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United Kingdom – Payroll Reporting Requirements under RTI Confirmed by HMRC

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We have reported extensively over the last year on changes to the U.K. payroll reporting system under Real Time Information ("RTI") and its impact on employers with a globally mobile workforce (for our most recent report, see [Flash International Executive Alert 2012-202](#), 15 November 2012). The U.K. tax authority ("HMRC") has now simplified the deadline for employers operating a modified PAYE scheme (under Appendix 6 or 7A) for fully equalized assignees.

HMRC has not yet published the revised agreements on its Web site, but has provided KPMG LLP (U.K.) and other agents with copies to issue to clients so that the new agreements can be used with immediate effect.¹

Background

Under RTI, employers are required to submit a full payment submission ("FPS") "on or before" the individual is paid. HMRC had previously recognized that there would be difficulties for employers meeting the submission deadline for the FPS under certain circumstances including those with fully tax-equalized assignees. In these circumstances, HMRC had agreed that the "on or before" requirement could be relaxed such that reporting would be the earlier of the regular U.K. payment date or 19th of the month following the end of the tax month of payment by the overseas employer.

KPMG Note

KPMG LLP (U.K.) believed that such a relaxation, while moving in the right direction, had its limitations and continued to recommend further simplification.

Changes

HMRC has now confirmed that the FPS reporting requirements under Appendix 6 and 7A has been revised and will be reworded to explain that the FPS must be submitted to Her Majesty's Revenue and Customs (HMRC) "*no later than the 19th of the month following the end of the tax month.*"²

HMRC also confirmed that "*... it is not appropriate to make similar changes to the FPS reporting requirements in EP Appendix 7B as the deductions are made via the local payroll. Changes have also been made to sections 29 of EP Appendix 7A and 24 of EP Appendix 7B to confirm the NICs Settlement Return (NSR) should continue to be submitted under the 7A or 7B reference.*"³

KPMG Note

This is a practical approach for HMRC to adopt and a welcome simplification of the reporting deadlines for modified PAYE schemes in respect of tax-equalized individuals. Employers that have not yet signed and filed new Appendix 6 and 7A agreements with HMRC which refer to RTI should now do so. Employers that are operating under the pre-RTI agreements should sign and submit new agreements at the earliest opportunity as these old agreements will not be effective when the employer joins RTI.

Employers that have tax-equalized employees working in the U.K. who do not have a modified payroll agreement should consider making such an agreement to limit penalties under RTI.

Footnotes:

- 1 KPMG has obtained the revised agreements via an e-mail dated 19 November 2012 from an HRMC official.
- 2 Revised Appendix 6 agreement to be published on HMRC's Web site shortly (www.hmrc.gov.uk).
- 3 Ibid.

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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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