 2018.**

<https://www.gov.uk/government/publications/workplace-charging-for-all-electric-and-plug-in-hybrid-vehicles>

## Changes to the income tax and NICs treatment of emergency vehicles

The draft legislation introduces provisions to –

- extend the scope of the current exemption for emergency vehicles to cover all commuting journeys;
- introduce transitional arrangements for the taxation of emergency vehicles under the 'use of assets' legislation to provide more beneficial arrangements for the period 6 April 2017 to 5 April 2020;
- allow the cost of fuel to be excluded from the calculation of additional expenses when the employer has not provided any fuel for private use; the cost of fuel for any private mileage has been made good in full; or any reimbursement by the employer is only for fuel used for business mileage.

The legislative changes introduced by the measure will apply retrospectively from 6 April 2017. The transitional arrangements for emergency vehicles will expire after 5 April 2020.

<https://www.gov.uk/government/publications/changes-to-the-taxation-of-emergency-vehicles/changes-to-the-income-tax-and-national-insurance-contributions-treatment-of-emergency-vehicles>

## Abolishing receipt checking requirement for benchmark scale rates

This draft legislation means that employers will no longer be required by HMRC to check receipts when paying or reimbursing expenses using the benchmark scale rates for allowable travel expenses. Employers will only be required to ensure that employees are undertaking qualifying business travel. This legislation does not prevent employers checking employee receipts when reimbursing in this way for their own purposes. This legislation does not apply to payments or reimbursements made under bespoke scale rate payments or industry-wide rates.

**This measure will have effect from 6 April 2019.**

<https://www.gov.uk/government/publications/abolition-of-receipt-checking-for-benchmark-scale-rates-and-changes-to-overseas-scale-rates/abolition-of-receipt-checking-for-benchmark-scale-rates-and-changes-to-overseas-scale-rates>

## Legislating overseas scale rates

HMRC's overseas scale rates provide employers with maximum guideline amounts for reimbursing or paying employees allowable travel costs when they travel abroad on business. The draft legislation introduces the concessionary accommodation and subsistence [overseas scale rates](#) (OSR) onto a statutory basis.

OSR will be subject to the same reduced checking requirement as benchmark scale rates and employers will only be required to ensure that employees are undertaking qualifying business travel.

**This measure will have effect from 6 April 2019.**

<https://www.gov.uk/government/publications/abolition-of-receipt-checking-for-benchmark-scale-rates-and-changes-to-overseas-scale-rates/abolition-of-receipt-checking-for-benchmark-scale-rates-and-changes-to-overseas-scale-rates>

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## Deadline for post-16 Child Benefit looms

Please remind your employees that if they receive Child Benefit and have a child who is 16 years old but staying in education or training, they need to let HMRC know so their payments for that child doesn't stop.

We've sent a Child Benefit form to all parents who are in this situation, they simply need to complete the form and post it back to us. Alternatively they can let us know via the Child Benefit form in their [Personal Tax Account](#).

All forms need to be received and processed by us by 30th August so if you're approaching that date and still not let us know please call the Child Benefit office on 0300 200 3100.

For further information please visit <https://www.gov.uk/child-benefit-16-19>