

Virtual Meeting

February 2021

The logo for IReen is positioned on the right side of the image. It features the word "IReen" in a blue, serif font. The two 'e's are stylized with a 3D effect, appearing as blue spheres with white highlights. The logo is partially enclosed by a thick, blue, hand-painted circular stroke that is visible at the top and right edges. A solid blue diagonal shape cuts across the bottom right corner of the image.

IReen



www.IReeN.uk

www.IReeN.org.uk

www.IReeN.org

We rely on voluntary support
– our website is growing

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Welcome & Introductions

IReeN

Pensions & TPR Update

Andy Nicholls – The Pensions Regulator

Off-Payroll Working

Benjamin Jones - HMRC

HMRC Update

Paula Wyatt - HMRC

IReeN updates/Air & Share

IReeN committee

IReeN



IReeN - TPR update

Andy Nicholls
Industry liaison manager

On-line
11 February 2021



**The
Pensions
Regulator**
Making workplace pensions work

**The information we provide is for guidance only and
should not be taken as a definitive interpretation of the law.**

TPR update

- Proposed 2021/22 Thresholds
- Upcoming activities
 - Reinstated the 90 day pension scheme contribution reporting requirement (had been eased to allow for 150 days)
 - Nomination of contacts especially during lockdown and furlough and completion of declaration of compliance
 - Pensions Bill - Royal Assent anytime now
 - More TPR powers, DB funding, Pension Dashboard, Collective Defined Contribution schemes (CDC)
 - Pension Superfunds
 - Budget – tax relief for low earners?
 - Impact of Brexit and Covid including increase in Scams

Proposed banded qualifying earnings 2021-22[†]

SUBJECT TO PARLIAMENTARY APPROVAL

Pay Reference Period/Cycle	Lower Earnings Threshold	Earnings trigger for automatic enrolment	Upper Earnings Threshold
	NO CHANGE	NO CHANGE	As UEL for 2021/22
Annual	£6,240.00	£10,000.00	£50,270.00
Bi-annual	£3,120.00	£4,998.00	£25,135.00
1 quarter	£1,560.00	£2,499.00	£12,568.00
1 month	£520.00	£833.00	£4,189.00
4 weeks	£480.00	£768.00	£3,867.00
Fortnight	£240.00	£384.00	£1,934.00
1 week	£120.00	£192.00	£967.00

[†] For other Pay Reference Period (PRP) durations, multiply the number of weeks in the PRP by the weekly amount (eg £192.00) or number of months by the monthly amount (eg £833.00) etc - or pro-rata if not an exact multiple of any of the above.

N.B. The Secretary of State will review these figures each tax year.



Payroll Training - These slides remain the property of The Pensions Regulator and their content should not be altered on reproduction.



Any questions?



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HM Revenue
& Customs

Off-payroll working reform

HMRC – IReeN

11 February 2021

Webinar contents

- Off-payroll background
- Status Determination Statement (Communicating and SDS Failure to pass on an SDS)
- Parties in the labour supply chain
- Flow of information down the labour supply chain
- Recovery of debt provisions
- Taking reasonable care
- Contracted out-services
- Client-led disagreement process
- Operation of PAYE
- Stat payment entitlements for workers
- Steps to prepare for April
- Discussion

What you should get from today's webinar

- Which rules will need to be considered from April
- How the rules intend to operate for different parties in the chain
- How clients will need to consider a worker's status
- How you can prepare for April

Off-payroll background and key information

Off-Payroll Working Rules

The rules make sure that workers, who would have been an employee if they were providing their services directly to the client, pay broadly the same tax and National Insurance contributions as employees.

- The off-payroll working rules can apply if a worker provides their services through their own limited company or another type of intermediary to a client.
- An intermediary will usually be the worker's own personal service company, but could also be any of the following:
 - a partnership
 - a personal service company
 - an individual

Changes from 6 April 2021

- All public authorities and medium and large-sized clients will be responsible for deciding the employment status of workers providing services through their own intermediary
- Small clients do not have to consider the off-payroll rules from April 2021 – existing rules will continue to apply
- The rules apply to all public sector clients and private sector companies that meet 2 or more of the following conditions:
 - you have an annual turnover of more than £10.2 million
 - you have a balance sheet total of more than £5.1 million
 - you have more than 50 employees

Status Determination Statement (SDS)

- From 6 April 2021, the client will be responsible for determining whether the off-payroll working rules apply to an engagement.
- The client should then communicate that decision in the form of a Status Determination Statement (SDS).
- For an SDS to be valid, the client must take reasonable care and must include the client's:
 - status conclusion
 - reasons for that conclusion

Communicating an SDS

The client must communicate the SDS:

- directly to the worker
- to any third party the client contracts with (e.g. agency)

Once a client has issued an SDS to both the worker and the person they contract with (if there is a third party) and reasonable care has been taken when coming to its conclusion then the client has satisfied its duties under the rules.

Failure to pass on an SDS

- Responsibility for tax and NICs will stay with the party that has received the SDS until they pass it to the next qualifying person in the chain.
- Once the client has passed the SDS to the worker and any third party they contract with, they will no longer hold the responsibility for the deduction of tax, NICs (if reasonable care is taken).
- Each recipient of the SDS will be responsible for forwarding on that SDS to any third party they contract with for the same worker's services, until the SDS reaches the final qualifying person in the contractual chain.

Outside SDS

- Off-payroll legislation doesn't formally oblige the client to share an outside determination
- However, there is an incentive for the client to pass the SDS to the worker and any third party because it protects them from future tax liabilities if their determination is wrong.
- Issuing an outside SDS also allows the worker to manage their tax affairs.

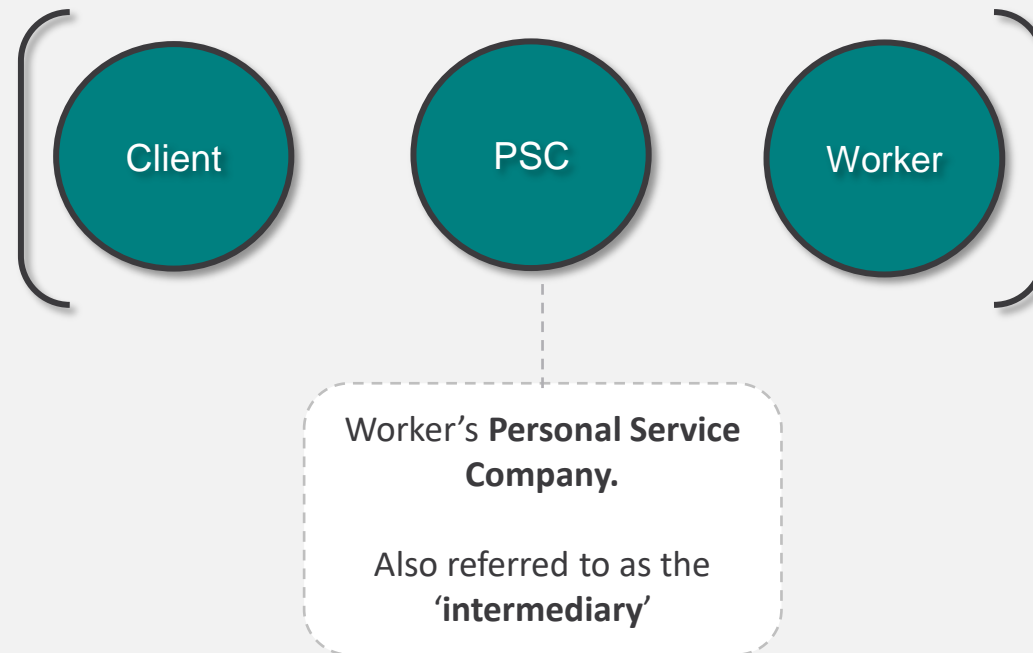
Outsourcing SDS responsibilities

If the client subcontracts:

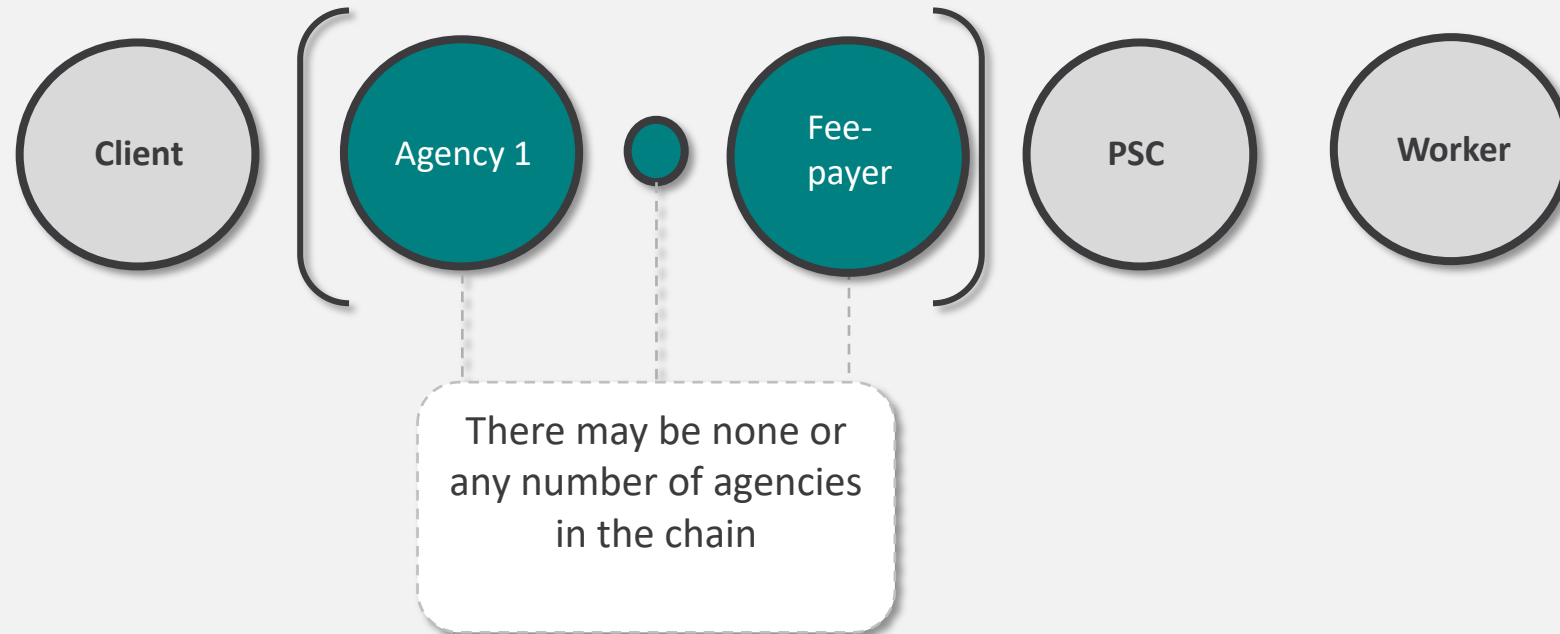
- determining the worker's status,
- or the production of the SDS

it will still remain responsible for ensuring the accuracy of the determination and ensuring that the SDS is passed to the relevant parties.

Main parties in a labour supply chain



Parties in the off-payroll labour supply chain



Deemed employer



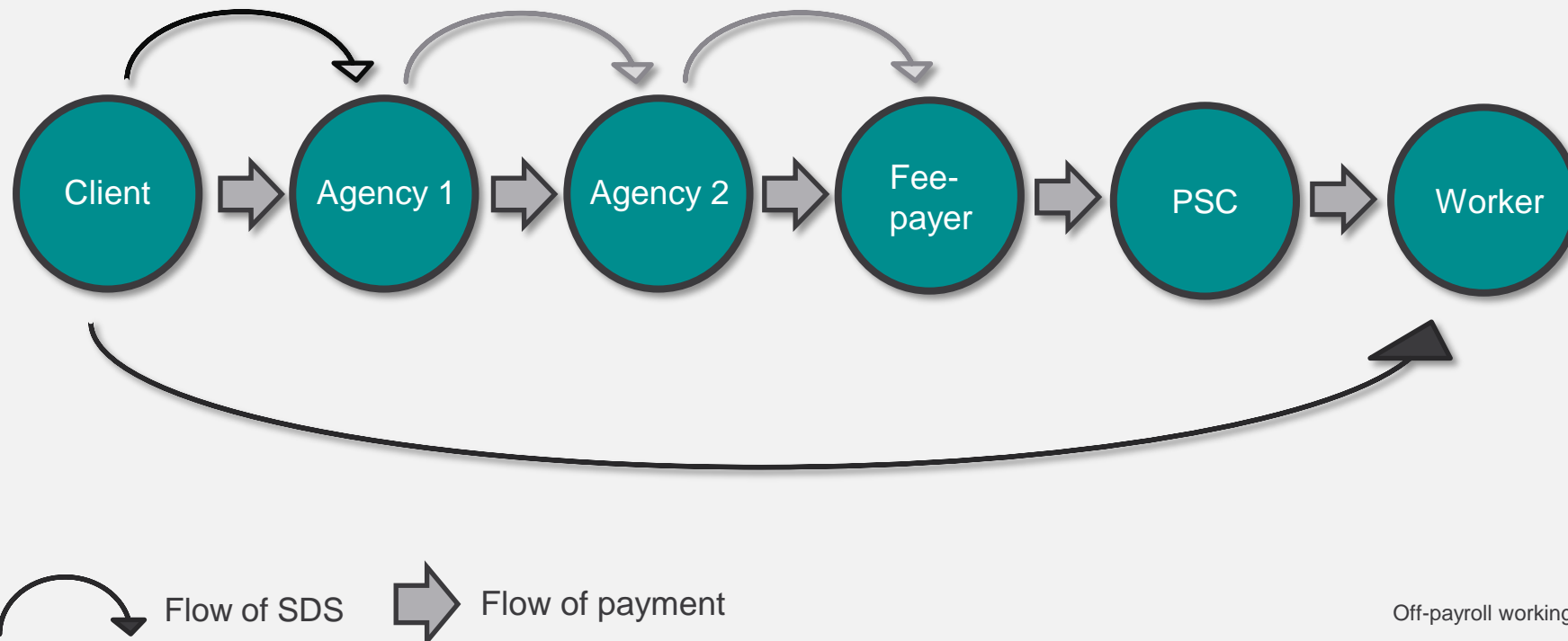
- The deemed employer is the party responsible for the deduction of tax and NICs (if the off-payroll working rules apply).
- The deemed employer is often (but not always) the fee-payer



How information flows down the labour supply chain

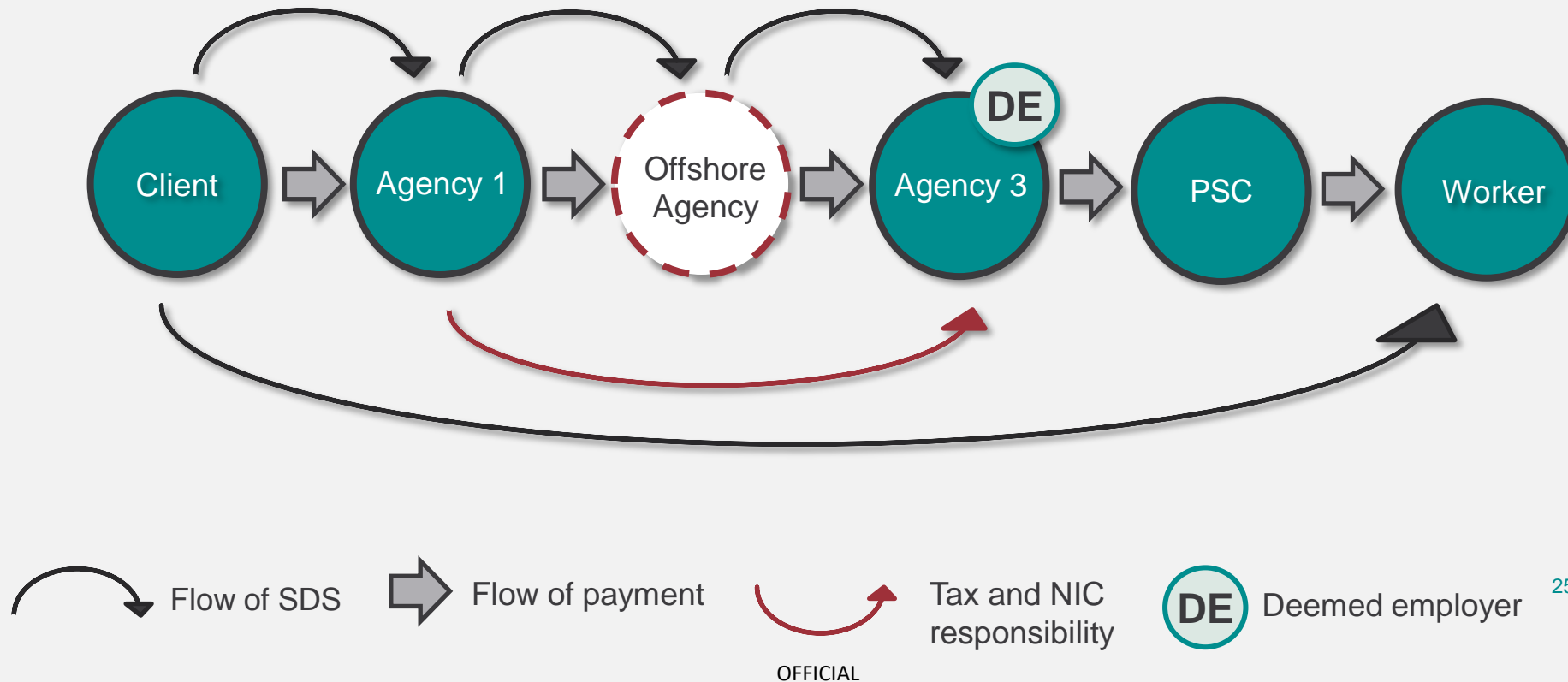
Passing the SDS to relevant parties

- The client is required to pass on the SDS directly to the worker and the party they contract with
- The SDS should also be cascaded down the chain



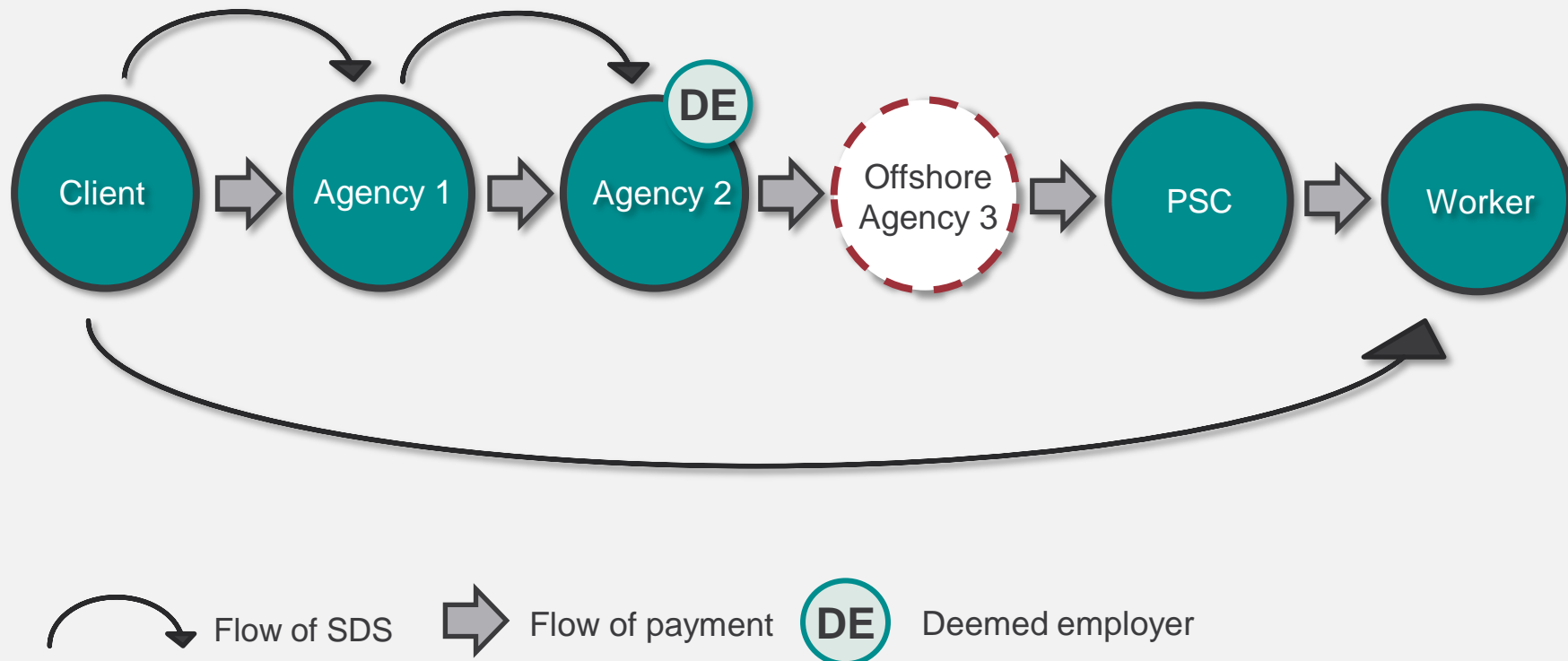
Offshore agencies (SDS)

- The offshore agency is in the middle of the supply chain so fee-payer responsibilities lie with agency 3.
- Responsibility for tax and NICs rests with agency 1 until agency 3 receives the client's SDS.



Offshore agencies (SDS)

- Offshore agency 3 is the last agency before the worker's intermediary.
- Deemed employer responsibilities lie with the first UK entity above the offshore agency, in this case agency 2.



Overseas clients

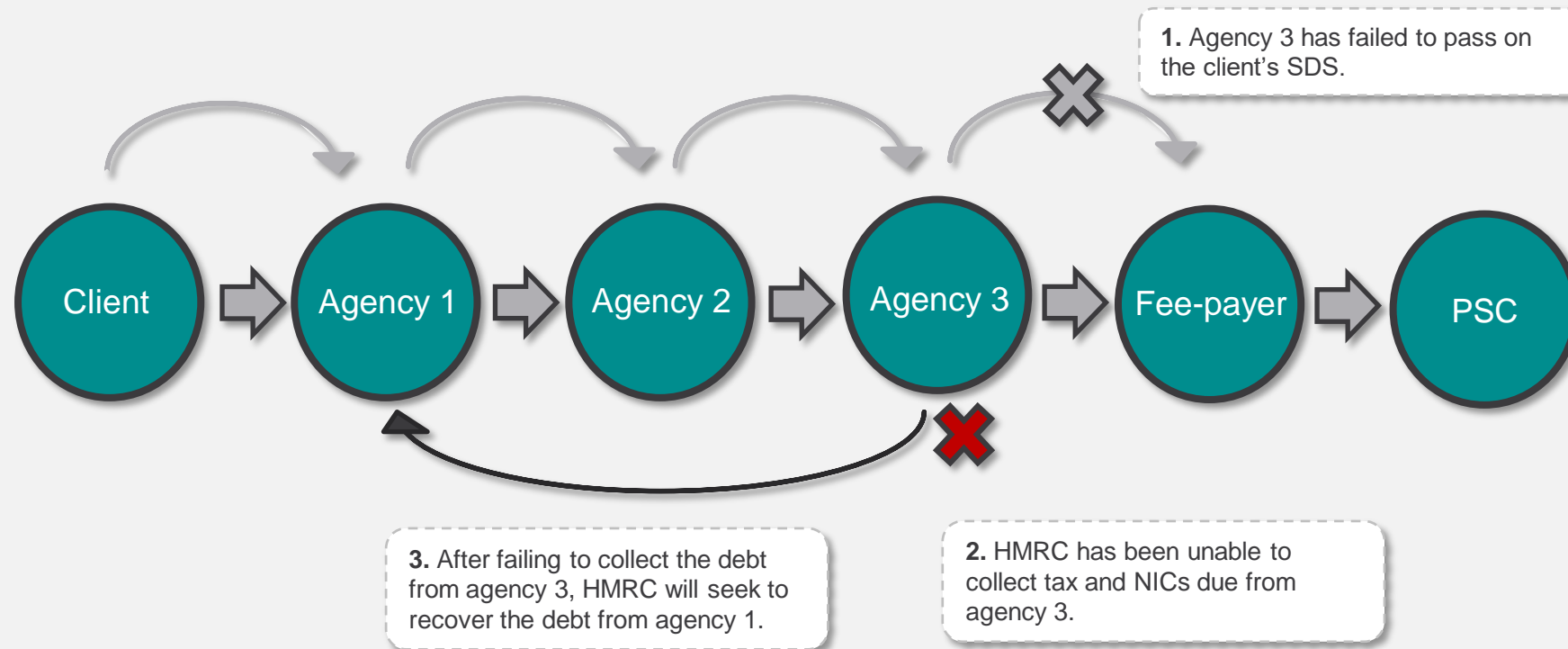
- Wholly overseas clients are excluded from the off-payroll working rules.
- A client is based wholly outside the UK if it does not have a UK connection in the form of being UK resident or having a permanent establishment.
- If the client is wholly overseas, the worker's intermediary must consider whether Chapter 8, Part 2, ITEPA 2003 applies. (current non-public sector rules)

Recovery of debt provisions

In certain situations HMRC can recover debt from either agency 1 or the client.

HMRC will not seek to recover from agency 1 or the client where the failure to account for tax and NICs by the person who should initially have paid it (the deemed employer) is as a result of a genuine business failure on the part of that person

Recovery of debt provisions



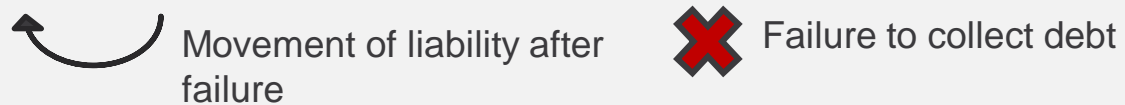
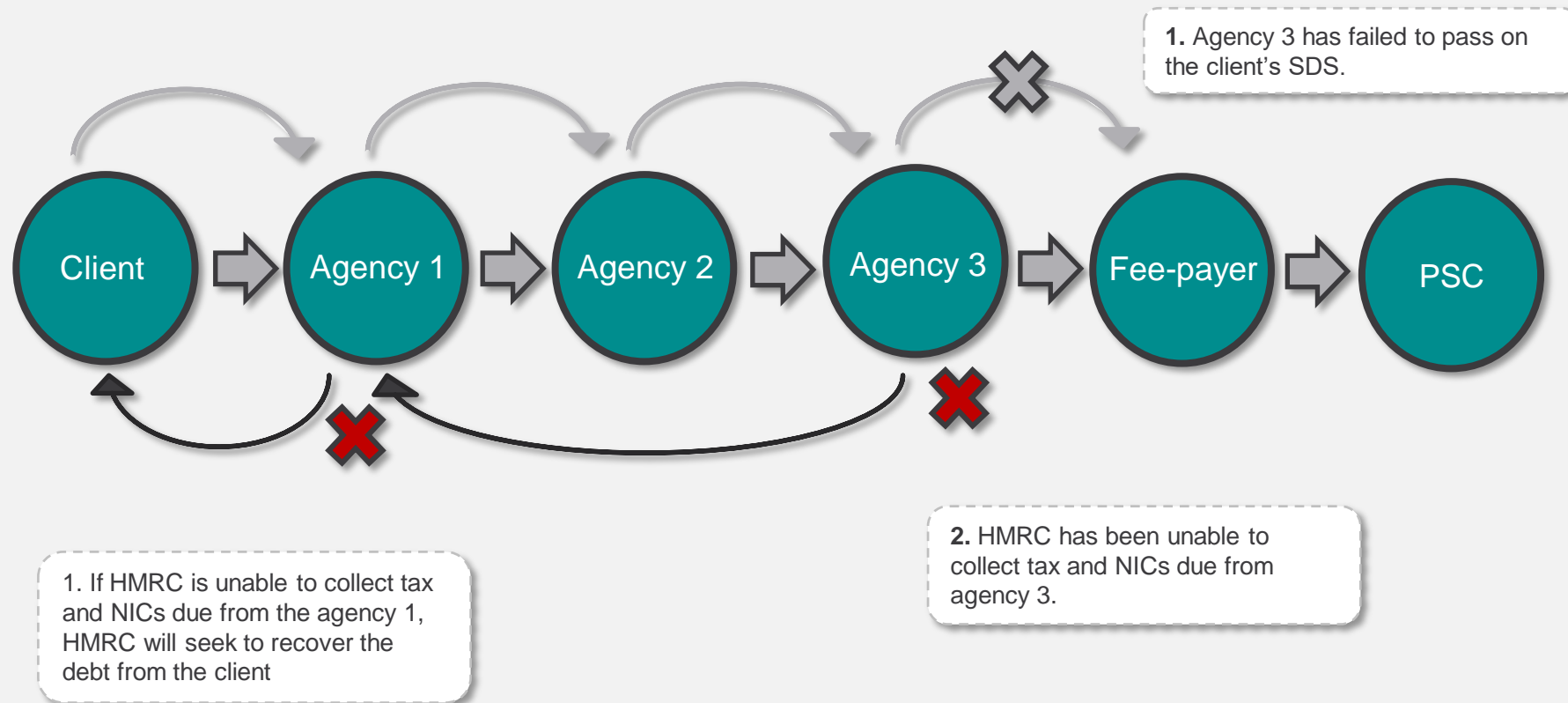
Movement of liability after failure



Failure to collect tax and NICs

OFFICIAL

Recovery of debt provisions



Taking reasonable care

- The client must take reasonable care 'in coming' to its status conclusion.
- Reasonable care is not statutorily defined but case law has described it as taking steps expected of a prudent and reasonable person.
- Reasonable care applies to the client – not just the individual person making the status decision.
- If the client can show reasonable care was taken when making the off-payroll determinations then responsibility for PAYE rests with the deemed employer – even if the determination is wrong.

Contracted-out services

- The off-payroll working rules place obligations on the worker's client. The client is the person in receipt of the worker's services and most akin to the worker's employer.
- Where there is uncertainty as to who the true client is, consideration should be given to the nature of the relevant contracts.
- Whether a contract is for a fully contracted out service is a question of fact, based upon the commercial reality of the arrangements.

Contracted-out services

- Labelling a contract as a contracted out service or a 'statement of work' will not prevent the off-payroll working rules from applying – the reality of the arrangements should be considered.





Relevant factors:

- The nature of the businesses.
- The nature of the service provider's contract.
- The relationship between the worker, the service provider and their customer.

Disagreement process

Clients need to have process in place to deal with disputes of Status Determination Statements (SDS) by workers and deemed employers.

The client should:

- Consider the worker's or deemed employers representation 
- Respond within 45 calendar days of representations 
- Inform the worker and/or the deemed employer of the outcome 
- Issue a new SDS if the original conclusion is found to be wrong 

Failure to respond will result in the client being liable for tax and NICs, if due.




Further things to consider for payroll functions

Check Employment Status for Tax (CEST) tool

- HMRC's Check Employment Status for Tax (CEST) tool can be used to support the client's conclusion when they are deciding a worker's employment status for tax.
- CEST outputs do meet the conditions to be a valid SDS but reasonable care must be taken.
- HMRC will stand by CEST's results provided accurate and correct information is used but using the tool is not mandated.

Operation of PAYE for deemed employers

Deemed employers should:

- issue a starter checklist which will determine the worker's tax code 
- from 6 April 2021 set the RTI flag when running payroll to indicate an off-payroll engagement 
- apply the apprenticeship levy to their payroll and make any payments necessary 

Deemed employers can also choose to:

- give deemed employees payslips, P45s and P60s
- add deemed employees to existing or new payroll

Entitlements to statutory payments

- The entitlement for statutory payments does not arise with the deemed employer
- Any statutory entitlements arise through the worker's intermediary

Taking steps to prepare for the off-payroll reform in April



Look at your current workforce

- (including those engaged through agencies and other intermediaries).
-
- Identify those individuals who are supplying their services through personal service companies.



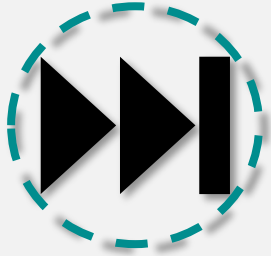
Talk to individuals and agencies you engage with

- You may need information from them on some engagements.
- Share the [contractor factsheet](#) to help your contractors understand how the changes may affect them.



Determine if the off-payroll rules apply for any contracts that will extend beyond April 2021.

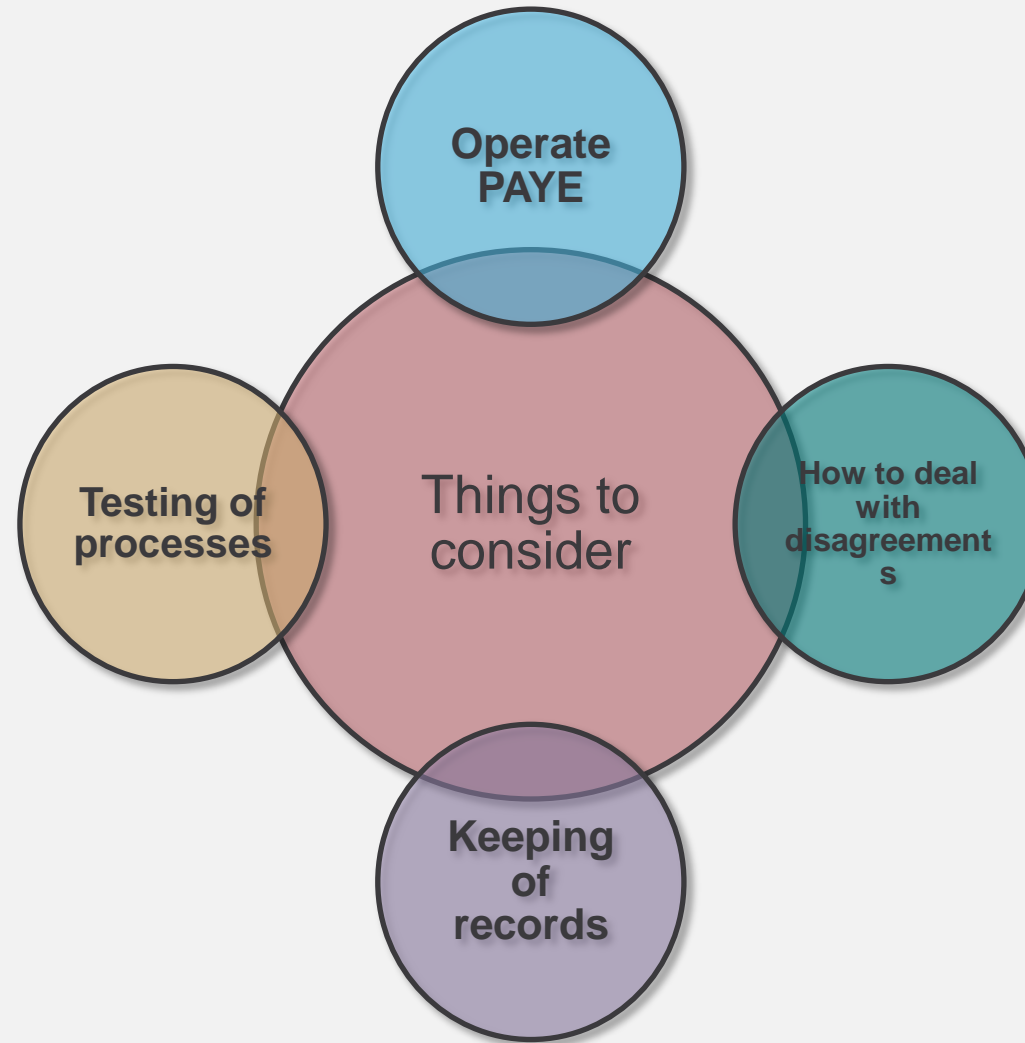
- You can use HMRC's [Check Employment Status for Tax](#) service to do this.



After you've determined if the rules apply

- You'll need to tell the contractor (and any agency you engage with) the outcome.
- Use a Status Determination Statement (SDS) to tell them.

After you've determined if the rules apply



Off-payroll guidance

- [Guidance overview \(landing page\)](#)
- [April 2021 changes to off-payroll working for clients](#)
- [Deemed employer responsibilities](#)
- [CEST tool](#)
- [CEST tool guidance](#)
- [Detailed off-payroll guidance](#)

Thank you

- HM Revenue & Customs

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IReeN updates/Air & Share

IReeN committee



Paula Wyatt

Software Developer Support Team (SDSt)
Relationship Manager

2021/22 Rates and thresholds for employers published on GOV.UK on 2 February at www.gov.uk/guidance/rates-and-thresholds-for-employers-2021-to-2022* including:

- England, Wales and Northern Ireland rates and thresholds for Income Tax
- Rates and thresholds for Scotland
- Emergency Tax Codes to use
- Class 1 National Insurance thresholds and contribution rates
- Class 1A National Insurance rate for termination awards and sporting testimonial payments
- Class 1B National Insurance rate for PAYE Settlement Agreements
- National Minimum Wage rates and NLW for age 23 and above from 1 April 2021
- Statutory Maternity, Paternity, Adoption, Shared Parental and Parental Bereavement pay rates (maternity, adoption and paternity calculator updated) from 4 April 2021
- Statutory Sick Pay rates (calculator has been updated)
- Student loan and Postgraduate Loan recovery rate or thresholds (including the new plan type 4 for Scotland)
- Company cars advisory fuel rates from 1 December 2020: petrol, LPG and diesel
- Rate per business mile for Employee vehicle mileage allowance payment
- P9X(2021) available at www.gov.uk/government/publications/p9x-tax-codes

(* From 6 April unless stated otherwise)

The following Expenses and benefit rates have been confirmed for 2021/22 - SDSt shared this information on 5th February - effective from 06 April 2021 (not currently updated on GOV.UK)

Van benefit and fuel benefit for cars and vans

Van benefit charge and fuel benefit charges for cars and vans will be uprated by the Consumer Price Index from 6 April 2021. The uprate will take effect as follows:

Van Benefit Charge will uprate from £3,490 to £3,500

Car Fuel Benefit Charge multiplier will uprate from £24,500 to £24,600

Van Fuel Benefit Charge will uprate from £666 to £669

As announced at Budget 2020, the government will legislate in Finance Bill 2021 to reduce the van benefit charge to zero for vans that produce zero carbon emissions. The change will have effect on and after 6 April 2021.

What we've shared with developers in 2020 (for 2021/22)

RTI Techpack for 2021/22 (FPS and EPS) published on GOV.UK in September 2020 [year-on-year roll forwards, Scottish Student Loans on FPS, DR loan removal on FPS, Removal of State Aid on EPS]

Password hardening changes delivered in June 2020 - customers can now choose a strong password for HMRC APIs

DPS Techpack published on GOV.UK in September 2020

EXB Techpack for 2020/21 published on GOV.UK in September 2020 Updated version of Starter Checklist on 12 October

Developer test services (ETS, TPVS, LTS and OXG – *Outgoing XML Generator*) all now available

Supporting documentation for payroll calculations

EB5 National Insurance Guidance for Software Developers shared 13 January 2021

Payroll test data examples for Student and Postgraduate Loans shared 4 February 2021

Specification for PAYE tax table routines shared 9 February 2021

Payroll test data examples for Income Tax and National Insurance shared 10 February 2021

What is (or isn't) changing for 2021/22

- there won't be an Earlier Year Update (EYU) schema for 2020/21. As 2019/20 was the final year for the EYU. All submissions and post-year changes relating to 2020/21 or later must be on an FPS message
- No changes to RTI (FPS) API for 2021/22 for off-payroll (private sector) workers as new data item for identifying off-payroll workers was implemented during 2020/21 changes
- HMRC will have powers to amend the amount of CIS deductions claimed via the RTI EPS message. More information is at:
www.gov.uk/government/publications/changes-to-tackle-construction-industry-scheme-abuse/changes-to-tackle-construction-industry-scheme-abuse

Scottish Student Loan plan type 4 to apply from 6 April 2021 (changes to SL1, FPS and New Starter checklist)

P9 annual coding run for 2021/22

Electronic outputs of P9 tax codes that need to apply for contractual payments dates from 6th April 2021, are being issued now through until 19th February, to employers or their electronic exchange agents who have their PAYE scheme set to 'Yes' for P9 bulk issue.

SL1 Bulk issue

This will commence in March

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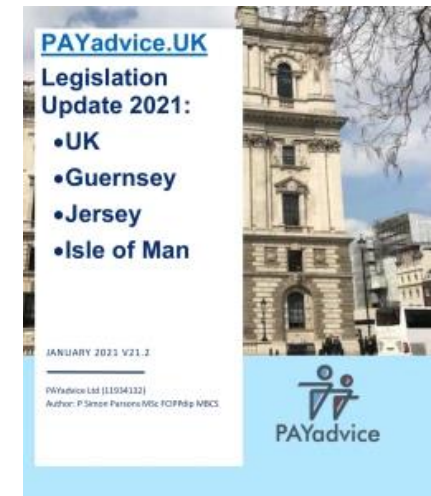
IReeN committee



New Year Resources

There are a number of good resource available that provide information for the new tax year:

- <https://www.gov.uk/guidance/rates-and-thresholds-for-employers-2021-to-2022>
- <https://www.gov.uk/government/publications/employer-bulletin-february-2021>
- <https://payadvice.uk/preparations-for-tax-year-2021-2022/>



New Starter Checklist

New format of Student Loan Questions

Question 10 tick				Apply on payroll	
Plan 1	Plan 2	Plan 4	Postgraduate	Student Loan to apply	Postgraduate Loan
				Plan 1	
✓				Plan 1	
	✓			Plan 2	
		✓		Plan 4	
			✓		Yes
✓	✓			Plan 1	
✓		✓		Plan 1	
✓			✓	Plan 1	Yes
	✓	✓		Plan 4	
	✓		✓	Plan 2	Yes
		✓	✓	Plan 4	Yes
✓	✓	✓		Plan 1	
✓	✓		✓	Plan 1	Yes
✓		✓	✓	Plan 1	Yes
	✓	✓	✓	Plan 4	Yes
✓	✓	✓	✓	Plan 1	Yes

Student loans

- 9 Tell us if any of the following statements apply to you:
- you've not had any Student or Postgraduate Loans
 - you're still studying full-time on a course that you're Student Loan relates to
 - you completed or left your full-time course after the start of the current tax year, which started on 6 April
 - you're already making regular direct debit repayments from your bank, as agreed with the Student Loans Company

If No, tick this box and go to question 10

☒

If Yes, tick this box and go straight to the Declaration

☐

- 10 To avoid repaying more than you need to, tick the correct Student Loans that you have - use the guidance on the right to help you.

Please tick all that apply

Plan 1

☐

Plan 2

☐

Plan 4

☐

Postgraduate Loan (England and Wales only)

☐

Relevant RTI fields – FPS (2021/2022)

Deemed Employment / Off Payroll Working / IR35

208	Off-Payroll Worker Subject to 2020 Rules
-----	--

Student Loan Plan Type in pay period (including Scottish Plan 4)

192	Student Loan Plan Type in pay period	Value can be '01', '02', '04'
-----	--------------------------------------	-------------------------------

Payroll changes

Amounts subject to Tax and NICs

Amounts not subject to either Tax nor NICs
(expenses and VAT)

Off Payroll Working marker

No to:

- Student and Postgraduate Loans
- Pension AE (they are not workers or employees)
- Gender Pay Gap Reporting (or any other reporting)

Deemed ee – Tax Code

Personal information as opposed to business
Set the off payroll indicator

Treat them as a new starter in the same way as employees.

Obtain a new starter checklist and apply the choice.

If no new starter checklist Engager is to assume:

New Starter Declaration = C signed

Tax Code OT non-cumulative

NICs letter A

If a P45 I presented, then equally treat in the same way as an employee



Electronic Exchange?

Originally employers were invited to file annual P14 or P35 mag media submissions at tax year end. Electronic Data Interchange (EDI) via ISDN started in 1999 with eXtensible Markup Language (XML) being introduced a year later).





Electronic Exchange

Back in 2002 and at the encouragement of then Inland Revenue (IR) Electronic Business Unit (EBU) head Joan Woods, the formation of a user group for employers and pension payrolls who electronic exchange (EEx) along with agents, payroll service providers and bureaux was encouraged at an event at Aston Villa Football Club.

Software that met test criteria were able to be awarded the Electronic Exchange mark.

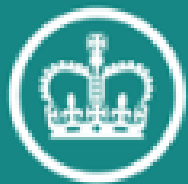




Patrick Carter

Following proposals by Lord Carter, electronic exchange was expanded initially with financial encouragement, and then but then with phased compulsion.

The HMRC launched the payroll standard, meant to test desktop software for small employers ensuring capability for electronic filing of P14 and P35 tax year end declarations along with in year filing of P45, P46, Pension notifications and the employer benefiting from electronic tax code notifications. The payroll standard accreditation ended in 2012.



**HM Revenue
& Customs**

Payroll Standard

Real-Time



RTI

Now all employers (with limited exception) came under new in year filing obligation with the 2012 pilot and then 2013 compulsory Real Time Information (RTI) with regular Full Payment Submission (FPS) and monthly Employer Payment Submission (EPS) along with the monthly pay-over of taxes and National Insurance contributions to the collector of taxes.

The Committee

IR^{ee}EN



Simon Parsons
SD Worx UK



Maria Hennessey
McDonalds Restaurants



Helen Harvey
Zinnia Payroll Consultants



Linda Pullan
Independent consultant



Nick Clarke
Zellis



Keith Smart
Heineken UK

The Committee

IR^{ee}N



Paul Humphris
Rolls Royce



Brian Sparling
Ceridian

Link committee member



Sam Mann
Armstrong Watson

Paula Wyatt
HMRC

The purpose of IReeN



To promote the good use of Electronic Exchange

To represent electronic exchange employers, agents, payroll software suppliers to government

To identify challenges to be overcome in government policies within the operation of payroll

To promote solutions for the benefit of employers and government

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Committee Vacancy

- Public Sector
- Pensions
- Other

We also need BIB
participants

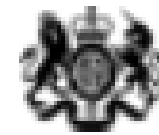




About us...

Active participation in:

- Employment Payroll Group (EPG)
- Tax Data Standards Forum (TDSF)
- Statutory Payments Consultation (HMRC/BEIS/DWP)
- BIB Group (BCS / IReeN / BASDA)
- PIP Group (Payroll / Industry / Pensions)



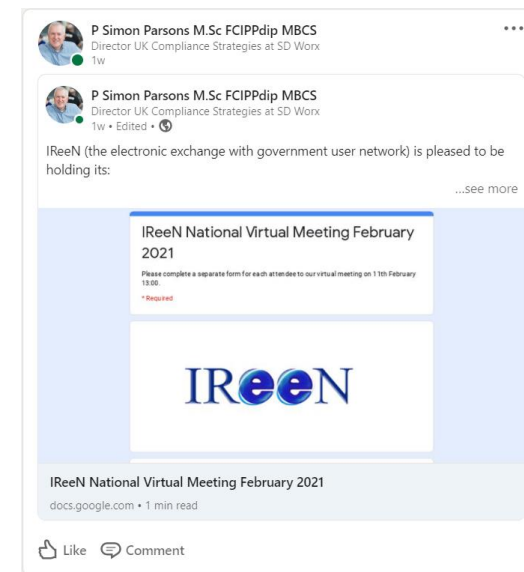
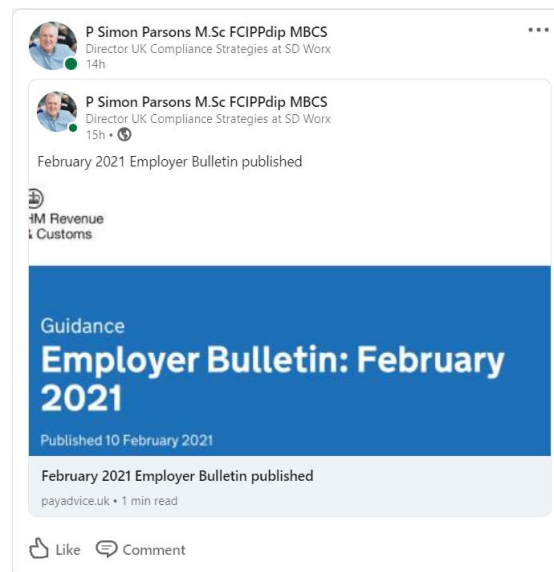
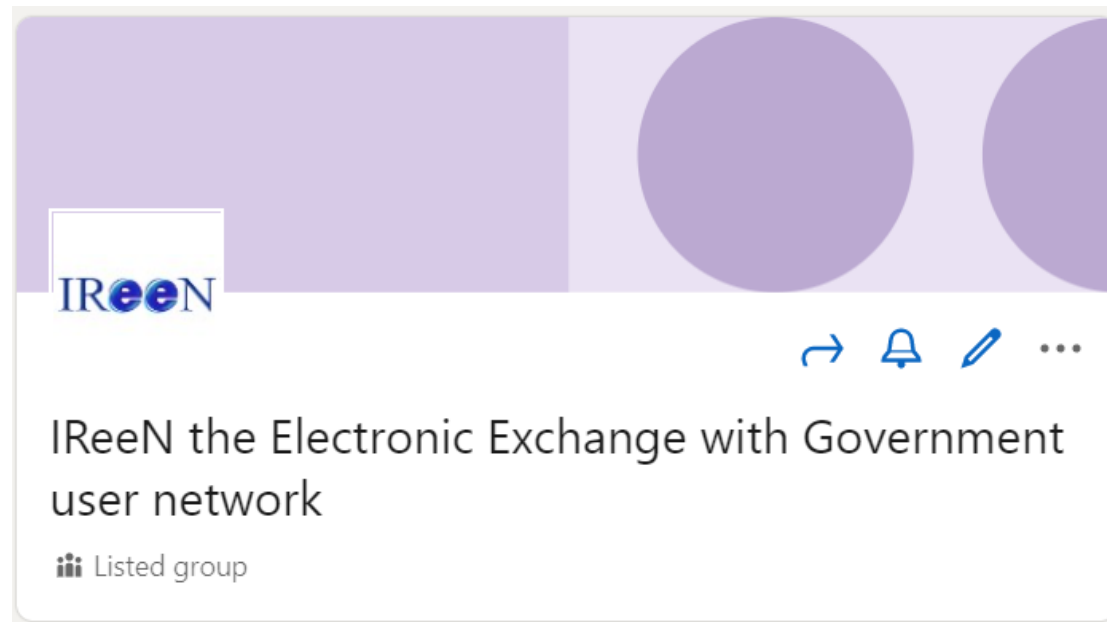
Department
for Work &
Pensions



Department for
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& Industrial Strategy



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We rely on voluntary support
– our website is growing

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Air & Share



Any questions?

How is RTI?

Mismatch?

Duplicates?

Debt activity?



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