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## flash International Executive Alert

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### **United Kingdom – Revised Modified Payroll Agreements for Tax, NIC Withholding**

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HM Revenue & Customs (HMRC) in the U.K. has published revised *Application for Modified PAYE and National Insurance Agreements*<sup>1</sup> to take account of the changes that all employers will be required to implement to meet the requirements of the forthcoming introduction of Real Time Information (RTI).<sup>2</sup> HMRC has also issued a Frequently Asked Questions ("FAQ") document covering some of the main issues for employers who have expatriate employees working in the United Kingdom.<sup>3</sup>

### **Modified PAYE and NIC Schemes**

HMRC allows, by agreement, a relaxation of the strict U.K. tax withholding under Pay As You Earn (PAYE) in respect of tax-equalized employees assigned to the United Kingdom. For tax purposes, the agreement is known as an "EP Appendix 6 agreement."

There are also two arrangements that relax the PAYE procedures in respect of U.K. social security/National Insurance Contributions(NIC). The first modified NIC arrangement is called an "EP Appendix 7A agreement," and can only apply to employees who are included in an EP Appendix 6 agreement. The second modified NIC agreement is called "EP Appendix 7B," which applies in respect of employees who are assigned from the U.K. to an overseas country, but who remain liable to U.K. NIC under, for example, a Social Security Totalization Agreement.

### **Revised EP Appendix 6, 7A and 7B Agreements**

All employers operating these modified schemes will be required to sign a new agreement, by the earliest of the date they join RTI (pilot scheme or live) or by 5 April 2013 at the latest. All existing agreements will cease to be effective from 6 April 2013, or the date that an employer joins RTI, if earlier.

### **KPMG Note**

To ensure that they remain eligible to continue to benefit from operating the relaxed procedures following the introduction of RTI, it is recommended that all employers operating modified schemes apply for these new agreements early (even if their RTI start date isn't until 6 April 2013) to avoid the likely rush of last minute applications as the 5 April 2013 deadline approaches. Please contact your usual KPMG representative to start the process as soon as possible.

*Footnotes:*

- 1 See <http://www.hmrc.gov.uk/manuals/pommanual/PAYE81500.htm#IDA3NAZG>
- 2 Prior coverage of RTI can be found in *Flash International Executive Alert* newsletters: [2012-119](#) (25 June 2012), [2012-117](#) (21 June 2012), and [2011-203](#) (9 December 2011).
- 3 See <http://www.hmrc.gov.uk/rti/expats-RTI.pdf>.

## **KPMG's Global Mobility Forum**

### **2 – 4 October 2012 in Toronto!**

KPMG's **International Executive Services – Global Mobility Forum 2012** is designed to specifically address the vital issues associated with global mobility programs and the evolving environment for managing a global workforce – both today and in our ever evolving world.

Our forum will include discussion and debate on issues that take us beyond the present and beyond borders, while providing a wide selection of workshops covering a spectrum of global mobility topics in greater depth. Networking time will enable you to discuss your challenges and share ideas with colleagues and KPMG professionals. We are excited to host this year's conference in Toronto, Canada, a dynamic, multi-cultural business center.

For more information, visit: <http://www.kpmg.com/Global/en/WhatWeDo/Tax/global-mobility-forum-2012/Pages/default.aspx>

The information contained in this newsletter was submitted by the KPMG International member firm in the United Kingdom. The information contained herein is of a general nature and based on authorities that are subject to change. Applicability of the information to specific situations should be determined through consultation with your tax adviser.

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