



The Fish Partnership

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Employers News Bulletin

October 2010 Edition

Welcome to our Quarterly Payroll Bulletin

Our aim is to keep you up to date with ideas and information that will help you gain the best possible advantage in working with us. This bulletin will be sent every quarter to help achieve this aim, and we hope you enjoy reading them.

In this edition, we consider the Government's proposals for overhauling the PAYE system and the implications for employers of the soon-to-be-implemented Equality Act. We also take a look at the new minimum

wages levels, the scrapping of the default retirement age and HMRC's pledge to increase the level of its online guidance.

HMRC proposes overhaul of PAYE system



The processes for collecting PAYE deductions have remained unchanged since their introduction in 1944. However, in those 66 years the labour market has changed significantly, with less people having a single job for life and the move from weekly to monthly payrolls.

As a result of this increased complexity in working patterns, incorrect levels of tax can be deducted from an individual's pay. Because Employer Annual Returns only need to be submitted once a year, checks to ensure deductions are correct can only be carried out after the tax year has ended.

Consequently, HM Revenue & Customs (HMRC) plans to update the PAYE system and has published a discussion document to invite comments on its proposals.

The first option is for "Real Time Information", which would require employers to report deductions and payments more frequently. For employers with computerised payroll systems, information regarding an employee's pay and the tax deductions made would automatically be sent to HMRC every time the payroll was run.

The next step would then be to use this information for "Centralised Deductions". As the name suggests, this would mean consolidating the calculation and deduction of tax, with responsibility moving from the employer to HMRC.

Employers would send the gross payment for each employee electronically to HMRC, which would use the individual's payroll information and details of their tax allowances and reliefs to deduct the relevant amount of tax before sending the net payment to the employee's bank account.

However, there are concerns that HMRC will not be able to handle the extra responsibility, and that they could not provide the one-to-one guidance on key issues currently offered by dedicated payroll bureaux, such as our

FishPay solution.

FishPay is a forward thinking payroll service, committed to providing full and flexible packages to businesses of all sizes, saving them time and money.

Once the period for employers, payroll software providers, payroll bureaux and other affected parties to comment on the proposals has ended, HMRC will decide whether to move ahead with the collection of real time information. If so, the next stage of consultations should begin in the autumn.

Default retirement age scrapped

The default retirement age will be completely scrapped on 1st October 2011, with transitional arrangements from 6th April 2011.

Where employers have a retirement age of 65, they will still be able to use their compulsory retirement age to retire employees who have their 65th birthday on or before 30th September, provided that they follow the statutory retirement procedure.

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 Creating advantage by adding value

Equality Act 2010

It has finally been confirmed that the majority of the Equality Act will be introduced in October 2010. Some of the key changes employers should be particularly aware of include:

Pre-employment health-related checks

In the past, many companies have carried out health checks as part of their recruitment and pre-employment processes. From October 2010, employers will only be able to ask health-related questions prior to offering a position if they will help the company to:

- Decide whether they need to make any reasonable adjustments in respect of the selection process. Any information divulged

by the candidate in this respect could not then be used when deciding who to employ.

- Decide whether an applicant can carry out a function or responsibility that is intrinsic to the job. For example, if heavy lifting was a specific requirement for the role, a related health question could be asked.
- Monitor diversity amongst potential candidates so as to evaluate whether the current recruitment methods are reaching disabled people.
- Take positive action to assist disabled people, where the company may wish to improve their chances of being selected for vacant positions. In this case, the company would need to guarantee these individuals an interview.
- Assure the company that the individual has a disability which may be required for the job.

Equal pay

Under the new act, a claim of direct pay discrimination can be made without the need for a real comparator within the organisation – providing the claimant can show evidence that they would have received better remuneration from their employer if they were of a different sex.

Pay secrecy

Employers will not be able to prevent or restrict their employees from discussing their pay with each other. However, any such discussion should be for the purpose of establishing differences in pay on the basis of discrimination.

Minimum wage rises

Employers are reminded that new national minimum wage (NMW) rates will come into force from 1st October. The new rates are:

- 21 year olds and above: the minimum wage will rise to £5.93 per hour
- 18–20 year olds: the minimum wage will rise to £4.92 per hour
- Below 18: the minimum wage will rise to £3.64 per hour

These changes include a reduction in the age threshold for the main rate from 22 to 21.

For the first time, a NMW rate also applies to apprentices. Apprentices under the age of 19 or over the age of 19 in the first year of their apprenticeship must be paid at least £2.50 an hour.

Employers who provide living accommodation for employees are able to offset the NMW by £4.61 for each day that accommodation is provided.

From 1st January 2011, employers will need to ensure that they pay workers the NMW in addition

to payments for travel to a temporary workplace.

The move follows consultations earlier in the year and is designed to prevent what the government describes as “potentially exploitative arrangements” affecting some temporary workers paid at or near NMW.

Many temporary workers take part in travel and subsistence schemes operated by certain types of business that take advantage of tax relief on travel from home to a temporary workplace. They agree to some of the pay that would be subject to tax and National Insurance contributions (NIC) being replaced with expenses payments, which provide tax and NIC savings.

In its consultation paper, the government said that such arrangements can adversely affect NMW workers’ access to earnings-related contributory benefits, and that travel and subsistence schemes leave them only slightly better off in terms of take home pay. It added that for some schemes, it is the business employing the workers which enjoys the greatest financial benefit.

HMRC steps up online employer information

Employers will be able to access more HM Revenue & Customs (HMRC) advice and guidance online and via downloads as it works to reduce the amount of information posted out.

HMRC has already stopped issuing paper copies of its Employer Bulletin and most employers can now register to receive an email when a new edition of the bulletin is published on the website.

This alert service will include other publications and services when they are replaced with online versions.

It is also expected that the PAYE tools and support currently provided by the Employer CD-ROM will be available to download from next year.