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United Kingdom – A Welcome Deadline Extension on Software Compliance for RTI

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The U.K. tax authority has extended the deadline for employers to update their software and be compliant with the Real Time Information system.

When an employee is subject to withholding taxes ("PAYE") on earnings in the U.K. but is also subject to mandatory withholding in another country, relief for the foreign tax can be claimed against the U.K. tax withheld under PAYE. Unfortunately, the introduction of Real Time Information ("RTI") highlighted that certain payroll software did not correctly report the credit for foreign tax. The U.K. tax authority, Her Majesty's Revenue and Customs (HMRC), had informed employers that their software had to be compliant by 6 April 2014. This deadline has been extended to 6 April 2015¹.

Why This Matters

HMRC has now extended the deadline to 6 April 2015, because certain software providers have not been able to meet the 6 April 2014 deadline, but should have sufficient time to amend their software by 6 April 2015.

This extension should enable more employers to be compliant without having to change software provider or alternatively stop claiming credit for foreign taxes under the "Appendix 5 agreement."

Credit for U.K. taxes is achieved by entering into an agreement with HMRC – the agreement is formally known as the "Net of Foreign Tax Credit Relief Scheme," but is commonly referred to as an "Appendix 5 agreement." HMRC had written to employers where their software or the software being used by their agents did not correctly report under RTI. Such affected employers had been informed that they needed to have compliant software by 6 April 2014. This might have required the employer changing software provider.

KPMG LLP (U.K.) Note

Employers should check whether their software provider or payroll agent will be compliant by the new deadline. If their software provider or payroll agent does not intend to be compliant in respect of Appendix 5 agreements the employer will need to decide whether to stop using the agreement or change provider/agent.

The introduction of RTI was a radical change to the reporting of payments made to and in respect of employees. (For prior coverage, see [Flash International Executive Alert 2013-136](#), 3 October 2013.) HMRC's pragmatic approach to the issues faced by employers (and software providers) in light of the changes is very welcome.

Footnote:

1 25 March 2014 e-mail communication to KPMG LLP (U.K.) from HMRC.

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Save the Date!

LINKing Global Mobility and Talent Management

Please 'Save the Date' in your calendar and join us in Chicago, Illinois, USA, at KPMG's International Executive Services: Global Mobility Forum 2014. We have a fantastic line-up and look forward to seeing you in Chicago on 6-8 October 2014.

If you have any questions, please contact your usual KPMG professional or send an e-mail to: go-fmforum@kpmg.com.

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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