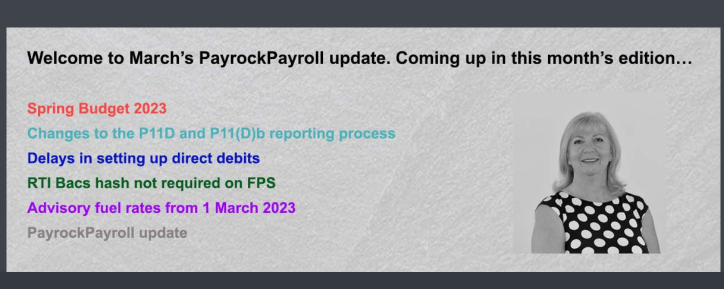
PAYROCKPAYROLL

UPDATES, SUPPORT, NETWORKING FOR THE PAYROLL COMMUNITY



Hi

Welcome to this bumper edition of the PayrockPayroll newsletter which includes an update from this year's Spring Budget. To help you catch up with everything you need to know to prepare for the new tax year, join me for the latest PayrockPayroll webinar at 10 am on 31 March. You can register your place here.

Spring Budget 2023

Thankfully yesterday's Spring Budget didn't make any last minute announcements about changes to income tax or National Insurance rates or thresholds, instead, in what has been described as a "steadying the ship" Budget, the Chancellor announced initiatives to help support and encourage people back into work. But that doesn't mean there weren't any changes to get our heads around, including the invention of a new term…"returnerships".

Here's a brief rundown of the highlights:

Pension allowances

There will be many readers who are tempted to skip over this item, wondering how on earth abolishing the lifetime pension savings allowance could possibly affect them. But actually, although the media has focused on how this benefits the better paid, it could have an indirect impact on most, if not all, of us, so bear with me.

The **annual allowance**, currently set at £40,000 is the most you can save in your pension pot in a tax year (6 April to 5 April) before you have to pay tax. From 6 April 2023 the annual allowance will increase from £40,000 to £60,000.

The **lifetime allowance** is the total amount you can build up in all your pension savings without incurring a tax charge.

Although there's no limit on the amount of authorised benefits that can be provided for an individual from their registered pension schemes, there is a limit on the level of tax-free benefits. So, effectively, your lifetime allowance determines the amount of benefit you can receive before you have to pay tax on either pension income or lump sums.

The current standard lifetime allowance is £1,073,100; however the Chancellor has now removed the allowance for 2023-24 and it will be abolished in 2024.

Most of us will not be directly affected by either of these changes as they only benefit those with big pension pots. But it has long been a particular problem in the NHS, which has seen doctors and consultants retiring early, reducing hours, or turning down overtime for tax reasons. As a result of the pensions tax measures announced in yesterday's Budget, an estimated 80% of NHS doctors will not receive a tax charge with respect to accruals under the 2015 NHS career average scheme.

The Chancellor is hoping that this will encourage senior NHS doctors and consultants to remain in the workforce, helping to address the widely acknowledged staff shortages.

Returnerships

As an apprenticeship training provider, we heard with great interest the Chancellor announce the introduction of "a new kind of apprenticeship targeted at the over 50s who want to return to work".

Known as 'returnerships' they will be targeted at the over-50s, and will give better access to re-training, allowing workers of any age to upskill in a flexible manner.

It's not yet clear exactly how the new apprenticeships will work, but the government says they will promote accelerated apprenticeships, Sector-Based Work Academy Programme placements and Skills Bootcamps to the over-50s, focussing on flexibility and previous experience to reduce training length.

Childcare

Continuing the drive to support people back to work, the Chancellor announced substantial reforms to childcare in a bid to remove barriers for parents who wish to work.

The announcements include:

- 30 hours free childcare for children over the age of nine months with working parents by September 2025
- This will be introduced in phases:
  - 15 hours of free childcare for working parents of 2-year-olds coming into effect from April 2024
  - 15 hours of free childcare for working parents of 9 months to three years old, from September 2024
  - From September 2025, all eligible working parents of children aged nine months up to three years of age will be able to access 30 free hours per week
- The funding paid to nurseries for the existing free hours offers will also be increased by £204 million from September 2023, rising to £288 million in 2024
- A national pathfinder scheme will be introduced by the government to enable children to access 8am to 6pm childcare provision in their local area. This will help tackle the barriers to working caused by limited availability
- Paying Universal Credit (UC) childcare support upfront – support to be provided for childcare costs to parents on UC moving into work or increasing their hours in Great Britain rather than in-arrears. An increase of around 50%, with the maximum claim boosted to £951 for one child and £1,630 for two children
- Tackling a short supply of childminders - incentive payments of £600 will be piloted from Autumn of this year for those who sign up to the profession (rising to £1,200 for those who join through an agency). This will aid in increasing the number of childminders available and increase choice and affordability for parents

While this is great news for parents, there are of course wider issues for childcare providers as to how these places will be funded. Much more detail is still needed.

Changes to the P11D and P11(D)b reporting process

HMRC recently announced some changes to the way expenses and benefits must be reported. However, as the wording was slightly ambiguous, it has led to some confusion as to what exactly the changes mean, with many believing that payrolling of benefits is going to become mandatory.

Whether you are an apprentice learning how to report expenses and benefits as part of your studies, or you are a more experienced payroll practitioner who has responsibility for reporting employee expenses and benefits, here is the information you need.

Payrolling of benefits

Although employers who wish to report benefits through the payroll, ensuring that employees pay the corresponding tax in real time, have been able to do this formally for a few years now by registering on the Payrolling of Benefits online portal, there are some employers who have continued to informally payroll benefits. All informal arrangements must end on 5 April, and any employers who currently payroll benefits outside of the formal registration requirements and enter 'Payrolled' on the P11D forms, must now seek to formally register to payroll benefits by 5 April 2023 and therefore commence payrolling from 6 April 2023.

This is to ensure that when reporting benefits provided in the 2023-24 tax year, which will be reported on 6 July 2024, employers have officially agreed with HMRC as part of the registration process which benefits/employees will receive payrolled benefits and expenses.

Where benefits have been informally payrolled for the 2022-23 tax year employers can still apply the reference 'Payrolled' when reporting the benefits on the P11D form.

Any employers who have not been payrolling benefits, either informally or formally, and do not wish to, can continue to complete forms P11D and P11D(b). However, this brings me to the second thing that has changed…

No more paper forms P11D and P11D(b)

From 6 April 2023 **all P11D and P11D(b) data must be reported online without exception,** and this will include benefits provided in the 2022-23 tax year, reportable by 6 July 2023. HMRC has been very clear that that it will no longer accept paper P11D and P11D(b) forms and this includes lists.

HMRC recommends that you file using one of the following methods:

- HMRC's PAYE Online service
- Commercial payroll software

Employers who have been payrolling benefits in kind may still have a Class 1A NIC liability and will still need to send a P11D(b) telling HMRC how much Class 1A NICs they owe, but this must be done electronically. They will also need to send a P11D electronically for any benefits that were not payrolled. Instead of giving employees a copy of the P11D, employers will instead need to give them a letter explaining what has been payrolled.

If you make a mistake and need to submit an amendment

Previously, if amending a P11D, employers were required to make a paper submission, but from 6 April 2023, amendments must also be sent electronically. HMRC will be launching a new online submission enabling employers to submit their amended P11D and P11D(b). More information on how to use this will be available in in the next couple of months.

Delays in setting up direct debits

This is beginning to feel like a standing item on each edition of the newsletter. Over the last few months I have told you about the introduction of a facility to pay PAYE by variable direct debit, then I explained that there were problems with the system meaning that HMRC was incorrectly sending late payment notices to employers telling them to make payment.

Now we hear of delays in the processing time, which means that employers need to set up direct debits nine working days in advance of payment, rather than the six working days set out in HMRC's current Pay employers' PAYE guidance.

This means employers would need to have set up a new variable direct debit by 10 March to make a payment due on 22 March.

HMRC said: "We are aware that the deadline for setting up a direct debit which will then collect charges with a payment due date of the 22nd is earlier than we would like. We are working to shorten that lead time, but it will take some time."

Employers setting up direct debits for payment due on or after 22 April 2023 are advised to do so by 12 April.

RTI Bacs hash not required on FPS

Whenever I start writing this newsletter I always try to write in plain English, so I had to smile as I wrote the heading for this item.

So if that's the headline for those experienced in payroll, I now need to explain what I mean for those not versed in payroll abbreviations.

A Full Payment Submission (FPS) is sent by an employer to HMRC every time they pay their employees. It tells HMRC of the employees' details, pay, and deductions.

A Bacs hash code appears on the FPS and is randomly generated by the payroll software when a payroll is run. The code changes for every pay period and must be used for employees paid via Bacs (in part or full). This enables HMRC to align the FPS containing the employee details, with the Bacs file which contains details of the payments to employees, and ensures the payments sent on the FPS match what the employee was actually paid.

However, HMRC has now confirmed that employers are no longer required to supply an entry in the Bacs hash code field (data item 118) for 2023-24 onwards.

Advisory fuel rates from 1 March 2023

HMRC has announced the latest Advisory Fuel Rates to be used from 1 March 2023. Although the rates for petrol and diesel cars have gone down this quarter, and LPG cars have, in the main, stayed the same, there is an increase for fully electric cars from 8 pence to 9 pence per mile.

Hybrid cars are treated as either petrol or diesel cars for advisory fuel rates.

You can use the previous rates for up to 1 month from the date any new rates apply.

The Advisory Fuel Rates for electric, petrol, LPG and diesel cars are shown in the table below. Previous rates are in brackets:

Engine size	Petrol	LPG
1400cc or less	13p (15p)	10p (9p)
1401cc to 2000cc	15p (18p)	11p (11p)
Over 2000cc	23p (27p)	17p (17p)
Engine size	**Diesel**	
1600cc or less	13p (14p)	
1601cc to 2000cc	15p (17p)	
Over 2000cc	20p (22p)	
Fully electric vehicles	9p (8p)	

PayrockPayroll Update

Spring Budget payroll legislation webinar

Ahead of the start of the new tax year I will be delivering a payroll legislation update, which will include the latest announcements from the Chancellor's Spring Budget. Join me to find out about all the changes for 2023-24. You can register your place here

Payroll – A land of opportunities – recording now available on our website

This webinar seemed to strike a chord with many of you, and I have received many requests, both from those who attended, as well as from those who were unable to attend, for us to publish the recording of this webinar, along with the transcript. I'm pleased to tell you that you can now find a link to the recording in the video section of the payroll resources page, and the transcript is available in the documents section.

Payroll 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@mbkbgroup.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

Update your contact preferences

To make sure that you only receive the communications from us that you want to receive, please can you take 60 seconds to update your preferences using the button below

Update Now