

# JTC NEWSLINE

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## PAYE – Do you pay even a day late?

Businesses **must** make sure that PAYE is not being paid late. A new penalty scheme has been introduced. One month in a year can be paid late without penalty – but if you pay late twice in a year the penalty is 1% of all the PAYE due for the whole year. If you pay even a day late five times a year the penalty is 2% of all the PAYE due for the whole year. If you pay a day late every month in a year the penalty is 4% of all the PAYE due in the year. Check, check, check – and take care. ■

Foolish Construction Ltd posts a cheque for their PAYE of £20,000 per month on the 19th of the month each month – so it clears the HMRC bank account late every month. **They will be asked for a penalty of 4% of £240,000 = £9,600.** They will get no warning that this penalty is ratcheting up until the end of the tax year. **There are no monthly warnings.**

## PAYE - A major change in PAYE is coming – Real Time Information

The Government has announced that it is their intention to move the collection of PAYE onto a system known as 'real time information'. This will involve all employers transmitting the information about the tax and other deductions they make, at the point when the employer runs its payroll, and when they pay their employees rather than at the end of the tax year as happens now.

This will allow improved accuracy for in year tax – with fewer under and over-payments at the year end. It is envisaged that for all those employers who use payroll software the transmission of information to HMRC will happen automatically.

The first phase will start in April 2012 with a small number of volunteers. Large employers will start to migrate into the new system from January 2013, the majority will start in April 2013 and everyone will be in the new system within the next two years (by October 2013).

Where an employer pays by BACS, the information about deductions would accompany the direct credit instructions into the BACS system and be forwarded on to HMRC as part of the payment process. Where an employer does not pay by BACS alternative online channels will be provided.

There is a good question and answer pack titled 'PAYE Real Time Information – An Introduction for Employers' on the HMRC website, [www.hmrc.gov.uk/rti/employerfaqs.htm](http://www.hmrc.gov.uk/rti/employerfaqs.htm)

There is nothing to do yet except make sure your employee records show the correct names, addresses, dates of birth and NINOs. A clean system will make life easier later. ■

## National Minimum Wage from 1 October 2011

The adult rate is £6.08 per hour

The rate for 18-20 year olds is £4.98 an hour

The rate for 16-17 year olds is £3.68 per hour

The rate for apprentices is £2.60 per hour

## Penalties if you have not sent in your 2010-2011 paper tax return by 31 October 2011

If you did not send in your paper tax return for 2010-2011 before 31 October 2011 you **must** make your return **online** by 31 January 2012.

If you have never made an online return please remember that it takes several weeks to register and get a password - you will not be able to do everything in the last week of January. Even if you are still collecting information, register to file online now, so that you will not lose time.

There is now an automatic penalty for a late paper tax return even if there is no tax due and even if all tax due is paid by the due date. So make sure that you meet the 31 January 2012 deadline with an online return, **not** a late paper return.

The penalties are;

- £100 automatic penalty
- after 3 months, £10 a day
- after 6 months 5% of tax due or £300

And it gets worse the longer you leave it.

The penalty for late payment of tax is 5% of the tax unpaid at;

- 30 days
- 6 months
- 12 months

**Interest will be charged on top of the penalties.** ■

## Have you been charged a penalty for a late return or payment of tax?

Email Liz Bridge if you want to appeal a penalty on the grounds of having a reasonable excuse – the case law about reasonable excuse is developing all the time.

Send details of the amount of the penalty, how HMRC say it has been calculated, and what reasonable excuse you would like to present. We can help, sometimes! ■

## Incorrect employee information

Make sure you do not send HMRC returns showing that you employ any of the following;

- A N Other
- Mr. or Mrs Dummy
- Mr. or Mrs XXXXXX
- Casual
- Cleaner
- Student
- Worker
- Unknown

It is easy to laugh but HMRC are reporting a large number of these errors together with dates of birth where the employee must be more than 200 years old, or where National Insurance numbers (NINOs) are incorrect. You **must** show a proper name. HMRC stopped issuing NINO cards in October 2010 but they now issue reminder letters.

You can also trace a NINO by sending form CA6855 or a schedule to **HM Revenue & Customs National Insurance Contributions Office, Evening Work Centre - NI Number Tracing, Room BP3101, Benton Park View, Newcastle Upon Tyne, NE98 1ZZ.** ■

## Do you do construction work in Eire?

The equivalent of the CIS scheme in Eire is known as the Relevant Contracts Tax (RCT). There is to be a major change in RCT which will start on 1 January 2012.

From that date all relevant contracts including those that are on-going at the end of December 2011 must be registered online. Principals must notify all payments on relevant contracts to the Irish Revenue online from 1 January 2012. It will not be possible to notify a payment online unless the contract has been registered.

The improvements for contractors amount to a full online service. The benefit for subcontractors is a reduction in the rate of deduction from 35% to 20%.

The best website to find out about all the changes is [www.revenue.ie/en/tax/rct/rct-changes-2011.html](http://www.revenue.ie/en/tax/rct/rct-changes-2011.html) ■

## Having cash flow problems?

Always warn HMRC in advance if you cannot pay your PAYE/VAT/Corporation Tax or Income Tax on time. This usually stops all penalties running, it certainly helps and does not hinder. Contact Business Support Service 0845 302 1435, [www.hmrc.gov.uk/payinghmrc/problems/bpps.htm](http://www.hmrc.gov.uk/payinghmrc/problems/bpps.htm) ■

## VAT Guide rewritten

HMRC have rewritten Notice 708 and it is available on the HMRC website. Visit [www.hmrc.gov.uk](http://www.hmrc.gov.uk) and search **V1-08A: Construction Manual**.

This document is the horse's mouth version of HMRC's interpretation of VAT in construction, definitely worth a look! Remember, throw away out of date versions of Notice 708. ■

## Are you male, under state retirement age but born before 5 January 1951?

If you are then you qualify for non-means tested winter fuel allowance but you will need to claim. Women do not need to claim because they will be on the DWP radar being of state pensionable age.

Visit [www.direct.gov.uk/en/Pensionsandretirementplanning/Benefits/BenefitsInRetirement/DG\\_10018657](http://www.direct.gov.uk/en/Pensionsandretirementplanning/Benefits/BenefitsInRetirement/DG_10018657) ■

## Help budgeting for tax

A new leaflet has been produced by HMRC to help newly self-employed people budget for their first tax bill showing how much money to set aside for tax and NIC.

Visit [www.businesslink.gov.uk/startingup](http://www.businesslink.gov.uk/startingup) ■

## Paper CIS returns

If you still send in paper CIS returns always get proof of posting or take a copy and get two members of staff to date and sign to the date of posting.

If your return is received late by HMRC you will need to produce evidence of posting in reasonable time to be received by the deadline. Make returns online if you possibly can – it is by far the safest route. ■

## Security required from poor payers of PAYE

From **April 2012** HMRC will have the power to obtain a security (in money or as a performance bond) from those employers who they believe present a serious risk of non-payment. ■

## Employer Annual Returns

P35 and P14s (employer annual returns) were due by 19th May 2011 so those not submitted are now four months late. HMRC have started to send penalty notices out.

If you receive a notice for a return which you think you have submitted, appeal immediately, **do not sit on your hands**. ■

## Chancellor's Autumn Statement

This will be on 29th November and will give the NIC rates and some tax rates for 2012/13. ■

**CONTACT DETAILS: Liz Bridge on 020 8874 4335 or email [liz@thetaxbridge.com](mailto:liz@thetaxbridge.com)**