

Payroll Update: Deadlines & Penalties

HMRC have notified us that they will be clamping down on all employers who do not run their payroll on time from 1st October 2014. Up until now they have shown some leniency following the introduction of Real Time Information but this period of grace is now coming to an end.

To put this notion of 'on time' into reality, this means that employers must submit the timesheets/hours for their employee(s) before the pay date of their employee or they will be considered late and may incur a penalty of £100. In turn, this means that we need to receive the details of the totals hours worked by their employees by the close of business on the Tuesday of the week the employee is due to be paid.

Impact for new employers/taking on new employees:

If an employer takes on a Personal Assistant (PA) before they are set-up on payroll and as a result the PA is owed back dated pay, this will all have to be processed in one pay period and this will be subject to increased National Insurance costs for both the employee and employer which cannot be reclaimed. This will be of particular issue if the employer has been advised by a 3rd party to pay the employee an interim payment which may then exceed the net pay figure calculated through payroll. This overpayment will then need to be reclaimed.

Impact for existing employers:

If an employer does not submit the hours to be processed by the deadline of close of business on the Tuesday of the week the employee is due to paid, or they do not submit any hours for a number of pay periods, we will no longer be able to run the payroll retrospectively without a penalty being incurred. Similarly to the case of the new employer, these backdated hours will all have to be processed in one pay period and this will be subject to increased National Insurance costs for both the employee and employer which cannot be reclaimed and which may not be covered by the level of Direct Payment funding provided.

Penalties may also be incurred where employers fail to make their liability payments to HMRC on time. Where a penalty is incurred the employer will need to make payment to HMRC or appeal this directly with HMRC themselves. Unpaid penalties will incur interest calculated daily. Please note that some Authorities will not allow these penalties to be paid from Direct Payment funds, in these instances employers will have to pay from personal funds.

In response to this, we are in the process of writing to all our employers and their employees to remind them of their responsibilities in regard to their payroll, the deadlines for submitting both their information to us and their payments to HMRC and the potential penalties they may incur if they do not ensure they fulfil these responsibilities. We have simplified these key responsibilities into some basic payroll do's and don'ts as shown overleaf.

Payroll Do's

- Ensure that your employee is set up on payroll within their first week of employment
- Send your timesheets/hours to arrive with us by the deadline of close of business on the Tuesday of the week your employee is due to be paid *
- Send a timesheet for every pay period or advise us if no hours have been worked by your employee(s)
- Pay your employee the net pay figure on their payslip on time
- Pay your HMRC liability on time and in full

Payroll Don'ts

- Pay your employee without a payslip indicating the net pay due
- Backdate your payroll /send timesheets/hours for more than one pay period
- Send timesheets/hours late i.e. arriving with us after the deadline of close of business on the Tuesday of the week your employee is due to be paid
- Fail to pay your HMRC liabilities
- Ignore any letter from HMRC advising that you have incurred a penalty

*Please note we cannot be held responsible for the postal service, if you send your timesheets by post please ensure you allow sufficient time for them to reach us by the deadline or use an alternative method such as e-mail, fax or telephone to ensure the deadline is met.