



## Where Next For RTI Penalties?

It's been a quick 12 months since RTI was introduced in April 2013. Following an initial period of relaxed RTI reporting requirements HMRC intended that from April 2014 the full range of penalties would apply.

These included:

- Automatic in year penalties for any payments of PAYE made late, payable as an when each payment fell overdue.
- Automatic late filing penalties, payable as each RTI submission becomes overdue.
- Interest charges would apply to any late paid PAYE.

However, after pressure from the accountancy profession they have accepted that RTI in it's current form is still not 100% satisfactory. Small employers in particular are finding 'the on or before' submission deadline particularly onerous and in some cases wholly unworkable. To allow further time for these small employers to adapt their working practices HMRC have extended their relaxation of the penalty regime for RTI for these small employers.

### RTI Penalties from April 2014

#### Late Filed RTI Submissions

Implementation of penalties for the late filing of RTI returns has been delayed until 6 October 2014. There will be no penalty for the first late return of the tax year but for each subsequent late re-

turn there will be a penalty payable as shown in figure 1 below.

New employers will have 30 days grace for their first payroll run so provided they make an RTI return within 30 days of making their first payment to an employee they will not be penalised.

Where a return is more than 3 months late there may be a further penalty of 5% of the PAYE arising in the month for which the return was due.

#### Late payment of PAYE

For the first late payment ('default') of the tax year there will be no penalty. However for every subsequent default position there will be a penalty payable which rises from 1% to 4% depending on the number of defaults in the tax year. The details are as set out in figure 2.

If a payment is more than 6 months late there will be a further penalty of 5% of the amount unpaid, this is in addition to those stated above. A further additional penalty of 5% will be charged where an amount remains unpaid after 12 months.

There will be a payment tolerance level set at £100 so if an employer makes a payment of PAYE that is within £100 of the amount that is actually due for that month then no default will be treated as having arisen and no late payment penalty will arise.

*NOTE: As of 6 April 2015 these late payment penalties will be applied monthly rather than at the end of the tax year as will be the case during 2014/15.*

#### Interest

Interest will be charged on all overdue PAYE payments and will

**TABLE 1: LATE FILING PENALTIES**

1 - 9 employees	£100
10 - 49 employees	£200
50 - 249 employees	£300
250 or more employees	£400

**TABLE 2: LATE PAYMENT PENALTIES**

1 - 3 defaults	1%
10 - 49 employees	2%
50 - 249 employees	3%
250 or more employees	4%

be notified only when payment has been made in full.

### When is an RTI submission late?

#### Small employers – 9 or fewer employees

The relaxed filing requirements for small employers have been extended until 6 April 2016. This means that provided these employers make their RTI submission by the date of their last payroll run in each tax month then they will not be late.

**NOTE:** *This relaxation only applies to small employers filing under RTI prior to 6 April 2014. New Employers will be subject to the same rules as large employers from 6 April 2014.*

#### Large employers – 10 or more employees

From April 2014 all large employers need to make their RTI submission on or before the time their employees are paid. If their RTI submission is not made until after the date of payment then they will be late and will attract a late filing penalty, as set out above.

### Changes to the RTI Submission

From April 2014 there will be a field which will require to be completed where the submission is being made after the date of payment to confirm the 'late reporting reason'. The point of this field is to allow employer's to flag why they are submitting a late report and prevent corrections to a previously filed submission being treated as a late report.

### When is an RTI submission late?

Small employers - 9 or fewer employees - who were registered for PAYE prior to 6 April 2014 are required to file their RTI submission on or before the date of their last payroll run of the tax month. Large employers (10 or more em-

ployees) and new employers registered for PAYE after 6 April 2014 are required to file their RTI submission each and every time they make a payment to an employee. This submission must be made on or before the date that payment is physically made.

**Note:** *The reference to the number of employees refers to the total number of employees at any point in the tax year.*

### Planning Tips

#### Allocating your payments

If you have been late with a PAYE payment then you will have a default position on your PAYE record. If cashflow is such that you cannot afford to pay the PAYE due for this first default by the time your next PAYE payment is due then make sure your next payment is allocated to the PAYE liability that is becoming due rather than the one that is overdue.



If you simply make a payment to HMRC which is allocated towards the default month and the next month's PAYE liability then becomes overdue you will have a second default position and will enter the penalty regime. However, if you are paying sufficient

to meet the PAYE liability becoming due (i.e. the following month that is not yet late) then if you make sure your payment is allocated to this 'second' month you will still only have one default and will remain outside of any penalty position.

You can ensure your payment is allocated to the second of the two months by using the correct payslip from your yellow book or alternatively if you don't have your yellow book, you should refer to the correct month in your covering letter that you send with your payment. If you make payment electronically then you should ensure that you use the correct payment reference, as shown on the payslip for the second of the two months.

#### Method of payment

Where possible it is better to make payment electronically so that you can be sure that HMRC have received your payment by the due date. As always it's important to ensure that you use the correct payment reference.

This also has the added advantage of giving you an extra 3 days to get your payment to HMRC as the payment deadline for electronic payments is the 22nd rather than the 19th of the month.

*If you have any queries about filing your PAYE details in real time or the penalty regime that is coming please feel free to give Angela or Margaret in our payroll department a call on 0141 848 1341 to discuss.*