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United Kingdom – Final Version of New Payroll Procedures for Business Visitors

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The U.K. tax authority has published the final terms of an agreement (and accompanying guidance) concerning employers with employees who come to the U.K. to work for a short period of time; such employees are known as 'short-term business visitors'.¹

As announced in GMS [Flash Alert 2015-082](#) (8 July 2015), HM Revenue and Customs (HMRC) in the U.K. confirmed in July that it is introducing a new procedure for employers with short-term business visitors to the United Kingdom. Under the new procedure employers with short-term business visitors who do not qualify for exemption from U.K. tax under the terms of a double taxation treaty will be allowed to make an annual report and payment of the U.K. tax due.

Why This Matters

The new agreement will allow employers to operate a modified form of payroll withholding for certain short-term business visitors. Under new procedures, employers may experience a significant reduction in the reporting and payment requirements in respect of short-term business visitors who do not qualify for treaty exemption, as long as they have 30 or fewer U.K. work-days. This is available for the current tax year (the year ending 5 April 2016), and employers should consider now whether it might be relevant and submit an application if needed.

Payroll Withholding Requirements

Under current regulations, where an individual makes short-term business visits to the U.K., an employer may need to withhold U.K. income tax at source under the U.K.'s Pay As You Earn (PAYE) regulations. In particular, a U.K. 'host employer' must deduct income tax at source and pay it to HMRC each month, unless the overseas employer operates PAYE and submits the payroll reports to HMRC. Under the U.K.'s Real Time Information (RTI) reporting system, any such tax deducted must also be reported to HMRC on or before the time of payment of the earnings to the employee. Even where there is no U.K.-host employer, the decision may also be taken to withhold in order to remove the filing and payment requirements from the employee.

Where an individual who makes short-term business visits to the U.K. qualifies for exemption from U.K. tax under the terms of a U.K. double taxation agreement, his or her employer can enter into an agreement (generally known as an 'Appendix 4' or short-term business visitor agreement) with HMRC under which, provided certain conditions are met, these payroll withholding obligations do not apply.

Features of New Agreement

Historically, no equivalent agreement has been available in cases where treaty exemption is not available, or for short-term business visitors from countries where the U.K. has no relevant double taxation agreement. The new agreement will allow employers to operate a modified form of payroll withholding for such short-term business visitors, provided that they have 30 or fewer U.K. work-days in the tax year. No extension will be available to this 30-day limit, and employers will need to operate standard payroll withholding procedures, where relevant, for any short-term business visitors with more than 30 U.K. work-days in a particular year.

The new agreement will not be available where a U.K. social security (NIC) liability arises. In many cases, U.K. NIC will not be due because the employee will be exempt from U.K. social security for the first 52 weeks.

The new agreement will also not be available to directors.

Under the new agreement, the employer must make a single report at the end of the tax year of all relevant payments for U.K. work-days during the year. This can include the value of any benefits-in-kind, removing the requirement for these to be reported separately. Where equalisation arrangements apply, the amount of any payments and benefits-in-kind must be grossed up. The employer will also need to make a single payment of any U.K. tax due, by 22 April following the end of the tax year.

KPMG LLP (U.K.) Note

This new agreement is separate from existing Appendix 4 agreements², and employers currently operating an Appendix 4 agreement will still need to make a separate application before operating the new procedures.

There are important differences between the 30 U.K. work-day period which applies to the new agreement and the qualifying period for existing Appendix 4 agreements. For the existing Appendix 4 agreements employers need to track all days on which time is spent in the U.K. in order to assess whether an individual qualifies for relief and not just U.K. work-days. The new agreement looks solely at U.K. work-days. Employers entering into the new agreements will need to familiarise themselves with the relevant definitions and foster the correct and accurate tracking of U.K. work-days.

Next Steps

Where an employer has qualifying short-term business visitors, the new agreement could offer a substantial reduction in reporting and payment requirements. As the new agreement is available for the current tax year, employers should discuss their position with a tax adviser now and, where appropriate, apply to be able to use the new agreement for the remainder of the year.

Footnotes:

1 For more information, see the HMRC Web page
<http://www.hmrc.gov.uk/manuals/pommanual/PAYE81950.htm> .

2 For prior coverage of Appendix 4 Agreement developments, see [*Flash International Executive Alert* 2014-070](#) (25 July 2014).

6 – 8 October 2015: Save The Date! KPMG's Global Mobility Forum in Rome!

Deploying Talent in the Borderless Economy

If you think it has become easier to deploy talent in the global economy, it is time to reconsider. The trend toward stricter immigration regulation defies the borderless economy. Taxes present significant hurdles to the free movement of employees across geographies. The diversity of labor laws complicates decisions with respect to benefit plan offerings and participation in the cross-border environment. The cost of compliance has never been higher.

Please 'Save the Date' in your calendar today and join us in Rome at KPMG's Global Mobility Forum to discuss and better understand the challenges of deploying talent in the borderless economy.

Venue: Rome Cavalieri Hotel, Rome Italy

For further information please contact your local KPMG People Services or Global Mobility Services representative or send an e-mail to: GO-FMFORUM@kpmg.com .

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