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Welcome to February's PayrollPayroll update. Coming up in this month's edition...

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Hi Mark.

COVID-19 update

Updated HMRC CJRS guidance for annually paid directors

The strict cut-off dates for eligibility to claim grants under the CJRS meant that many annually paid directors, who often receive their annual payment at the end of March, were ineligible for the first two versions of the scheme as they hadn't received their annual payment for 2019/20 before the key date of 19 March 2020.

However, under the third version of CJRS they may be eligible if they have been furloughed from 1 November to 30 November 2020, with the reference date of 30 October 2020. But, the rules are slightly different to those of conventional claims and claimants need to be very careful when processing the annual payment, otherwise they may miss out once again.

Crucially, for directors using an annual payroll model, perhaps paying themselves in dividends throughout the year while their salary is paid in March, this means that their grant claim must be made in respect of the same month that salary is paid and reported under RTI.

On 26 January HMRC updated [example 3.17](#) in its guidance, which relates to an annually paid director last paid on 30 March 2020. The guidance states: "The director is not due to be paid until 30 March 2021, but employers can only claim CJRS in advance if the payroll run is imminent. If the employer claims CJRS for November 2020 in respect of this director, they will need to pay them (and operate PAYE) earlier than usual."

In practical terms this means that the CJRS claim can only be made if the salary payment date is brought forward to November.

If you need to process a CJRS claim for an annually paid director, please make sure you read the [guidance](#) carefully to ensure you don't mismatch the payment and claim dates, otherwise you may find yourself being asked to repay the furlough grant.

Public sector exit payment cap

Only three months after it was introduced, the government has announced that it is revoking the Public Sector Exit Payments Regulations 2020, which place a £95,000 cap on public sector exit payments.

The exit payment cap met with a lot of criticism when it was introduced and, following a review into the effects of the cap, the government has recognised that it may have had some unintended consequences, and is being withdrawn as a result.

A Treasury Direction has been issued to suspend the Regulations until they can be formally revoked.

HM Treasury has published updated [guidance](#) for both employers and employees affected by the £95,000 cap. If you have applied the cap for any employees leaving between 4 November 2020 and 12 February 2021, you can now pay them the additional sums you would have paid had the cap not been implemented.

P9 Notices of coding

Watch out for the P9 Notice of Coding emails which HMRC began issuing on 8 February 2021 and will continue to be issued on a rolling programme through until 7 March 2021. The notices advise that the coding for the tax year starting 6 April 2021 can be viewed online. However, for your payroll team to access these emails, it is important that HMRC holds the correct email address so please check that your email address is up to date.

To view the notices HMRC advises that, when signing into the online account, you should ensure that the correct tax year is selected from the dropdown, 2021 - 2022. If the P9 notices are still not showing, sign out and sign back into the account the following day. This should allow the P9s to be viewed online.

HMRC expects paper P9 coding notices to arrive with employers on or around 19 March 2021. If you do not receive your paper P9 notices in time for the first pay period, on or after 6 April 2021, you can request a duplicate from the Employer Helpline on 0300 200 3200.

A request for a duplicate can only be made in respect of a full employer scheme and is not available for individual tax codes. HMRC will deal with your request as soon as possible but says you should allow 14 working days before contacting the Employer Helpline again. If your request involves a change of media type, (for example from paper to internet), allow an extra five working days to allow the systems to update.

You can view the rates and threshold changes announced by UK, Wales and Scotland on the [PayrollPayroll website](#). Tax codes calculated for 6 April 2021 will include these changes.

Please be aware that income tax rates and thresholds are still subject to parliamentary approval. Once all rates and thresholds have been approved by the respective administrations, HMRC may need to carry out a later re-coding exercise to include any relevant changes.

Penalty easement for off-payroll working

Back in February 2020, HMRC confirmed that it would take a 'light touch' approach to penalties relating to the changes to the off-payroll working rules, pledging that they would not issue penalties for any inaccuracies in the first 12 months unless they related to deliberate non-compliance.

HMRC has now set out details of how it plans to support employers, as well as outlining the circumstances in which it will still intervene where non-compliance is suspected. The latest guidance confirms that it will be mandatory for employers to assess a contractor's employment status for tax purposes, and that those that don't **will be fined**.

But in a welcome move, the guidance also states that employers will not have to pay penalties for inaccuracies in the first 12 months relating to the off-payroll working rules, regardless of when the inaccuracies are identified, unless there's evidence of deliberate non-compliance.

You can listen to the [MBKB webinar](#) from January 2021 for more information on off-payroll working. Full guidance on the new rules is available on [GOV.UK](#)

Unprecedented numbers of SL1 notices to be issued shortly

Over the next few weeks it is very likely that you will receive an unusually high number of SL1 start notices, read on to find out why. In the December newsletter I told you about the introduction of a new plan type for Scottish Student Loans known as Plan 4. Scottish borrowers, who drew down their loan from the Student Award Agency for Scotland (SAAS) are currently repaying their loans under the Plan 1 threshold. Eligible borrowers will switch to Plan 4 from 6 April 2021. The Plan 4 threshold will be £25,000 and deductions will be calculated at 9% on earnings above the Plan 4 threshold.

The introduction of Scottish Student Loans will result in SL1s being issued to employers for existing borrowers impacted by the change, and will be in addition to the usual bulk issue of SL1s at the start of each tax year.

HMRC is expecting that employers should receive both paper and electronic notices from 5 March 2021. You should apply this change to your payroll software and action on your first FPS submission after 6 April 2021. If your employee is not moved to Plan 4, they will over repay their Student Loan. There will be no action required for Plan 1 borrowers who did not draw down their loan from SAAS.

It is important to note that this applies to employees who have previously taken out a Scottish student loan. **They may not be resident in Scotland now, but this will still apply to them**, so you may still receive an SL1 for workers who do not live in Scotland.

The Student Loans section of the [Starter Checklist](#) has been updated and streamlined to include Scottish Student Loans (Plan 4).

Reporting expenses and benefits

As we approach the tax year end, many payroll practitioner's thoughts turn to the gathering of information regarding expenses and benefits received by staff during the past year.

You should now use [commercial payroll software](#), [HMRC's PAYE Online service](#) or [HMRC's Online end of year expenses and benefits service](#) to submit your P11D and P11D(b) online, it's faster and more secure than sending paper returns.

If you registered to payroll your benefits for the 2020/21 year remember you still need to submit a P11D(b) to tell HMRC about the Employer Class 1A National Insurance contributions due. You only need to submit a P11D for any benefits you did not payroll.

If you don't currently payroll benefits, but would like to reduce the reduce the number of P11Ds you need to complete next year, register **now** to payroll your benefits for 2021/22 and report benefits at the same time as your employees' PAYE on the FPS. You can deduct and pay tax on most employee expenses if you have formally **registered before 6 April**. This way you will not need to submit any P11D for an employee if you are payroll all their benefits.

You will however, still need to submit a P11D(b) so you can pay any Class 1A National Insurance you owe.

Importantly, HMRC announced in the February [Employer Bulletin](#) that the small number of employers who informally payroll benefits must now also formally register for payroll before the start of 2021/22 tax year as HMRC will **no longer accept informal arrangements**.

If reporting expenses and benefits is still a mystery to you, or if you simply want to refresh your knowledge, why not sign up for our training course on P11Ds and the reporting of expenses and benefits? Check out our [website](#) for more information.

PayrollPayroll Update

February's Payroll Update webinar

This month's Payroll Update webinar will be held on 26 February at 10am. It will be a general payroll update but will focus on the changes and new rates, limits and thresholds coming in 2021 /22. Use this link to book your place <https://buff.ly/37efGsM>

MBKB – Your training Your way

As the end of the tax year gets nearer and nearer, we are pleased to announce that we have launched two new payroll training courses to give you all the information you need about the changes coming in from April 2021, and how to report your expenses and benefits for 2020/21.

Firstly we have the [Payroll Legislation Update 2021/22](#). CPD accredited, this is a full day course, delivered online, covering topics including:

- UK Budget 2021
- Impact of COVID
- Income tax
- Childcare vouchers in the UK
- Termination payments
- IR35 and off payroll
- OpRA and salary sacrifice
- National Insurance
- Real Time Information
- Statutory payments
- National Minimum Wage
- Student loans
- Expenses and benefits
- Pensions

The second new course is **P11Ds – Tackling the mystery out of expenses & benefits**, which is also a CPD accredited full day course, delivered online.

If you want to be confident processing P11Ds, or need to know more about how to report expenses and benefits, or if you have been wondering whether payroll benefits is for you, then this course will give you the knowledge you need to manage your expenses and benefits processes, produce accurate, timely returns and avoid costly penalties.

Furthermore, **we tailor each training course to you**. Let us know, at the time of booking, the areas or benefits you want to cover and we will ensure we include those topics.

You can find more information, including dates and prices on our [website](#).

Payroll support helpdesk available to PayrollPayroll members

As payroll processing gets ever more complicated, we know that, much as we would like to, none of us can know everything, and here at PayrollPayroll we want to help. As a PayrollPayroll member you have access to our payroll support helpline. Several of you have already used this service, all you need do is email your query to payrollsupport@mbkggroup.com but please remember to write your membership number in the subject line, it was included in your membership pack email.

As a reminder, your Tier 2 PayrollPayroll membership includes:

- Payroll Update sessions – Online monthly
- PayrollPayroll e-newsletter – Monthly
- Payroll helpdesk / support - 10 queries
- 1 x short course delivery
- PayrollPayroll - Annual Industry Festival

Payroll Assistant Manager Level 5 Apprenticeship

We tend to think of apprenticeships as being for younger colleagues or those new to the profession, so we are delighted to be able to deliver the new level 5 apprenticeship for payroll. It is ideally suited to those who have worked in payroll for a while and would like to progress their career.

A level 5 apprenticeship is equivalent to a Foundation Degree, and as this can be funded through the apprentice levy it could be a very cost effective way for an employer to support and develop their more experienced staff members. Smaller employers who do not pay the apprentice levy may still be able to access 95% of the cost of the qualification. Enrolments are now open for this exciting new apprenticeship. If you would like to know more about what is involved, or about how to access funding for the Payroll Assistant Manager level 5 apprenticeship, please email train@mbkggroup.com.