

## Employment Taxes and CIS Blog – September 2012

Hello and welcome to this September 2012 edition of my Employment Taxes and CIS Blog. This month I want to kick off with some important reminders, starting with the change to the National Minimum Wage Rates that will apply from 1 October 2012. I told you about these when they were first announced, but here are the details of the new rates, with the old rates in brackets:

- £6.19 (£6.08) is the main rate for workers aged 21 and over
- £4.98 (£4.98) is the rate for 18 to 20 year olds and has not been increased
- £3.68 (£3.68) is the rate for 16 and 17 year old and has also not been increased
- £2.65 (£2.60) is the apprentice rate that applies to apprentices who are under 19 years of age or are over 19, but are in the first year of their apprenticeship

Employers need to increase the rates paid to any workers paid at rates that will be less than the national minimum wage when the increases kick in on 1 October 2012. Most workers in the UK who are over school leaving age are legally entitled to be paid at least at the NMW rates and it makes no difference how they are paid (cash, cheque etc.), whether they are full time, part time or any other working pattern, where they work or the size of their employer. Small employers are not exempted from this legal requirement. You can find more information on the Directgov website at:

[www.direct.gov.uk/en/Employment/Employees/Pay/DG\\_10027201](http://www.direct.gov.uk/en/Employment/Employees/Pay/DG_10027201).

My next reminder has to be about the PAYE Settlement Agreement (PSA) payment deadline for any 2011/12 PSA's that you or your employer may have registered with HMRC. The grossed up income tax and Class 1B National Insurance Contributions (NICs) that have to be paid under a PSA are due to be paid by Friday 19 October 2012, or by Monday 22 October 2012 if the employer is paying by an acceptable electronic method of payment. Before payment can be made, we need to have submitted our PSA computations and received HMRC agreement to those computations. We also need the Accounts Office at Cumbernauld or Shipley to have issued the special PSA payslip. HMRC guidance is quite specific in saying that "you **should not** use your normal PAYE Accounts Office reference number as payment will credit to the wrong account and this will cause delays in crediting your PSA account."

HMRC's website provides details guidance on "How to make PAYE Settlement Agreement payments," which you can find at [www.hmrc.gov.uk/payinghmrc/psa.htm](http://www.hmrc.gov.uk/payinghmrc/psa.htm). This covers paying by post, debit or credit card, direct debit etc. but I would be particularly concerned about postal payments to ensure that the cheque is sent in good time to be received by the 19 October 2012 deadline. I prefer the certainty of making an electronic payment, not because of the extra three days, but of concerns about the 'cheque that's in the post' and does not arrive on time.

If you have not been able to agree the computations with HMRC in time for the issue of the PSA payslip, my advice is to contact the HMRC office dealing with the PSA and ask for a 'safe reference,' which I would use to make the payment that you have calculated. If, perhaps because of delays in getting information from the Client, you do not know the amount of income tax and Class 1B NIC due for the 2011/12 PSA, I recommend making a payment on account, based on your best estimate of what is due.

As usual at this time of year, HMRC announced the latest 'Advisory Fuel Rates,' at the end of August, whilst I was away on my annual holiday. The new rates are effective from 1 September 2012, but as usual; the HMRC announcement stated that "*for one month from the date of change, employers may use either the previous or new current rates, as they choose. Employers may therefore make or require supplementary payments if they so wish, but are under no obligation to do either.*"

The only changes to the rates this month were reductions in all three of the LPG advisory car rates; with a 1p reduction for the small and mid-range cars and a 2p reduction for larger cars with engines over 2.000 cc. I doubt that many of our employers are likely to be affected by the changes, although LPG cars are becoming more popular. The new rates are shown below (with the previous rates for June 2012) shown in brackets:

Engine Size	Petrol 135.7 (135.8)	Diesel 140.8 (141.7)	LPG 71.0 (78.7)
Up to 1,400 cc <b>1,600 cc or less for diesel cars</b>	15p (15p)	12p (12p)	<b>10p</b> (11p)
1,401 to 2,000 cc <b>1,601 - 2,000 cc for diesel cars</b>	18p (18p)	15p (15p)	<b>12p</b> (13p)
Over 2,000 cc	26p (26p)	18p (18p)	<b>17p</b> (19p)

The Advisory Fuel Rates are based on information produced by the AA and these show a small reduction in petrol prices of 0.1p per litre (135.8p to 135.7p) and a reduction of 0.9p per litre for diesel cars (141.7 to 140.8); but the LPG rates have changed because the cost per litre has dropped from 78.7p per litre to 71.0p per litre. Having bought petrol in South Wales and Essex over the weekend, I was disappointed to find that the cheapest petrol I could find was 138.6p for unleaded fuel. This of course is an issue for many employees and directors, especially when fuel prices are increasing significantly as has been the case in the recent past. HMRC no longer adjust the rates in between these quarterly announcements if fuel prices fluctuate by 5%, although I recall only one occasion when this was actually done!

We should always remember that these HMRC published rates are only 'advisory rates' and have no statutory authority, unlike the 'Approved Mileage Allowance Payments' for employees using their own cars on the business of their employers. Employers do not have to use the Advisory Fuel Rates, although I do advise my clients to use these the rates and if not, to ensure that they have evidence to justify reimbursing employees at a higher rate or to justify recovering private fuel from employees at a lower rate. HMRC employer compliance officers will review mileage reimbursement rates when they carry out an Employer Compliance Inspection, so we must be prepared.

Well, now it's time for my review of 'What's New,' on the HMRC website, starting with an announcement that HMRC will not be introducing legislation to allow for PAYE pooling arrangements, where closely connected Employers could be treated as a single entity to pool their payrolls. By concession, HMRC will allow current informal arrangements to continue, but will not accept any new applications. It's a pity, because with the introduction of Real Time Information, there were obvious savings to be made.

HMRC has revised the EP (Employment Procedures) Appendix 6, 7A and 7B Agreements to reflect the introduction of RTI. These agreements can be found in the PAYE Manual (PAYE82002 to 82004) and relate to Employers using Modified PAYE and Modified NIC schemes for foreign employees coming to work in the UK, where they are 'tax equalised' and for employees assigned from the UK to work overseas.

HMRC has released its latest version Basic PAYE Tools to help employers run their payroll systems, which many AAT members may use. HMRC has also issued a new version of its guidance notes for the Film and Television Industry, which I have yet to study because of holidays, but some AAT members may find them useful.

AAT members may be interested in the updated HMRC Compliance Fact Sheets that were released on the website on 5 September 2012. I will be studying the changes and commenting on them in the near future.

On 7 September 2012 HMRC launched a new version of the form P46 required for employees who do not provide a P45 from a former employment. It is a single page version, called P46 (short) used to collect the necessary information from new employees and details of which must be submitted online.



On the CIS front, HMRC published on 15 August 2012, an update to the leaflet it provides to give guidance on making repayment claims for CIS deductions suffered by limited companies. The Construction Industry, according to Press reports, continues to suffer in the current economic climate and perhaps this is reflected in less HMRC activity; although I know Clients are always nervous about the brown letters dropping through the door. I have been helping Clients with verification problems and registering new businesses and this may be a good time to remind AAT members that Clients must verify a new CIS subcontractor before making the first payment. That rule is not altered for a subcontractor that has been used for many years, but changes from sole trader to a Partnership or limited company or from a Partnership to a limited company or vice versa. The new entity is a new subcontractor and must not be paid before it is verified.

Well that's it for now. Many thanks for logging on to your MyAAT account and taking the time to read my Blog!

Cheers

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