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Welcome to August's PayrockPayroll update. Coming up in this month's edition...

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PayrockPayroll update

## Hi

The MBKB team has been extremely excited for the last few weeks, bursting to tell you our amazing news. And at last, it's official, and we can share the outcome of our recent Ofsted inspection...

### MBKB is an Outstanding apprenticeship provider

We are thrilled to announce that MBKB is now officially an Outstanding apprenticeship training provider following our Ofsted inspection in July.

Our Chief Executive, Mark Bremner, commented "This result is testament to the truly incredible team at MBKB and the fantastic work they deliver. Clearly none of this would have been achieved without the full support of the employers and apprentices who entrust us with their development, and we are eternally grateful to them for choosing and supporting MBKB. We will use this result to drive ambitions higher and provide a truly unrivalled service. I remain humbled and honoured"

We are holding a [presentation event](#) to thank all our employers and apprentices and to discuss this achievement in more detail. It would be great to see you all there and you can register your place [here](#).

We could not have achieved this without your belief and support of MBKB and for that we are extremely grateful.



### HMRC corrects its instruction for dealing with late P45s

Back in May I told you that HMRC had issued revised instructions for dealing with P45s which had been received late. I also said that although it had issued these instructions, it hadn't yet updated its guidance, and we would update our training material once that had happened. Well, it's a good job we didn't update our training material, because in the August Employer Bulletin HMRC has reversed its instruction, with the only change to the existing guidance now being that we should ensure correct addresses are included on the FPS.

For the sake of clarity, here is what you need to do when you have a new starter:

When completing the first Full Payment Submission for new starters it is important that you obtain and enter your employee's correct address and postcode and use the employee's P45 information to record their previous pay, tax and student loan (if applicable).

If the employee does not have a P45 you can use the following [starter checklist for PAYE](#).

If you use the starter checklist to add the employee onto your payroll records and you receive the P45 after you have received a tax code from HMRC, you do not need to update the previous pay, tax, or tax code on your payroll software, only update student loan details (if applicable).

Using the correct postcode and address is important because HMRC uses the postcode to verify the employee's address. If you enter an incorrect address or postcode this could result in the employee's address being changed on HMRC's 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 process Universal Credit claims and issue correspondence to claimants.

For further information visit [Tell HMRC about new employee](#).

### Student Loan thresholds for 2023

The Department for Education (DfE) has announced the annual updates to the repayment thresholds for Plan 1 and Plan 2 Student Loans.

From 6 April 2023 the repayment threshold for Plan 1 loans will rise from £20,195 to £22,015. The repayment threshold for Plan 2 loans will remain unchanged at £27,295.

Thresholds for Plan 4 and Post Graduate Loans have yet to be announced.

### HMRC introduces a new variable Direct Debit payment option

Employers will soon have a new way of paying their PAYE liabilities. From 19 September 2022, employers will have the option to set up a Direct Debit instruction authorising HMRC to collect their PAYE liability direct from their bank account based on their return submissions.

The service can be accessed through [Pay employers' PAYE](#) or directly through the business tax account and the employers' PAYE service. Employers will be able to view, change or cancel the Direct Debit online.

The facility to create, view, amend and cancel a Direct Debit is restricted to employers only, there is no scope for agents to do this.

If signed up to a variable payment plan, the following charges will be collected on receipt of the returns to HMRC:

- Full Payment Submission
- Employer Payment Summary
- Construction Industry Scheme
- Apprenticeship Levy
- Class 1A National Insurance
- Earlier Year Update

### NEXT faces HMRC investigation into possible NMW breach

In payroll we are often asked why we need to be able to calculate tax and NIC manually (and statutory payments etc for that matter) when we have software that does it all for us.

Any of our apprentices who have worked through our payroll modules on legislation and regulation and compliance should now understand that payroll software is simply a tool used by businesses to help them fulfil their obligations, but that, as with anything, employers should test that those tools are fit for purpose before they use them. The responsibility for complying with legislation remains with the employer, regardless of which payroll software they use, or even if they outsource their payroll to a third-party provider, which is why we always stress the importance of checking the calculations undertaken by your software or external provider.

This advice couldn't be more relevant as high street retailer NEXT is now finding to its cost, after it replaced its in-house payroll software with a system from Oracle at the start of the year resulting in thousands of staff being paid incorrectly. There was a knock-on effect with Universal Credit payments for some of those staff who had been underpaid, and many of those who were underpaid faced financial difficulties and distress.

NEXT said that in light of the problems it had introduced a separate IT system to cross-check Oracle's output and reduce incorrect payments. However, although it is working to correct the errors, NEXT has also confirmed that HMRC is now investigating whether any of the workers were paid less than the National Minimum Wage and that it has been deemed a "medium-risk" corporate taxpayer rather than a low-risk one.

If found in breach, NEXT could face penalties of up to 200 per cent of the arrears owed to workers who were paid below the minimum wage.

### New type of pension scheme launched

We should all be familiar with the two main types of pension scheme in the UK:

Defined Benefit, or DB schemes, are those in which you know how much pension you will receive as the amount you're paid is based on how many years you've been a member of that employer's scheme and the salary you've earned at the time you leave that employer or retire.

Defined Contribution, or DC schemes, are schemes in which you build up a pot of money that you can use to provide an income in retirement. Unlike DB schemes, which promise a specific income, the income you might get from a DC scheme depends on factors including the amount you pay in, the fund's investment performance and the choices you make at retirement.

Launched this month, the new Collective Defined Contributions (CDC) schemes have been introduced following consultation and legislative changes introduced in the [Pension Schemes Act 2021](#) and offer an alternative to the UK's two primary pension scheme models.

CDC pension schemes allow savers to pool their money into a single fund which pays annual pension income. Pension increases vary depending on the funding level, so costs are fixed for employers, while higher member pensions are expected than under traditional DC annuities.

## PayrockPayroll Update

### MBKB 2022-23 payroll factcard available from the MBKB website

We have collated all the payroll facts and figures that you will need for the tax year into one factcard which is free to download from the [MBKB website](#)

### PAYKB support helpdesk available to PayrockPayroll 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 PayrockPayroll we want to help. As a PayrockPayroll 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](mailto: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 PayrockPayroll membership includes:
  - Payroll Update sessions – Online Monthly
  - PayrockPayroll e-newsletter – Monthly
  - Payroll helpdesk / support - 10 queries
  - 1 x short course delivery
  - PayrockPayroll - Annual Industry Festival

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