

Employment tax compliance advisory



HMRC's efforts to reduce the administration burden on employers means greater reliance is placed on employers having robust controls in place to achieve PAYE and NIC compliance.

What has changed?

Since 6 April 2016:

- P11D Dispensations have been abolished and employers now need to understand the tax and NIC exemptions set out in the legislation to establish whether benefits and expenses provided to employees should be reported on payroll, P11Ds, in the PAYE Settlement Agreement (PSA) or alternatively whether they are exempt from tax and NIC.
- Where employers pay HMRC benchmark subsistence rates to employees, sample checks must be undertaken and evidence gathered to support that employees have incurred a genuine business expense.
- Changes in the conditions to meet the trivial benefits exemption mean that employers are required to retain evidence to support whether expenses and benefits qualify as trivial.
- In advance of the move to online submission of PSAs, HMRC have tightened their application of the rules in relation to the expenses and benefits that can be included on the PSA, and evidence will be required that items included satisfy the "minor", "irregular" or "impracticable" conditions.

What does this mean for you?

HMRC enforcement activity is at an all time high for businesses across all sectors. HMRC's Business Risk Review process and Know Your Customer initiative focus on the processes and controls governing PAYE/NIC compliance. Penalties and interest are charged where PAYE and NIC is found to be underpaid.

It is important that your year end procedures are sufficiently robust to capture reportable benefits and expenses on the correct return so that tax and NIC is paid at the correct rate and on time.

Key tax deadlines

| Date | Compliance action |
|-----------------|---|
| 5 April 2018 | Deadline for registering with HMRC for the payrolling of benefits to be provided during the 2018/19 tax year. |
| 1 June 2018 | Deadline for providing employees with a statement of payrolled benefits for the 2017/18 tax year, for employers who have registered for Voluntary Payrolling of Benefits in Kind. |
| 6 July 2018 | Deadline for entering into a PAYE Settlement Agreement (PSA) for the 2017/18 tax year. |
| 6 July 2018 | Deadline for the submission of Forms P11D and P11D(b) for the 2017/18 tax year. |
| 22 July 2018 | Deadline for electronic payment of Class 1A NIC in respect of the 2017/18 tax year (postal payments must be made by 19 July 2018). |
| 31 July 2018 | Non-statutory deadline for submission of PSA computations for the 2017/18 tax year. |
| 22 October 2018 | Deadline for electronic payment of tax/Class 1B NIC in respect of PSA computations (19 October for postal payments). |

How we can help

KPMG's Employers' Club provides ongoing support to its members to keep up to date with changes in legislation and HMRC guidance on all aspects of employer compliance through a series of articles, Webexes, and seminars. Other support we can offer is set out below:

01

Compliance risk review

KPMG has recruited an experienced team who can carry out an HMRC-style review to identify any areas of non-compliance and raise awareness of key risks.

Drawing on our experience of HMRC's Know Your Customer reviews, and other aspect-based HMRC reviews covering areas such as termination payments, employee expenses, optional remuneration and globally mobile employees, KPMG's Employment Solutions team will work with you to ensure that you are fully prepared and audit-ready.

- **Review** – The review typically includes a workshop for all key stakeholders to talk through processes and controls to identify key risk areas and to provide training to those stakeholders who do not have a tax background. The workshop will be followed by sample testing of key documents to establish whether the risks identified are likely to lead to an underpayment of tax and NIC.
- **Estimated fees** – From £4,500 (plus VAT), depending on the complexity of the review and report required.

02

Year end support

We offer a range of support to clients at year-end, either to prepare or review returns or act as a sounding board around areas of difficulty. This may include:

- **Preparation and submission of PSAs** – We can advise on the items which may be included within the PSA, analyse general or nominal ledger codes, and submit the PSA computation for agreement with HMRC on behalf of the organisation.
- **Preparation and submission of Forms P11D** – KPMG have developed software, P11D Solutions, to prepare P11Ds on behalf of clients or license the software to clients so that they can prepare P11Ds in house or we can review Forms P11D prepared by you.
- **Payrolling benefits** – Many employers are considering a move to payrolling benefits to ease the year-end administration process and we can facilitate a workshop to guide you through the key decisions, challenges and communications approach to employees.
- **Expense Analyser** – It is often difficult to analyse the thousands of rows of data required to identify reportable expenses and benefits. Our Expense Analyser tool automates this process and removes the subjectivity in identifying whether an expense or benefit is reportable, providing a clear audit trail and reducing the time spent on this process.
- **Fees** – Fees for the above services will vary depending on the size of the organisation and complexity of the expenses and benefits provided.

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