



The Chartered Institute of Payroll Professionals

Bi-Monthly Newsletter

January 2014



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the chartered institute
of payroll professionals

leading the profession

Welcome



Welcome to the first 2015 edition of the bi-monthly newsletter from the CIPP's Policy & Research team. As ever, there is no shortage of news that affects the payroll profession and we include many other areas of news that knowledge of can be useful in our business. Regular readers will know that our newsletter is never a short read but we continue to index all items to ease your navigation to areas of particular interest.

In our last newsletter we talked about the holiday pay tribunal, the outcome of which being that people working non-guaranteed overtime can claim for additional holiday pay. Changes made to regulations under the Employment Rights Act 1996 will mean that claims to Employment Tribunals on this issue cannot stretch back further than 2 years. The impact of this ruling will still be significant – John Lewis and Waitrose recently announced that it will cost them £12m this year in additional holiday pay alone.

If you missed the Chancellor's autumn statement, or would like further detail, you can read the CIPP's summary of events.

The Chancellor will also deliver his last Budget of the Parliament on Wednesday 18 March 2015. The Policy Team will publish an outline of the Budget, highlighting the implications for payroll and pensions, later in the day.

In a letter to the Office of Tax Simplification (OTS), the Government has accepted several of their recommendations for payroll, including a post-implementation review into RTI and consideration of the 'on or before' rule. These are just proposals at this stage.

We continue to discuss the trials and tribulations of the transfer of HMRC guidance to GOV.UK. We are very much on the case with these problems and due to the volume of issues members have provided us with, a meeting is currently being set up with HMRC. We will of course keep you updated on our progress in this area.

There is mention under 'HMRC' news that the new Employment and Payroll Group (EPG), has replaced the Employment Consultation Forum (ECF) and is being jointly chaired by HMRC and the CIPP. The EPG is made up of employer and payroll representative bodies, software developers, employers (small and large) and payroll bureaux. It will be the primary route through which HMRC, and other government departments, engage with the employment and payroll community about big PAYE operational issues. The first meeting took place in December and was received well; the next is being held in the first week of March. If you have any issues you would like raising, please email [Karen Thomson](mailto:karen.thomson@cipp.org.uk).

There is of course a variety of other news pieces to keep you 'entertained'. There is certainly never a dull moment in our industry and as the wintry weather comes and goes, put your feet up with a mug of something warming and improve your CPD activity.

Diana Bruce, MCIPPDip
CIPP Senior Policy Liaison Officer

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Apprenticeships

Almost two million apprenticeships since 2010

17 November 2014

The Government has confirmed that the number of people starting apprenticeships has doubled in the past four years, with the two millionth new apprenticeship in England since 2010 imminent.



The [announcement](#) by the Deputy Prime Minister also confirms that a national database of post-16 skills and employer-led courses and opportunities in England, similar to the UCAS system, will be in place at the beginning of the next school year in September 2015.

CIPP comment

Readers may wish to use this news as a prompt to take a fresh look at the opportunities available through the CIPP payroll apprenticeship [scheme](#).

Employer survey of apprenticeships

19 December 2014

A Government survey of over 4,000 employers of apprentices shows that most view the experience positively. At the same time the survey reveals a significant incidence of apprentices paid below the appropriate minimum wage.

This [research](#) monitors the extent to which apprenticeships are meeting the needs of employers. It also identifies aspects of the programme that are under-performing.

Most employers are satisfied with apprenticeships and see a positive impact on their business from having apprentices.

However the survey also found that around one in seven (14 per cent) apprentices are not receiving the minimum wage they are entitled to, despite the fact that the rates for apprentices are already substantially lower than the main adult rate.

Apprentices aged 16 to 18 years old were more likely to be underpaid, with 24 per cent receiving lower pay than their legal entitlement, according to the survey.

Sectors where more young women tend to work have higher rates of underpayment, including 42 per cent in hairdressing who are paid less than the minimum wage and 26 per cent in childcare.

Apprenticeship funding reform in England payment mechanisms and funding principles

15 January 2015

The Government's [response](#) to this consultation confirms that further detailed design work is needed before there can be a final decision on how the funding reforms will work in practice.

This consultation asked for views on how the Government will issue funding for apprenticeships through employers. The [response](#) outlines, that while putting employers in control of apprenticeship funding is a non-negotiable part of the reforms, it is clear from the feedback received that further detailed design work is needed before there can be a final decision on how this would work in practice. The government is committed to delivering a simple, effective funding process which works for employers of all sizes and further collaboration with the sector will take place to ensure this is achieved.

CIPP comment

In May 2014 the CIPP published their response to the Apprenticeship funding reform technical consultation. Findings from the online survey we conducted showed that the majority of CIPP members and the payroll profession as a whole did not support the PAYE model proposal. In our [response](#) we recommended that BIS dismiss the PAYE model as a solution and instead invest in a direct credit model or alternative that does not require the use of a payroll system, and that should the government decide on the PAYE model, BIS and HMRC work with the CIPP and its members to design an automated model.

The Policy Team will continue to be involved in consultation and will keep the payroll profession updated accordingly.

Apprenticeship vacancies up by almost a third

28 January 2015

The number of apprenticeship vacancies hits a high as the nation's employers back a new generation of workers.

Recent data from the [Skills Funding Agency](#) reveals a 28% increase in apprenticeship vacancies posted online on the apprenticeship vacancies website between August and October 2014 (academic year Q1 2014 to 2015) compared to the same period the previous year.

46,920 vacancies were advertised over the 3 months versus 36,690 in 2013 to 2014. This is in addition to thousands more opportunities offered by employers to young people directly.

There were noticeable rises in the number of apprenticeship vacancies within the vital STEM (science, technology, engineering and maths) fields. Apprenticeship vacancies advertised online in Engineering and Manufacturing Technologies and Information and Communication Technology both recorded a 23% increase on the same period last year.

Skills Minister Nick Boles said:

"Apprenticeships are at the heart of the Government's drive to equip people with the skills employers want and need. We want it to become the new norm for people to choose between an apprenticeship or University as equally prestigious routes to a great career. That is why it's so encouraging to see even more excellent apprenticeship opportunities available across the country."

To find out more about apprenticeships, see the original news item on [GOV.UK](#).

Automatic Enrolment

Understanding small employers: New NEST research published

13 November 2014

New research published by NEST provides useful insights into how small and micro employers might need to adapt to take on their auto enrolment responsibilities.

This NEST [report](#) draws on two recent surveys of employers with 49 or fewer employees. It looks at how small and micro employers manage their business processes, and how they use payroll software. It concludes that there could be a major issue around ensuring that smaller employers hold up-to-date and comprehensive data about their workers. The research shows that many of these employers collect such information through informal conversations, and have not considered the need for more formal written communications.

Micro employers expected to seek help with automatic enrolment

14 November 2014

Research shows that the small and micro employers needing to set up a pension scheme over the next 12 months are looking for help. With this in mind NEST Connect has been launched to help put payroll providers and other agents in control of providing pension services for multiple clients.

NEST have introduced their new free NEST Connect service to support professionals like advisers, accountants and payroll bureaux that are helping employers meet their new pension duties. There is plenty of [information](#) about this new service on the NEST website.

This initiative is a timely response to the latest research from the Pensions Regulator and NEST showing that small and micro employers will need practical help in ensuring that they are ready to implement auto enrolment, and that they will be looking to their agents and payroll providers for this help.

CIPP comment

This is surely a crucial time for payroll provider members, particularly smaller ones and bookkeepers, to consider whether you should be more proactive in supporting your clients preparing for auto enrolment. More importantly, are you ready to be proactive - because if you aren't someone else will be?

Many auto enrolling employers contributing more than legal obligations

18 November 2014

New research by the Chartered Institute of Personnel and Development (CIPD) shows that many employers are contributing substantially more in respect of their auto enrolled employees than the legislation requires.

The [report](#) on the latest CIPD survey of 1,080 employers shows that the average employer contribution is 5.6 per cent of salary, with employees typically contributing 4.7 per cent, compared to the legal minimum of 1% for both employers and workers.

One potential worry for the future is that nearly half of employers yet to enrol in the scheme anticipate restricting future pay growth to pay for auto-enrolment, while 19 per cent envisage job cuts and hiring reductions.

CIPP response to the consultation on reviewing and revising the automatic enrolment earnings threshold for 2015-16

27 November 2014

The CIPP has submitted its response to DWP's consultation on reviewing and revising the automatic enrolment earnings threshold for 2015-16.

The key points from the document are:

- 69% of respondents believe that aligning the automatic enrolment threshold with an existing payroll threshold reduces complexity.
- Three quarters of respondents favour increasing the automatic enrolment threshold in line with the tax threshold.
- Respondents use both tax relief arrangements, Net Pay Arrangement (NPS) and Relief At Source (RAS) equally.

The Policy Team would like to thank all those who found the time to complete the survey, we are very grateful.

You can see the full response [here](#).

Low awareness of auto enrolment cap on charges

27 November 2014

Almost a third of businesses have not heard of the forthcoming workplace pensions charge cap, according to the latest research from Close Brothers Asset Management.

Many thanks to Employee Benefits for their report:

While a 0.75% cap on the annual charge that pension schemes can apply whilst continuing to meet the qualifying criteria for auto enrolment will come into force in April 2015, there is still widespread uncertainty on whether a business is affected, or how their terms with their provider will change. Worryingly, nearly a third (31%) of businesses have not heard of the charge cap, or have not been informed by their provider or adviser.

Close Brothers Asset Management's latest Business Barometer survey, which questions over 900 employers across the UK, also found that although 30% of businesses with pension schemes were aware of the changes, they were still awaiting revised terms from their provider.

A further 33% of businesses said their scheme's annual management charge (AMC) was already below the cap. Just 6.4% said they were looking at moving to a new scheme as their existing provider intends to apply an additional employer charge.

One impact of the cap is that pension providers will shortly cease paying some types of commission to pension advisers, meaning advisers will seek to replace this with fee arrangements. While 42% of businesses with workplace pensions schemes said they will not be affected as their pension adviser already works on a fee basis, nearly a quarter (23%) have not yet been made aware of the issue by their adviser.

Key messages from The Pensions Regulator

28 November 2014

The Pensions Regulator has issued a helpful note of key auto enrolment messages.

1. Do you **really** know your staging date? The law requires all employers, including small and micros, to provide a workplace pension for certain staff. Each employer has a date by which they need to comply with the law. Our research has shown that up to 40% of micro employers have guessed and got it wrong. Don't guess what yours is, find out by checking on the regulator's website using our staging date [tool](#)
2. The November deadline to complete declaration of compliance approaches for thousands of medium employers. Employers have five months from their staging date to complete their declaration of compliance (registration). Thousands of medium employers (62-89 workers) who staged in July and have automatically enrolled their eligible workers need to complete this legal requirement by the end of November. Employers must submit information to the regulator about how they've complied with their employer duties. Those who do not do complete their declaration in time could be fined. Do not wait until your deadline to complete this. You can start to complete it now and fill in the remainder when you are ready.
3. The first employers have been issued a Fixed Penalty Notice for not meeting their duties. As we deal with smaller employers, we will see more who, despite our message to prepare early, leave it too late or do not comply at all. Willful non-compliance is not acceptable. We expect to see the number of times we need to use our powers increase. The regulator has a range of powers to tackle non-compliance including serving fixed penalty notices and escalating daily penalties notices.

TPR tools:

1. **TPR Worker Enrolment and Assessment Tool** – We encourage employers to first look at their existing payroll systems to check whether these are suitable for automatic enrolment. If not, there are a number of free or competitively-priced payroll software products that can support the smallest employers with AE. However, we are mindful that there remains a significant risk that those users of HMRC's Basic PAYE Tool (BPT) tool, who do not choose to take up free or competitively-priced payroll software products (that could better support them with AE), would be at risk of non-compliance if they are not able to identify which workers to automatically enrol or what the minimum level of contributions would be.

Where employers do not use payroll that is suitable or do not have alternative software, then as part of our remit to educate and to enable employers to be able to meet their automatic enrolment duties, we will be making a tool available to them to assist them. This will be suitable for the very smallest employers and will allow them to know which of their employees to automatically enrol, what communications to send and what the right contributions are. The tool is expected to be available next Spring ahead of the first micro employers staging in June 2015.

The tool will **not** be set up to integrate with other software systems or HMRC's BPT - and its primary output will be tailored guidance rather than data. The tool is a further addition to the suite of existing tools we have made available to both educate and enable employers to comply – for example the staging date tool, the employer duties tool and the minimum contributions tool. It is not designed as a substitute for commercial products.

We intend to invite software developers to a workshop later this year to share more detail and gather industry views. In the meeting, we will be particularly interested in how the market might more fully mitigate the risks that we are trying to manage.

2. **TPR Test Data Suite** – We are planning on publishing, in March 2015, a comprehensive suite of Test Data packs. This test data will be a modular series of multi-paycycle tests designed to cover a wide range of scenarios - intended to help software developers have confidence that employers who use their products can comply with the new automatic enrolment duties. The data will be produced in .pdf and .xls formats (using PAPDIS* standard data field definitions where appropriate) to make it easier for software testers to import.

* PAPDIS is the Pensions & Payroll Data Interface Standard, an industry standard designed to allow payroll and middleware software to use a common data format for payroll to pension provider communications (eg to send data on pension contributions and enrolment of new members). For further information on the PAPDIS standard see www.papdis.org.

Simplifying the automatic enrolment process to reduce employer burdens

2 November 2014

The Department for Work and Pensions (DWP) has launched a consultation on proposals to further simplify the automatic enrolment process and reduce burdens on employers.

The [proposed measures](#) are intended to:

- introduce an alternative quality requirement for defined benefits (DB) pension schemes
- simplify the requirements on employers regarding the provision of information about automatic enrolment to their employees
- create exceptions to the employer duties so that an employer is not required to enrol an employee into a workplace pension in certain situations.

The consultation closes on 9 January 2015.

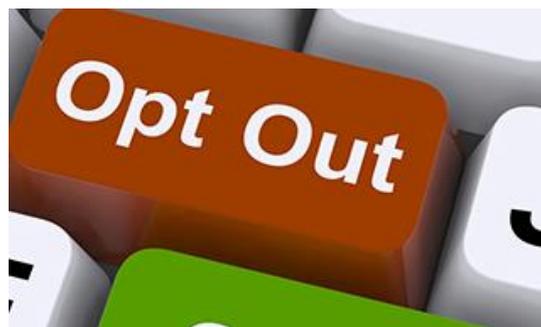
CIPP comment

The CIPP Policy Team will examine the detail of the consultation proposals, and will issue a survey to seek members' views if appropriate.

Update on automatic enrolment opt out process

11 December 2014

Recently members have been asking about the opt out process in respect of automatic enrolment. The main question asked is about whether the employer can issue the opt out notice, and we now have the answer.



To clarify (thank you Alex Rowson of QTAC Solutions), the employee must obtain the opt out notice from the pension provider, but can then give the notice to the employer for processing. The employer will then advise the pension provider by whatever process is agreed. The details can be found [here](#).

The key points of the process are:

- Staff who have been automatically enrolled or who have opted in have the right to opt out.
- The decision to opt out must be taken freely by the staff member.
- Staff cannot opt out until after they've been automatically enrolled.
- The opt-out period is one month from when active membership is created, or they receive the employer's letter with the enrolment information, whichever is latest.
- Staff opt out by getting an opt-out notice from the pension scheme which they then complete and give to the employer.
- The employer must issue a full refund of any contributions the staff member has made within a month of receiving a valid notice.

Five million employees now automatically enrolled

15 December 2014

The number of employees automatically enrolled into a workplace pension scheme has passed the 5 million mark.

The [announcement](#) by the Pensions Minister Steve Webb mentions that the 5 million employees have been enrolled by 43,000 employers of all types, from charities to supermarkets and hospitals to football clubs and theatre groups.

He also took this opportunity to confirm that autumn 2016 will see the launch of a new system in which small pension pots will automatically follow workers from job to job.

Automatic enrolment earnings thresholds confirmed after consultation

18 December 2014

The Government has now confirmed the upper and lower thresholds which employers should use for 2015-16. This follows a consultation to seek views on how these thresholds should be set.

The [announcement](#) confirms that for 2015-16:

- £5,824 will be the lower limit of the qualifying earnings band
- £42,385 will be the upper limit of the qualifying earnings band

Employers should use the amount someone earns between the lower and upper qualifying bands to work out how much that person must pay into a workplace pension.

The amount someone must earn to be automatically enrolled into a workplace pension (the earnings trigger) will remain at £10,000.

The note says that *“Responses to the earnings trigger aspects of the consultation were split fairly evenly between those who favoured the simplicity and predictability of alignment with the Income Tax threshold and those who were concerned that alignment would exclude too many from pension saving. The majority of respondents, regardless of their favoured option, stressed the importance of having a trigger that is simple to administer and to explain.”*

CIPP survey on the proposed technical changes to automatic enrolment

19 December 2014

The CIPP are launching a survey to seek views on ideas to simplify auto enrolment. Your responses will inform the CIPP response to the recently issued DWP consultation document.

Even before automatic enrolment was introduced back in 2012, there were several areas of legislation which made life very complicated for employers trying to comply with their automatic enrolment obligations. Since then the CIPP, along with other stakeholders, has been campaigning for simplification in several areas.

Although the automatic enrolment process has evolved in some areas, such as simplifying the pay reference periods, there are still issues which cause significant administrative burdens. The DWP has recently issued a [consultation document](#) which is looking to simplify automatic enrolment in three key areas:

- Simplify the communication requirements for employers;
- Create exceptions to the employer duties; and
- Introduce an alternative quality requirement for defined benefit (DB) schemes.

Unfortunately the timescale for responding to this consultation is very short and the document itself is very long. To make it easier for members to respond, especially over the busy Christmas period, the CIPP policy team has, therefore, created a [survey](#) which primarily focuses on the areas of the consultation document which have most impact on employers, namely reducing the amount of letters needed during the automatic enrolment process, and removing the need to automatically enrol those employees who we know will be adversely affected by membership of a pension scheme, such as those who have accrued pension savings above the lifetime allowance. The majority of questions are multiple choice so the [survey](#) should not take more than 15 minutes to complete.

We would be very grateful if you could spare some time to complete this [survey](#) which closes on 7 January 2015. Thank you very much for your help.

Automatic enrolment: employers with no employees

22 December 2014

The Pensions Regulator has issued clarification to cover the position where an employer or recent employer has no employees at their staging date.

In relation to companies where there are only directors and no other staff, the regulator says:

“In a director-only company like this where none of the directors have a contract of employment, each director will not be a worker for the purposes of automatic enrolment duties. Similarly in a director-only company where only one director has a contract of employment but the others do not, each director will also not be a worker.

We are looking into the possibility of creating an online service to enable these type of companies to inform the Regulator that they do not have any workers. In the meantime, and **only** if they receive a letter from the Regulator, they should inform us of this in writing.

They should send an email to customersupport@autoenrol.tpr.gov.uk stating the following:

I confirm that [Company name] is a director-only company where:

- a) none of the directors are employed under a contract of employment, or
- b) only one director is employed under a contract of employment but the other directors are not and is not an employer for the purposes of automatic enrolment.

The letter code for the company [a 10 digit number which can be found on all letters sent from the Regulator].

The PAYE scheme(s) reference.

Name, email address, address and telephone number of contact at the company.

If the company's circumstances change so that there are at least two people working for the company under contracts of employment (whether directors or other staff) then they should advise us of this as soon as possible.”

However readers should note that the guidance says that “You must complete your declaration of compliance even if you don't have anyone to automatically enrol.”



Government auto enrolment research published

6 January 2015

The Department for Work and Pensions (DWP) have issued a report detailing qualitative research carried out among employers who staged between January and July 2014.

The [research](#) highlights reasons given by employees for opting out, but the main focus is on the experience of the employers interviewed, who reported some interesting experiences around preparation in particular. The strongest impression is perhaps one of a tough introductory period leading into a much more manageable ongoing process.

CIPP response to the DWP consultation on technical changes to Automatic Enrolment

13 January 2015

The CIPP has submitted its formal response to the DWP consultation about technical changes to Automatic Enrolment.

This was a lengthy consultation document and the timescale for responding was very short so firstly, the CIPP Policy team would like to thank everybody who took the time to respond over the holiday period.

CIPP members broadly agreed with the proposals to simplify processes. However, genuine concerns remain that, unless great care is taken when forming the detailed processes, they will actually become more complicated rather than being simplified. The key findings from our research are:

- Of all the proposals, there was least certainty about the minimum amount of information an employee should be given.
- Less than two thirds agreed that required information could be given in one communication.
- Only 29% agreed that it would remove the need for continual assessment.
- There was more support for combining postponement information with 73% agreeing that this would reduce the burden on employers.
- 83% of respondents agreed with the suggestion that there is no need to write to existing members of a qualifying scheme.
- There was strong agreement (89%) with the proposal to standardise enrolment letters for all employees, yet only 53% believed that employees would receive all the information they needed from a standardised letter.
- 75% of respondents agreed it would be useful to give employees details of where to obtain an opt-out notice.
- 76% agree that the aspiration of communicating three pieces of information is realistic.
- There is less certainty as to whether this raft of proposed changes would cause confusion for employees, with only 58% believing there will be no detriment for employees.
- 77% of respondents agreed with the suggestion that employers can choose whether to enrol someone who has handed in their notice.
- 67% said they didn't foresee problems with removing opt-in rights from employees during a notice period.
- Opinion was equally divided as to the frequency of notice withdrawal and whether the exception should be extended to fixed term contracts.
- 70% of respondents agreed with the proposal that employees who have recently cancelled qualifying scheme membership, whether new joiners or not.
- 72% of respondents agreed with the wide exception to automatically enrolling employees with tax protected status.

Read the full [consultation response](#).

Employers with staging dates from May 2016 to expect letters from Regulator

22 January 2015

From the end of January The Pensions Regulator will start mailing the one and a half million small and micro employers who have a staging date of May 2016 or later.

The regulator has issued a [press release](#) with details about this new all-employer mail out. This is happening in addition to the regular '12 months ahead of staging date' mail out and aims to ensure that by the summer all employers know their staging date. Research from the regulator has shown that significant numbers of small and micro employers do not know their staging dates.

This mailing activity also asks employers to provide email contact details and asks them to nominate a primary point of contact which the regulator can then send regular reminders and updates as their individual staging date approaches. The letter will also ask employers to nominate a secondary contact, which may well be their adviser, for example accountant, bookkeeper or payroll provider.

The key message for advisers is to be prepared for clients to contact you about automatic enrolment, and to let clients know to look out for a letter from The Pensions Regulator in the coming months.

For further information on helping clients prepare for automatic enrolment is available on The Pension Regulator's [website](#).

Pensions becoming a national priority, says NEST

26 January 2015

Research released by NEST reveals that pension saving is fast becoming established as a national priority.

In a poll of consumers, when asked how they would allocate their money if they had more of it to spend, 'saving for retirement' ranked third in importance for the second year running, coming behind only holidays and saving for a rainy day on a list of priorities.

The research from NEST insight 2015, suggests auto enrolment, which passed its two year anniversary in October 2014, may be playing its part in driving this new national attitude. Support for the policy continues to grow, with more than three quarters (77 per cent) of consumers agreeing it's a good thing, up from 68 per cent in 2013 and 63 per cent in 2011.

Even people who've opted out so far are warming to the idea – they are now twice as likely to say they'll stay in next time. 41 per cent now say they'd stay in when re-enrolled, compared with just 19 per cent in 2013.

The new pension freedoms announced in the 2014 Budget may also be influencing people's attitudes to retirement saving. Fears of pensioners buying expensive cars and squandering their money appear unfounded after only 7 per cent of people say they plan to take their whole pot out at once and do whatever they like with it.

In fact, the new freedoms may be making UK workers even more switched on. More than one in three (34 per cent) people say they'll think about their retirement plans sooner and 29 per cent say they plan to pay more into their pension as a result of the reforms.

But the real surprise was how the proposed changes have gone down with younger people, who seem to be significantly more engaged following the reforms. Two fifths (40 per cent) of 22-30 year olds say they'll start to think about what to do with their retirement income sooner thanks to the new options open to them at retirement and a significant proportion (36 per cent) also say they're more likely to increase payments into their pension as a result. This suggests younger workers may be more proactive than the average.

Tim Jones, CEO, NEST Corporation says:

"It is hugely positive to see that pensions are becoming embedded as a national priority. Until recently, millions of people were not saving for retirement. Auto enrolment and now the new pension freedoms have changed all this – reform is leading to a pension revolution. Five million more people are now saving for their future and support for auto

enrolment continues to grow, even among those who have so far opted out. It shows just how far we have come. Saving for later life is fast becoming the 'new normal' which is fantastic news."

Understanding about what the pension reforms mean is still patchy, however. Just over half (52 per cent) of survey respondents were unaware they had happened and more than a fifth (22 per cent) admitted they still do not know what they would be most likely to do with their pot when they come to retire.

Of those who did know what they might do, most people (32 per cent) wanted some form of flexibility, with the rest mostly split between preferring a drawdown type product (19 per cent) or something that resembled an annuity (16 per cent).

NEST insight 2015 is available to download through the CIPP news link below. See page 55 for the CIPP's contribution.

[NEST insight 2015](#)

About NEST insight

NEST insight is NEST's annual snapshot of the auto enrolment landscape. It looks at the behaviours and attitudes of members enrolled into workplace pensions and the experiences of employers who have set up schemes to comply with the new duties. It also looks ahead to consider the workers who'll be enrolled in the coming years and the employers yet to reach their staging date.

Views are based on feedback gathered over the year from NEST customers, and quantitative and qualitative research among consumers, employers and intermediaries. They have also looked at research conducted by The Pensions Regulator, the Department for Work and Pensions and trade bodies, consumer groups, the pension provider community and other government departments.

Increasing number of employers feel administrative impact of automatic enrolment

23 January 2015

76% of employers are now noticing an administrative burden from automatic enrolment, an increase of 7% from September 2014.

According to recent research from [Close Brothers Asset Management](#) over three quarters (76%) of businesses are noticing an administrative impact as a result of the ongoing process, an increase of 7% compared to September 2014. Additionally, 7% of employers have now noted a significant impact, stating that staff are spending a day or more per month dealing with the checks and requirements.

The number of employers considering changing their auto enrolment process system is increasing as a result. Close Brothers Asset Management's latest Business Barometer survey, which questioned over 400 employers across the UK, found that the number seeking to review their processing system has risen to 45%, up from 43% in September. Of these, 32% plan to review their systems within the next year. Additionally, a further 5% would review their system if they changed payroll provider.

Worryingly, employers' confidence that they are meeting their Employer Duty regarding auto enrolment is falling. In September, 36% were confident they complied fully and had robust systems in place. This has fallen to 34%. Similarly, 46% now believe they are adequately dealing with requirements, down from 48%. In contrast, 17% of employers now believe there are areas to improve upon, compared to 14% in September.

On a regional level, employers in Northern Ireland have felt the administrative burden of auto enrolment most keenly, with 83% noting the impact. By contrast, employers in East Anglia have noticed the additional burden the least (61%).

NEST: removal of the annual contribution limit and transfer restrictions

27 January 2015

[Draft legislation](#) has been published to remove the annual contribution limit and the transfer restrictions on NEST.

The National Employment Savings Trust (NEST) was set up alongside the introduction of automatic enrolment to be a pension provider which any employer would be able to use for any worker. To prevent NEST from having an unfair advantage over commercial pension providers that do not have government backing, various constraints were placed upon it including an annual contribution limit and transfer restrictions.

Following [consultation](#) from October to December 2014, [draft legislation](#) has been published to remove the annual contribution limit and the transfer restrictions on 1 April 2017. The Government also retains the option to remove the individual transfer restrictions earlier, from 1 October 2015, to coincide with the introduction of automatic transfers.

The National Employment Savings Trust (Amendment) Order 2015 was laid before Parliament on 16 December 2014. The draft Transfer Values (Disapplication)(Revocation) Regulations do not need Parliamentary approval and subject to approval of the amendment order, these will be made in spring 2015.

Autumn Statement

CIPP Autumn Statement summary 2014

4 December 2014

“The long term economic plan is working” says Mr O; “oh no it isn’t” says Mr B.

Well, it would appear the hard and real message is still one of watching the pennies. The Chancellor stated in his [speech](#) that, even though the deficit is falling it isn’t enough yet, therefore preparing us for more tightening of the public finances. Mr Osborne did however find time to throw in some jokes, including giving a plug to our much loved Wallace and Grommet!



This statement was about boosting skills and announced the under 21yrs NI relief or jobs tax relief will be extended to those under 25yrs and has apprenticeship roles; presumably we will need a few more categories of NI then, or will the ones we have for under 21yrs suffice? He recognised the North, confirming more devolution for the “Northern Powerhouse”. Even though the purse strings will need to remain tight, there was some good news:

- Personal Allowance to be further increased to £10,600 from April 2015;
- Fuel duty frozen again;
- New stamp duty system to help support those wanting to get onto the housing ladder, making, according to the Chancellor 98% of people better off under the new scheme;
- Changes to the tax treatment on ISAs and pensions/annuities when a spouse has died;
- Passenger duty for children under 12yrs on economy flights to go and from 2016 abolished altogether for children under 16yrs;
- £2000 employment allowance extended to help with the employment of carers;
- OTS recommendations to simplify the administration of employee benefits and expenses;
- Improve the operation of the Construction Industry Scheme; and
- Libor money to be used to remove VAT from air ambulance, search and rescue and hospice charities, including a refund of VAT paid.

As ever the “devil is in the detail” and as the [Autumn Statement 2014](#) runs to more than 100 pages – you can expect us to be providing you with more detail in the coming days but, in the meantime the CIPP policy team have put together the following highlights. One sentence we had hoped to clarify before publishing this summary was in respect of the comment made under disguising income; “the avoidance of tax through special purpose share schemes, miscellaneous losses and payments of benefits in lieu of salary;” The payments in lieu of salary could clearly have an impact on flexible benefits and or salary sacrifice; but don’t panic just yet the policy team has sought clarification and will report at a later date on the result. If you have comments (good or bad), or questions, please email [policy](#).

Competitiveness of UK tax administration

The government has accepted and will further consider 51 of the 58 recommendations made by the OTS. The government has commenced work on many of these, with details to be published in due course.

Simplification of the administration of employee benefits and expenses

As announced at Budget 2014 the government will simplify the administration of employee benefits and expenses. From April 2015 the government will provide a statutory exemption for trivial benefits in kind costing less than £50. From April 2016, the government will remove the £8,500 threshold below which employees do not pay Income Tax on certain benefits in kind and replace it with new exemptions for carers and for ministers of religion. It will also exempt certain reimbursed expenses and introduce a statutory framework for voluntary payrolling. The new exemption for reimbursed expenses will not be available if used in conjunction with salary sacrifice.

Improving the operation of the Construction Industry Scheme (CIS)

Following consultation, the government will implement a package of improvements to the CIS to reduce administrative burdens on construction businesses. A summary of responses will be published shortly.

Travel and subsistence review

At Budget 2014 the government announced a review of the rules for tax relief on travel and subsistence payments, in response to the OTS's review on employee benefits and expenses. The government has undertaken the initial stages of this review and continues to take this work forward towards a full public consultation on the framework for new rules.

CIPP comment

The policy team welcomes the news the government have committed to simplifying the administration of benefits and expenses. We had hoped the trivial benefit amount would be higher and around the £75 mark, but £50 will do. It also appears on first reading there will not be the previously mooted requirement to have annual checks, or rather a limit on how many £50 can be had; so good news there. We are pleased to see there will be some exemptions for carers in respect of the £8,500 limit. Exempting certain reimbursed expenses, we hope will reduce the burden on employers and at last, we see in print payrolling is going to happen, albeit on a voluntary basis. The CIPP as you would expect has been and will continue to be involved in all this consultation work.

We look forward to learning whether the simplification for CIS and T&S will become a reality and again the policy team are involved with this work.

Personal allowances, rates of tax and National Insurance contributions for 2015-16

Having announced in Budget 2014 that the basic personal allowance for those born after 5 April 1948 would rise from £10,000 to £10,500 on 6 April 2015, today the Chancellor announced that this allowance rises to £10,600 instead. This means that the threshold for those born between 6 April 1938 and 5 April 1948, which is currently £10,500, increases to £10,600 to match, and the new Transferable Tax Allowance for married couples and civil partners will begin at £1,060. The basic rate limit changes to £31,785, making the higher rate threshold £42,385 (basic rate limit plus basic personal allowance). The rates of tax will remain at their 2014-15 levels.

National Insurance contribution rates are unchanged for 2015-16 but all the thresholds and limits increase. The Class 1 Upper Earnings Limit (UEL) and the Class 4 Upper Profits Limit for NICs will continue to be aligned with the point at which higher rate tax becomes payable: £42,385.

Some of the other rate increases include:

- The car fuel benefit charge multiplier increases from £21,700 to £22,100
- The van fuel benefit charge increases from £581 to £594
- The van benefit charge increases from £3,090 to £3,150

More details on these rates and tables can be found [here](#).

CIPP comment

The Chancellor's decision to be more generous will be welcomed by basic and higher rate taxpayers alike, particularly by those who were expecting to fall into the higher rate tax bracket for the first time. He's managed to pass on the full £600 increase to higher rate tax payers for the first time in five years, which may help the Tory's case in a few months' time.

However, his change of mind is not such good news for payroll software providers and others who had thought their preparations for the April 2015 changes were complete. They'll need to do a bit more work on them.

The Autumn Statement does not mention automatic enrolment thresholds, which are currently equivalent to various tax and NI thresholds. However, consultation on changes to the automatic enrolment thresholds is still in progress.

Direct Recovery of Debts (DRD)

The Autumn Statement papers confirm the announcement made at Budget 2014 in respect of the government being able to recover tax and tax credit debts from bank accounts. The papers also detail the further safeguards announced last month:

- A guaranteed face-to-face visit from an HMRC agent to every debtor who is considered for debt recovery through this measure – this will allow HMRC to identify vulnerable debtors to provide them with appropriate support
- Slower implementation of DRD in the first year to allow HMRC to start the process on a small, targeted basis, and gain experience and feedback
- Ensuring that judicial oversight of the process is enshrined in legislation, by allowing for appeal to the County Court

- Scotland will be removed from the scope of DRD as HMRC already has 'summary warrant' powers in Scotland to recover debts in a similar, though not identical, manner to DRD.

CIPP comment

The CIPP welcomes these additional safeguards.

Zero hour contracts and umbrella companies

The government will review the increasing use of overarching contracts of employment by employment intermediaries such as 'umbrella companies'. These arrangements enable workers to obtain tax relief for home to work travel that would not ordinarily be available. The government will publish a discussion paper shortly to inform possible action at Budget 2015.

CIPP comment

This announcement will come as no surprise to anyone, as zero hour contracts have been in the press lately. The government clearly doesn't like the fact that home to work travel can be paid and tax relief claimed, so once again umbrella companies are to be looked at!

Student loans for post-graduates

Collecting student loan repayments will already become more complicated from 2016 when the new threshold for Plan 2 student loans comes into force, meaning that employers will potentially be collecting student loan repayments at two different thresholds depending on when the loan was originally taken out. However, in his statement today the Chancellor announced a further type of student loan which will be made available to post-graduates under the age of 30 who wish to undertake a Masters degree.

It is planned that these loans, of up to £10,000, will be available from 2016-17 and will be repaid concurrently with undergraduate loans. The loans are designed so that, on average, individuals will repay in full, in recognition of the high private return to individuals, but that they will beat commercial rates. It is expected that around 40,000 individuals will benefit from this new loan.

CIPP comment

Although the CIPP supports extending student loans to aid those wanting to obtain a Masters degree, as if life weren't complicated enough, it is very likely that we will now have a third type of student loan to collect in the next few years. So far HMRC and BIS have been very proactive in working with stakeholders to ensure that the process for collecting Plan 2 student loans from 2016 will bring the least administrative burden as possible to employers.

We hope that this level of consultation continues when plans are being made for the collection of this third student loan. The policy team are involved with the student loan forum.

Extending the Employment Allowance to employers of care and support workers

From April 2015, employers of carers and support workers will also be able to benefit from the £2,000 Employment Allowance for employer NICs.

CIPP comment

The CIPP has been calling for employers of carers to benefit from the Employment Allowance and welcomes this announcement. There was no mention however, of this being extended to nannies, which will disappoint many families struggling to pay childcare costs.

No Employer NICs on apprentices under 25 years old

Last year the government told us that from April 2015 there would be no employer NICs due on earnings up to the Upper Earnings Limit for employees under 21 years of age. The Chancellor has now announced that this will be extended from April 2016 to include all apprentices under the age of 25.

CIPP comment

The extension of the removal of employer NICs or jobs tax, for those employing young people brings further welcome financial benefits for employers; however, these inevitable NI category changes will coincide with the removal of several NI categories due to the introduction of single tier pensions. Ensuring the correct NI category is being used for all employees from April 2016 could be a burdensome task and it is hoped that payroll software

can cope with the changes.

The policy team had also hoped to see confirmed the government's response to apprenticeship funding and so we continue to wait to find out our fate!

Other items of interest

Taxation of resident non-domiciles

The government will increase the annual charge paid by non-domiciled individuals resident in the UK who wish to retain access to the remittance basis of taxation. The charge paid by people who have been UK resident for 7 out of the last 9 years will remain at £30,000. The charge paid by people who have been UK resident for 12 out of the last 14 years will increase from £50,000 to £60,000. A new charge of £90,000 will be introduced for people who have been UK resident for 17 of the last 20 years. The government will also consult on making the election apply for a minimum of 3 years.

Restricting entitlement to the personal allowance for non-residents

At Budget 2014 the government launched a consultation on whether or not to restrict the Income Tax personal allowance for non-residents. Whilst the government believes there is a strong rationale for doing this, it recognises it is a complex change for both employers and individuals who may be affected. The government will continue to discuss implementation of this change with stakeholders. Should the government decide to proceed; a more detailed consultation will be undertaken. No change will come into effect before April 2017.

Individual Savings Accounts (ISAs): transfer to spouses on death

The government will legislate to allow an additional ISA allowance for spouses or civil partners when an ISA saver dies, equal to the value of that saver's ISA holdings on their date of death.

ISAs: new annual subscription limits

The government will uprate the ISA, Junior ISA and Child Trust Fund annual subscription limits in line with the Consumer Price Index (CPI). The 2015-16 ISA limit will be increased to £15,240. The Junior ISA and Child Trust Fund limits will both be increased to £4,080.

55% tax charge on inherited pensions

From April 2015, beneficiaries of individuals who die under the age of 75 with remaining uncrystallised or drawdown defined contribution pension funds, or with a joint life or guaranteed term annuity, will be able to receive any future payments from such policies tax free where no payments have been made to the beneficiary before 6 April 2015. The tax rules will also be changed to allow joint life annuities to be paid to any beneficiary. Where the individual was over 75, the beneficiary will pay the marginal rate of Income Tax, or 45% if the funds are taken as a lump sum payment. Lump sum payments will be charged at the beneficiary's marginal rate from 2016-17.

Small Business Rate Relief (SBRR)

The government will extend the doubling of SBRR for a further year from 1 April 2015.

Support for mid-sized businesses

HMRC is testing a new approach to supporting mid-sized businesses for launch in 2015. A new mid-size business unit will provide a gateway to the specialist tax help needed by mid-size businesses, including temporary access to a named individual for mid-size businesses transitioning through a key business change with significant tax implications. HMRC is also piloting a new model to support the fastest growing businesses.

CIPP comment

For many years small and medium sized businesses have expressed their disappointment that they do not have account managers, unlike large businesses. Whilst this pilot doesn't go all the way to offering the same as a large business, it is heading in the right direction to support medium sized businesses.

Employment Law & Guidance

Only one in every forty new jobs is full-time, says TUC

13 November 2014

The share of UK jobs accounted for by full-time employees fell during the recession and has failed to recover, according to new analysis published by the TUC.

We are grateful to the TUC for this report and comments.

The analysis shows that the share of full-time employee jobs was 64 per cent in 2008 and fell to 62 per cent in 2014. This is equivalent to a shortfall of 669,000 full-time employees.

Just one in every forty of the net jobs added to the economy between 2008 and 2014 has been a full-time employee job. Over the same period 24 in every 40 net jobs added have been self-employed, and 26 in every 40 have been part-time.

The TUC recognises that part-time and self-employment are both important options for many people. However, despite recent economic growth the number of part-time employees who say they want full-time hours is still twice what it was before the recession at 1.3 million people.

The TUC believes that the rise in self-employment is at least in part a result of people who are unable to find employee jobs being forced into false self-employment – an exploitation of workers used by some companies to evade taxes and avoid respecting employment rights and entitlements such as holiday pay, sick pay and pensions.

TUC General Secretary Frances O'Grady said: "While more people are in work there are still far too few full-time employee jobs for everyone who wants one. It means many working families are on substantially lower incomes as they can only find reduced hours jobs or low-paid self-employment. The Chancellor has said he wants full employment, but that should mean full-time jobs for everyone who wants them. At the moment the economy is still not creating enough full-time employee jobs to meet demand."

New criminal offence for employers forcing potential employees to obtain police subject access requests

17 November 2014

Employers cannot require people to use their subject access rights under the Data Protection Act (DPA) to provide certain records, as a condition of employment. From 1 December 2014, this will become a criminal offence, and employers can be punished by a fine.

[Details](#) of the new criminal offence include the possibility of fines of up to £5,000 in England and Wales, or £10,000 in Scotland. An offence will be committed if an employer obliges an employee or someone applying for a job to use their rights under the Data Protection Act (DPA) to provide certain records, as a condition of employment. There are some exceptions, particularly for roles where the employee will be working with children or vulnerable people.

Acas Early Conciliation service has dealt with over 37,000 cases

21 November 2014

Figures published by Acas show that Early Conciliation dealt with 37,404 cases from 6 April until the end of September 2014. Earlier this year, the law changed so that anyone thinking of making an Employment Tribunal claim had to contact Acas first. Acas then tries to resolve the dispute quickly without the need for legal action through its new free Early Conciliation service.

The [statistics](#) show that the service has continued its successful start and around 1,600 people a week are contacting Acas.

Disengaged employees cost UK £15bn

25 November 2014

UK businesses are said to be suffering massive losses in company performance due to 'disengaged' employees who complain of working conditions that result in constant distraction and disruption and a lack of privacy.

We are grateful to Mediahouse for their report:

Research by the Centre for Mental Health shows that presenteeism (at work physically but unproductive mentally) costs UK businesses £15bn per year and that includes the cost of disengaged employees.

A recent IPSOS survey commissioned by Steelcase, highlights this issue. The global leader in the office furniture industry surveyed 10,500 employees working in open plan offices across 14 different countries and found that only 11% of workers in open plan offices are engaged and inspired at work, 63% are disengaged and unmotivated, 37% describe their workplace as 'stressful'.

Lack of privacy and unwanted distractions were workers number one complaint, with the average worker being interrupted every three minutes and taking up to 23 minutes to return to the task at hand. In the UK only 57% of the people surveyed said they could concentrate easily and only 50% are able to work without interruption.

49% of all offices in the UK are open plan, the highest figure of the countries surveyed, and although most workers felt that open plan spaces were fit for their lifestyle and an appropriate space for them to work, many still reported being stressed and distracted.

Bostjan Ljubic, vice president of Steelcase UK and Ireland said: "This research shows that although there are positives to working in an open plan office, including the ease of communicating with colleagues and collaboration, it also shows that workers need privacy to fulfil more demanding tasks.

"By catering for different work styles in the office, and providing employees with a choice of space, UK businesses can ensure that workers are supported, reducing the impact of distraction on workers' wellbeing and productivity."

Following the research, Steelcase have collaborated with Dr Susan Cain, author of bestselling book 'Quiet: The Power of Introverts in a World That Can't Stop Talking' on spaces that address the need for more focus and privacy at work. Her tips for reducing the stress of our over-stimulating and high-tech offices include:

- giving permission to be alone;
- control over their environment such as adjusting lighting, noise and temperatures;
- offering sensory balance including materials and sounds that reflect nature;
- being psychologically safe by getting away from people watching them or being interrupted.

Ljubic says: "There needs to be a balance between the isolated, cage-like office cubicles of the past and today's noisy, public and distracting spaces. The solution is to offer a balance, spaces to relax or focus as well as spaces to collaborate and be social, when workers are given the power to make decisions over their working environments the workspace will be a much more productive and stress-free environment."

CIPP survey on OTS Employment Status Project

28 November 2014

Determining the status of a worker and trying to establish if someone is employed or self-employed can be very complicated. Mindful of this, the Office for Tax Simplification (OTS) is now undertaking a review of the process for determining the status of a worker, and we are launching a CIPP survey to understand the views of our members.

The OTS is gathering evidence of where the complexities lie when determining whether someone is employed or self-employed for tax purposes. To feed into this review the CIPP Policy team has created a [survey](#) addressing the areas covered by the OTS Employment Status Project.

In view of the fact that employment status is not always straight forward, there are many areas covered by this review, and as a result, the survey is quite lengthy. It may take you up to 30 minutes to complete it. That being said, the

purpose of this [survey](#) is to highlight the areas which need simplifying, and the more information we can provide to OTS the better.

The Policy team would be grateful if you could spare the time to complete this [survey](#) so we can put OTS in the best position to make recommendations for removing some of the complexities from this process. The [survey](#) will close on 22 December 2014. Thank you for your help.

TUC wants employers to do more for mothers returning to work

1 December 2014

In response to new research about parents returning to work after childbirth, the TUC are calling for employers to improve the support they give to mothers coming back to work.

Responding to [research](#) published by the National Childbirth Trust – on parents' experiences of returning to work after the birth of a child – the TUC General Secretary Frances O'Grady said: "This new research shows that employers need to do more to ensure that, when their female employees go back to work after their maternity leave is over, their return is as straightforward and as stress-free as possible."

You can see the full TUC press [release](#) here.

TUC says employers are 'stuck in a time warp'

3 December 2014

Thousands of new mothers are still being "shunned" by employers despite increased legal protection and new flexible working legislation, according to a report.

The TUC said that although the number of tribunal complaints involving pregnant women increased by a fifth during the recession, with more than 9,000 women taking their employers to tribunal, this is merely the "tip of the iceberg".

The report, [The Pregnancy Test: Ending Discrimination at Work for New Mothers](#), said that many more new mothers could be facing discrimination but the process of taking an employer to tribunal was too expensive since the introduction of fees in 2013.

"It's enough to put many women off, especially those on statutory maternity pay of just £138 a week," the TUC said.

According to the report, six in 10 working mums with children either at nursery or primary school work part-time, which can mean a serious drop in earnings when they return to work.

Health and Safety Executive releases annual data on workplace dangers

8 December 2014

The Health and Safety Executive (HSE) has released their annual statistics report for Great Britain that highlights the dangers to employees in the nation's workplaces, including illnesses contracted, injuries sustained, the working days that are lost and the economic cost to the UK.

According to the [report](#), over 1.2 million people were suffering with some form of illness during the last year, with just over half a million of those employees developing a new ailment during that time. Around 184,000 (34percent) of these newly-acquired illnesses were musculoskeletal in nature, while almost 46percent were related to stress, depression or anxiety.

The HSE study also confirms that employees suffer more fatal accidents in construction, agriculture or waste and recycling industries than in others. Non-fatal injuries were also reported. Slips and trips were the most common kind of accident (28%), followed by those incurred while handling, lifting or carrying (24%), while another 10% were due to being hit by moving objects.

Tis the season for staff absences!

9 December 2014

With Christmas just around the corner many workplaces will be planning for the holiday period. Getting workplace issues wrong could dampen festivities, and Acas have gathered together some very timely advice on how to avoid or manage problems.

We are very grateful to Acas for a very thorough collection of helpful advice for employers:

Holidays

Both Christmas and Boxing Day are [bank holidays](#). While thousands will be celebrating with time off, many others will carry on working. A common myth is that an employee is entitled to have bank holidays off but the reality is it depends on what's in their [contract](#).

- [Written statements of terms and conditions](#)
- [Contracts of employment elearning](#)
- [Varying a contract of employment leaflet](#)
- [View Acas resources that can help](#)

We have also updated our holiday pay webpage to include guidance on the recent Holiday Pay and overtime judgment which may mean that the rules employers and workers follow to calculate holiday pay may need to be updated. [Find out more on our webpage](#)

It's good to plan ahead to ensure holiday requests are dealt with and employers have policies in place to handle absences effectively. [Acas has guidance](#).

Managing absence

Winter often means having to deal with a range of work [absences](#) from a flurry of [holiday requests](#) to illness through colds and flu. Managing absence effectively is key when running a business but can often feel difficult to handle.

- [Step-by-step guide](#)
- [Template letters and forms](#)
- [Absence training](#)
- [Managing attendance and employee turnover guide](#)
- [Discipline guidance](#)

Acas winter guidance

Adverse [weather](#) can lead to staff shortages due to travel disruption. The key points are:
Employees are not automatically entitled to pay if unable to get to work because of [travel disruption](#)

Be flexible where possible
Use information technology
Deal with issues fairly
Plan ahead

Acas has [bad weather](#) guidance to help.

Work life balance employer survey

22 December 2014

The findings of a major study of work life balance in British workplaces have been published by the Government.

The study involved a [survey](#) of employers, and covers requests to employers and take-up of entitlements to various types of flexible working, parental leave, retirement ages, and working hours.

The theme of flexible working has been drawn particularly widely for this study, to include part-time working, reduced hours (for a limited period), job shares, flexitime, compressed weeks, term-time only working, annualised hours, and working from home regularly.

The study shows that since the previous survey in 2007 there have not been great increases in employers reporting either take-up or availability of flexible working, except for the take-up of working reduced hours for a limited period. Flexible working was more likely to be available and taken up in larger organisations, in the public sector, in establishments where there was a higher proportion of female workers, and establishments where there was a union presence.



CIPP response to the call for evidence on employment status

24 December 2014

The results of the CIPP survey to inform the Office for Tax Simplification (OTS) consideration of the employment status process are now complete, and the report issued to the OTS.

The Office for Tax Simplification (OTS) has now turned its attention to reviewing the process for determining employment status. At the beginning of December 2014 they issued a call for evidence and the CIPP Policy team published a survey to its members to help inform OTS thinking.

The results of this survey have now been collated and the response has been issued to OTS. Key findings to emerge from this research were:

- The overwhelming opinion is that the current law is very grey when determining employment status.
- The education sector seems to have a clear issue determining the status of some workers.
- Almost two thirds of respondents say that the decision regarding employment status rests with the engaging business.
- There is a strong feeling that the tax system does not manage these problems very well.
- Opinion is divided as to whether the tax system is compatible with employment law in this area.
- Tax is not, on the whole, the main driver when engaging people; rather it is usually a combination of factors.
- There was a cautious welcome to the idea of a statutory employment test.

The Policy team would like to thank everyone who responded to this survey. You can view the full response [here](#).

Reduced red tape for business

5 January 2015

The Government has published a new report on its efforts to reduce red tape for businesses.

The [announcement](#) by Business Minister Matthew Hancock highlights a strict One-in, Two-out rule, which obliges government departments to find a double cost saving for any new regulation imposed on business.



Among the claimed improvements benefiting employers are:

- the introduction of [Early Conciliation](#), helping employers and employees settle issues quickly, avoiding the expense, risk and stress of going to an Employment Tribunal. This is saving businesses £24 million per year
- [support](#) for small businesses to make it easier, quicker and simpler to engage with HMRC and to help them to get their tax right, first time.

On the other hand, one of the new measures scored as adding £18.8 million is nevertheless badged as helping employers. This is the introduction of controls on charges in qualifying schemes used for automatic enrolment. According to the Government, "this measure is being introduced to ensure that members' retirement savings are not eroded by high or unfair charges. It also supports the Automatic Enrolment programme and will help maintain trust and confidence in pension providers supporting it. The measure will be implemented to allow some combination charging structures which help new providers enter the market, to ensure that there is a diverse competitive market for workplace pensions."

Work From Home Week

22 January 2015

This week celebrates the 12th Work From Home Week which aims to get employers and employees thinking about the option of working from home and all the benefits it can bring. Launched in 2003, Work From Home Week aims to get employers and employees thinking about the option of working from home and all the benefits it can bring, from avoiding the rush-hour crush to creating a better work/life balance.

With 14% of people in employment working from home, this is proving to be a viable and attractive alternative for businesses and workers across the UK. In June 2014, new right to flexible working laws were introduced in the UK, declaring that all employees - who have worked for the same employer for at least 26 weeks - are eligible to request flexible working, including the option of working from home. In fact, most recent figures now show that around 14% of people in employment are working from home, highlighting the idea that it's increasingly becoming a viable and attractive alternative for businesses.

[Work From Home Week](#) have compiled the top 5 reasons for employers to consider:

- **Money** - Not only would you save money on travel costs - train tickets, petrol, parking, etc. - but not eating out for lunch on a regular basis is bound to save you some pennies too. For parents, it gives the opportunity to radically reduce the costs of childcare.
- **Commute** - Forget about delayed trains or road traffic dampening your spirits.
- **Comfort** - Rather than donning a power suit or being restricted to a desk all day, choose your own dress code and working environment.
- **Green Living** - Working from home can help reduce your carbon footprint, conserve office space for your employer, and perhaps most importantly, allow you to be the master of your own environment!
- **Freedom/Flexibility** - Having the freedom to choose your hours and coffee breaks, while not being dragged in and out of corporate meetings all day is something that could potentially boost your overall moral and work ethic. Not to mention it allows you to create that ideal work/life balance.

Employment Tribunals

Tribunal confirms termination payment liable to tax in full

13 November 2014

A former Nestle employee's has been ruled to be liable for the tax on a lump sum payment received in exchange for giving up membership of the organisation's healthcare scheme.

Many thanks to Employee Benefits for this report on the Tribunal decision in the case of Forsyth v HMRC:

While Mr Forsyth was employed by the organisation, the claimant was a member of its healthcare scheme. Although this membership ceased upon his retirement, he discovered others in his position were still able to enjoy the scheme benefits. The claimant contacted Nestle and it was agreed he could continue to have access to the healthcare scheme for himself and his family but was required to make a contribution.

Nestle later subsequently offered him and his wife a one-off payment of £29,783 through a compromise agreement to leave the scheme, which he accepted. The organisation made the payment, after deduction of income tax but the retired employee completed his tax return on the basis that the compensation payment was a capital gain, split 50% between himself and his wife.

HM Revenue and Customs (HMRC) contended the payment was to Forsyth alone and was subject to income tax. The former employee disputed the claim, on the grounds that if it was received by him alone, then the payment was subject to the termination payment £30,000 tax exemption provided.

The First Tier Tribunal upheld the decision in Forsyth v HMRC that the payment was taxable under the employer-financed retirement benefit provisions as a lump sum, rather than within the termination payment provisions. Tina Riches, national tax partner at Smith and Williamson, said: "The payment was a benefit from a scheme for the provision of benefits which is not a registered pension scheme and from which a lump sum, gratuity or other benefit is received, so was taxable. The tribunal also found that it was not a termination payment and so did not benefit from the £30,000 tax exemption. Employers should take care to assess the pay-as-you-earn (PAYE) implications of lump sum payments to former employees in the light of this case."

CIPP comment

The question of whether a payment on leaving is taxable in full or qualifies for the £30,000 exemption is a complex one. Readers are reminded of the CIPP training [course](#) on Termination Payments which covers this and other useful topics.

Tribunal finds employee disabled when evidence indicates otherwise

18 November 2014

The case of Department for Work and Pensions v Conyers shows how unpredictable disability discrimination cases can be, and at the same time provides some useful guidance for employers in relation to these cases.

We are grateful to the Chartered Institute of Personnel and Development (CIPD) for their [report](#) on this case, which rested on whether the employee in question was disabled.

The report shows that the tribunal found that the claimant in this case was disabled when:

- the joint expert report said she was not
- the witness statement said the employee thought she was not
- the evidence from the employee on the day indicated she was not disabled.

However the Employment Appeals Tribunal reversed that decision, relying on those notes of the tribunal hearing which could be located. The case therefore illustrates the value of taking a comprehensive note of tribunal hearings where possible.

PWC loses flexible working discrimination case

20 November 2014

PricewaterhouseCoopers (PWC) has lost a sex discrimination case against an employee who wished to pursue work flexibly but had his request rejected.

We are grateful to Employee Benefits for their analysis of the tribunal decision in the case of Pietzka v PricewaterhouseCoopers:

Erik Pietzka, who was a manager at accountancy firm PWC's office in Cardiff, was told by his employer that pursuing the idea of flexible working would damage his career, while women in the same office had requests accepted.

He raised the issue of flexible working in November 2010, seeking to work a three-day week because he was experiencing difficulties in his family life and wished to spend time with his daughter. Pietzka's request was initially denied but it was later agreed that he could take one day off a week.

The employment tribunal (ET) heard that the employee who dealt with Pietzka's applications was of the belief that flexible working hours for family purposes were more suited to female workers than male workers, and "found it difficult to accept that the claimant would wish to put family issues above work".

During Pietzka's time at the organisation, PWC won several awards for diversity and gender quality. It also has both men and women across the organisation that work part-time and flexible hours. According to the ET, however, this inclusive culture did not extend to one senior employee.

Employers have been legally obliged to consider both mothers' and fathers' requests for flexible working since 2002.

Employee on maternity leave selected for redundancy not offered alternative role

24 November 2014

An employer's failure to offer an alternative role to an employee selected for redundancy while on maternity leave was adjudged to be automatically unfair.

We are grateful to Pinsent Masons for their report on the Employment Appeals Tribunal (EAT) decision in the case of Sefton Borough Council v Wainwright:

The EAT ruled that an employer who had failed to offer a suitable alternative role to an employee selected for redundancy while on maternity leave was in breach of its obligation under Regulation 10 of the Maternity and Parental Leave Regulations 1999 ("Reg. 10"). Reg. 10 requires employers to offer a "suitable available vacancy" to women being made redundant whilst on maternity leave, and failure to comply leads to a finding of automatically unfair dismissal. The EAT further decided however, that it is not necessarily discriminatory for an employer to fail to comply with Reg. 10. In this instance, whilst the claimant had been treated unfavourably, the treatment was not "because of" her pregnancy or maternity leave, as is prescribed by the conditions for direct discrimination under the Equality Act 2010 ("EqA").

The claimant ("W") had been employed by a local authority ("the Council"), as Head of Overview and Scrutiny. Faced with having to make budget cuts, the Council initiated a redundancy and reorganization procedure in 2012. As part of the restructuring process, the Council proposed to abolish the roles of W and a male employee ("P"), and replace them with a combined role of Democratic Service Manager ("DSM").

In July 2012, W and P were notified that their positions were at risk of redundancy. At this point, W had commenced her maternity leave. In December 2012, the Council interviewed both P and W for the DSM role and decided that P was better qualified for the new role, and offered him the position. On 8 January 2013, W was given three months' notice of redundancy and was dismissed as redundant in April 2013.

W brought a claim for unfair dismissal, alleging that the DSM role was a suitable available vacancy, which the Council was obliged to offer her under Reg. 10. W also brought a claim for discrimination. The ET upheld both claims, deciding that, where there is a suitable available vacancy, it must be offered to the employee on maternity leave. The Council's

failure to do this meant that W's subsequent dismissal was automatically unfair and an act of direct pregnancy and maternity discrimination.

The Council appealed on both grounds, arguing that W's right under Reg. 10 had not been triggered until a decision had been made with regards to who would be a more suitable candidate for the DSM role. Essentially, W could not have been deemed to have been made "redundant" for the purpose of Reg. 10, until the Council actually made the decision as to who would get the position.

The EAT dismissed this appeal. Applying the Council's interpretation would undermine the protection offered by Reg. 10. The ET did not err in its conclusion that there was a redundancy when the Council decided that the two positions would be replaced by one. The EAT commented that a proportionate response to W's circumstances would have been for the Council to offer her another position if they preferred to give the DSM role to P. This was not the case however, with the only suitable available vacancy being the DSM role which, when offered to P, put the Council in breach of Reg. 10.

The EAT did however uphold the Council's appeal in relation to the direct discrimination claim. The ET had not asked the reason why W had been treated the way she was. It followed that the ET was incorrect in assuming that a breach of Reg. 10, inherently equated to a form of discrimination. The EAT accepted that, whilst W had been treated unfavourably and this coincided with her being on a relevant period of maternity leave; this treatment was not necessarily "because of" her pregnancy or maternity leave and therefore fell short of the conditions required under EqA. The EAT has remitted this part of the claim back to the same ET for a decision.

Court rules on damages claims for psychiatric injury

27 November 2014

The Court of Appeal has ruled on the question of damages claims for psychiatric injury. We are grateful to Daniel Barnett for this report on the Court of Appeal judgment in the case of *Yapp v Foreign and Commonwealth Office (FCO)*.

Mr Yapp was appointed British High Commissioner in Belize. A year later he was withdrawn from the post and suspended, pending investigation of allegations of misconduct. He then received a writing warning. His suspension was lifted, but he developed a depressive illness and had to undergo heart surgery. He did not in fact receive any other appointment in the Foreign and Commonwealth Office until his retirement.

He commenced proceedings against the FCO, complaining of the withdrawal of his post and the way the disciplinary process was conducted. He said the resulting stress had caused his depressive illness, which both constituted damage in itself, and led to pecuniary loss.

The trial Judge found that the withdrawal of the claimant from his post was both a breach of contract and a breach of the duty of care which the FCO owed him at common law (but dismissed the claims in relation to the disciplinary process. The FCO appealed against the finding of liability. It further contended that, even if it were in breach, the claimant was not entitled to recover damages for his depression and its consequences on grounds of causation and/or remoteness.

The Court of Appeal (lead judgment: Underhill LJ) dismissed the FCO's appeal against the findings of breach of contract and causation. But it allowed its appeal on the issue of remoteness of the claim for psychiatric injury. There is a masterly survey of the authorities on remoteness at para 79-133. And the judgments are rich in the analysis of the law in this area generally.

In contract, the question is: was the damage in question of kind which was "not unlikely" to result? In tort, was the damage "reasonably foreseeable"? The former test requires a higher degree of likelihood of damage occurring than the latter. It therefore made more sense to start with the claim for the breach of the common law duty of care, since the tortious test of remoteness was more favourable to the claimant.

The Court came to the conclusion that it was wrong to find that it was reasonably foreseeable that the FCO's conduct in withdrawing the claimant from his post without having had the opportunity to state his case might lead him to develop psychiatric illness. According to the Court, it would be exceptional that an apparently robust employee, with no history of any psychiatric ill health, would develop a depressive illness as a result even of a very serious set back at work. The FCO could not have foreseen, in the absence of any sign of special vulnerability, that the claimant might develop a psychiatric illness as a result of its decision. It therefore followed that if the losses were too remote to be recoverable in tort, they were also too remote to be recoverable in contract.

Effect of not objecting to contract variations

28 November 2014

An employment tribunal has ruled on the question of whether an employee impliedly accepted a variation of her contract of employment by continuing to work, without expressly objecting to it, for 9 years.

Many thanks to Daniel Barnett for this report on the decision in the case of *Wess v Science Museum Group*.

Ms Wess was employed in various curator roles from 1979. Originally she had been entitled to 6 months' notice of termination. In 2003, she was sent a new contract which - among other changes - purported to reduce her notice entitlement to 12 weeks. She never signed the contract, as requested; but neither did she say that she objected to the new terms. She continued to work until her dismissal on 6 weeks' notice.

The ET found that Ms Wess had impliedly assented to a variation of her contract, and the EAT held that that was a permissible conclusion. Although tribunals must be cautious in finding implied acceptance of a unilaterally-imposed new term whose effect is not immediate, the employer had made it plain here that future employment was offered on the basis of an entirely new contract.

The result is plainly right, even if contract pedants may regret that the EAT passed up the opportunity to clarify the often-blurred distinctions between affirmation, acceptance of variation, and waiver of breach.

Aerosol and perfume ban not a practicable reasonable adjustment

1 December 2014

The Employment Appeals Tribunal (EAT) have ruled that no reasonable adjustments could have been made for an employee who had a potentially life-threatening sensitivity to aerosols and perfume.

We are grateful to Pinsent Masons for this report on the EAT judgment in the case of *Dyer v London Ambulance NHS Trust*:

The claimant, Mrs Dyer ("D"), was employed by London Ambulance NHS Trust ("the Trust"), to answer 999 calls in a control room, which was often busy and used by many other employees and members of the public. In 2006, D began to suffer from a severe reaction to an aerosol body spray, which involved her experiencing sweating, shortness of breath and chest pain. Over the next two years, D suffered from five incidents due to aerosol exposure, with the final episode resulting in a near-death experience requiring her to be hospitalised for four days. D signed off from work in March 2009 and did not return following this.

Following medical advice from a leading expert, the Trust established that no reasonable adjustment could be made in the circumstances and in June 2011, dismissed D on the grounds of capability. Following an unsuccessful appeal against this decision, D brought claims for unfair dismissal and disability discrimination. D identified the practice of allowing individuals to spray cosmetic products and wearing perfume in communal areas as the relevant PCP, which caused her to suffer an adverse reaction. D argued that the Trust should have made a reasonable adjustment in relation to this PCP.

The ET dismissed this and concluded that it was neither reasonable nor practicable for a workplace such as the Trust to implement an aerosol and perfume-free policy. The ET noted that such a policy may have been possible to implement in a smaller organisation, taking into account the fact that if an individual inadvertently failed to observe such a policy, this could be fatal. The ET also dismissed the unfair dismissal claim, ruling that the decision to dismiss D was the only decision a reasonable employer could have taken given the circumstances. D appealed.

The EAT dismissed the appeal and ruled that the ET had correctly concluded that there was no reasonable adjustment that could have been made. The EAT noted that the Trust had made attempts to alert employees to the risks that aerosol and perfumes posed D; an approach which did not alleviate the situation. Given the nature and size of the Trust's workplace, the ET was correct in determining that it would not be possible to achieve a perfume and aerosol-free environment. D's desire to return to work did not affect the assessment of whether it was reasonable to make an adjustment, which the EAT established must be viewed objectively.

In her argument, D cited the principle that an employer is not obliged to dismiss an employee if they are exposed to risks within the workplace (**Withers v Perry Chain Co Ltd** [1961]). The EAT noted that this case predated unfair dismissal and disability discrimination legislation and therefore, was of limited relevance. Moreover, much like other personal injury cases, this was not a principle commonly used in the ET and therefore, the EAT did not deem it proper to adjudicate on such issues.

Was the plumber an employee?

8 December 2014

The Employment Appeals Tribunal (EAT) has ruled on the question of whether a plumber was employed or self-employed.

Many thanks to Daniel Barnett for this report of the EAT decision in the case of Pimlico Plumbers v Smith.

Although the Claimant wore Pimlico Plumber's uniform and drove a van with Pimlico's logo, the written agreements gave the impression he was in business on his own account.

The Claimant was paid against receipt of invoices, personally accounted for tax and was VAT registered. He was required to provide his own tools, equipment and materials and maintained his own insurance. Although required to work a minimum number of weekly hours, he could choose particular working hours and could reject particular jobs. Pimlico was under no obligation to provide work if none was available.

In upholding the decision that he was not an employee, the EAT held the employment tribunal had been entitled to have regard to the Claimant's financial risk, the degree of autonomy as to quotations and how work was carried out. It was also of significance that both parties acted as though the Claimant was self-employed.

The EAT also upheld the decision that the Claimant was a 'worker', largely because it was envisaged that he would provide personal service. It was reaffirmed that an unqualified right to provide a substitute negates personal service but that where prior consent to a substitute is required the right is not unfettered.

There was no express provision which permitted substitution and, it was held, the most Pimlico Plumbers was willing to tolerate was a form of job-sharing or shift swapping without any legal obligation, which was insufficient to amount to an unfettered right of substitution.

Expenses and Benefits

Benefits in kind statistics

18 November 2014

New statistics published by HMRC include a series of tables about the taxable benefits in kind paid by employers showing the number of recipients, the taxable value of the benefits and the tax and National Insurance contribution (NIC) liabilities on them.

The [report](#) explains that this is the latest in an annual series, thus enabling readers to follow changing trends over the years. They are viewed as comprehensive,

- apart from information supplied late by employers, and
- save for the important exception that payrolled benefits are not included. HMRC estimate that the taxable benefit value of these is approximately 5% of the total taxable value reported in the tables. Presumably this means that future issues of this report could become progressively less comprehensive if voluntary payrolling increases significantly following the recent consultation.

The 2012-13 figures (currently viewed as provisional) show that:

- the number of recipients of benefits in kind continued to remain relatively steady at 3.6 million in 2012-13, including 300,000 directors.
- the total taxable value of all benefits in kind in has also continued relatively steady at £7.5 billion in 2012-13.
- the number of recipients and total taxable value of excess mileage allowance payments decreased further in 2012-13 as a result of some employers reducing mileage payments to employees.
- private medical and dental insurance was the most widely received benefit (by 62% of all those receiving any benefit), followed by cars (26%) and excess mileage.

Advisory Fuel Rates for Company Cars from 1 December 2014

2 December 2014

HMRC have published the new rates which apply from 1 December 2014. As before, they have confirmed that employers can use the previous rates for up to 1 month from the date the new rates apply.

The new rates are:

Engine size	Petrol	LPG
1400cc or less	13p	9p
1401cc to 2000cc	16p	11p
Over 2000cc	23p	16p

Engine size	Diesel
1600cc or less	11p
1601cc to 2000cc	13p
Over 2000cc	16p

Hybrid cars are treated as either petrol or diesel cars for this purpose.

[Follow this link for details on how the rates are calculated](#)

What is the impact on flexible benefits and salary sacrifice?

5 December 2014

Within the Autumn Statement the Chancellor announced about countering “the avoidance of tax through special purpose share schemes, miscellaneous losses and payments of benefits in lieu of salary” and has caused some commentators to worry about a possible attack on flexible benefit and salary sacrifice schemes. HMRC have provided us with some helpful reassurance.

HMRC have essentially given reassurance that the concern is only about reimbursed expenses included in a salary sacrifice scheme.

The HMRC clarification says that:

The reference to "payments of benefits in lieu of salary" referred to the announcement that tax relief will not be available in future on reimbursed expenses that are provided as part of a salary sacrifice scheme. This change is referenced in paragraphs 1.251 and 2.136 of the Autumn Statement document, reproduced below:

"1.251 As part of its reform of the rules for employee benefits and expenses in response to recommendations by the Office of Tax Simplification, **the government will stop tax relief from being claimed on reimbursed business expenses when they are paid in conjunction with a salary sacrifice scheme.**"

"2.136 Simplification of the administration of employee benefits and expenses –

As announced at Budget 2014 the government will simplify the administration of employee benefits and expenses. From April 2015 the government will provide a statutory exemption for trivial benefits in kind costing less than £50. From April 2016, the government will remove the £8,500 threshold below which employees do not pay Income Tax on certain benefits in kind and replace it with new exemptions for carers and for ministers of religion. It will also exempt certain reimbursed expenses and introduce a statutory framework for voluntary payrolling. The new exemption for reimbursed expenses will not be available if used in conjunction with salary sacrifice. (Finance Bill 2015)".

Expenses and benefits changes: draft legislation and consultation responses published

11 December 2014

The Autumn Statement confirmed the Government response to four major consultation exercises conducted during the summer, covering voluntary payrolling, abolition of the £8,500 threshold, and exemptions for trivial benefits and reimbursed expenses. Now the detail of that response has been issued in the form of draft legislation and responses to the consultations.

HMRC has published the draft legislation on the four consultations, as well as associated Tax Information and Impact Notes (TIINs). You can find the links to all of them by visiting the HM Treasury website [here](#).

The reports on the various consultations can be accessed through the following links:

- [voluntary payrolling](#)
- [abolition of the £8500 threshold](#)
- [trivial benefits exemption](#)
- [reimbursed expenses](#)

Zero emission car changes

22 December 2014

HMRC have confirmed details for implementing the new zero emission company car bands from April 2015.

Legislation in the Finance Bill 2013 introduced two new appropriate percentage bands for zero emission company cars from 2015-16; cars emitting:

- 0-50g of carbon dioxide per kilometre (with appropriate percentage set at 5 per cent)
- 51-75g CO₂ per km (with the appropriate percentage set at 9 per cent).

This change means that from 6 April 2015 the Fuel Type E on the P46 (Car) is no longer required. The paper version of the Form has been amended to remove this; however the e-filing specifications for the P46 (Car) do not yet reflect this change.

For software packages which support P46 (Car) submissions HMRC request where possible that the use of Fuel Type E is prevented and that the Fuel Type selection is restricted to Type A or D only from 6 April 2015.



Payrolling Benefits in Kind – HMRC needs your help

9 January 2015

Following the consultation last summer on real time collection of tax on benefits in kind and expenses through voluntary payrolling, the Chancellor announced in his autumn Statement his intention to legislate to put voluntary payrolling on a statutory footing. HMRC are now looking for employers who are currently payrolling to share their experiences at a meeting.

HMRC is now seeking to engage with employers who are currently payrolling and would like to invite anyone who is payrolling to attend a meeting to share their experiences and to help HMRC to develop their thinking on the technical aspects of this change.

There are provisional dates booked of:

- 16 January 2015 – 10-12pm
- 23 January 2015 – 2-4pm
- 26 January 2015 – 2-4pm
- 28 January 2015 10-12pm

All will be in London, at 100 Parliament Street.

Please could any parties interested email employmentincome.policy@hmrc.gsi.gov.uk by midday on 14 January stating:

- which meeting you would like to attend and
- what BiKs you currently payroll.

If anyone would like to work with HMRC but cannot attend in person please also send an email to the address above and provision can be made for them to dial into the meeting by phone.

Helpful summary of expenses and benefits OTS recommendations and Government responses

12 December 2014

Busy payroll professionals may be forgiven for reeling from the volume of government documents just issued setting out the detail of the expenses and benefits changes announced in the Autumn Statement. We hope therefore that our summary of the key points will be a welcome time-saver.

[Abolishing the P9D](#)

The P9D is to be abolished from April 2016, but with two exceptions:

- Ministers of Religion who earn with benefits less than £8,500 will be exempt but will be reportable on a P11D but no Class 1A;
- Carers who are required to board and lodge with the person being cared for will be except from tax and Class 1A employer NI.

Issues clarified:

- A volunteer is someone who is not an employee nor on an employment contract and therefore not subject to BiKs so there should be no unfairness or effect.
- Taxi (60 permitted for late night from office) issue raised if under £8,500. Government has rejected this request, and therefore more than 60 taxi journeys are reportable and taxable.

[Trivial benefits](#)

Exemption introduced from April 2015, with a limit of £50 per trivial benefit, with no annual cap on number or amount. The legislation will allow future increases in this amount.

The Government will establish the trivial benefit exemption on a principles basis as it is clear that stakeholders agreed that this provides the appropriate framework. The principles are that the benefit:

- must not be cash or a voucher that is exchangeable for cash.
- cannot be used in conjunction with any salary sacrifice arrangement or any other contractual obligation.
- must not be provided to the employee in recognition of particular services performed in the course of the employment or in anticipation of such services.

Detailed clarification issued:

2.13 In response to concerns raised by stakeholders, the Government has made some changes to the principles, to ensure that they provide the clarity required for the exemption to represent a real simplification. This includes allowing non-cash vouchers within the definition of a trivial benefit for the purposes of the exemption, to accommodate an individual's beliefs or preference and to ensure equality of treatment.

2.14 The Government has also decided that the concept of whether a benefit is provided "irregularly" or not would not provide a clear definition that would give employers certainty of treatment. It would not be possible to ascertain in 'real-time' whether a benefit was provided irregularly without reference to other benefits an employee had received, undermining the simplification intended.

2.15 However, the policy intention is still to provide an exemption that allows employers to provide a small number of low cost benefits to employees, and so a suitable alternative principle was considered. In particular, consideration was given to the kinds of circumstances in which employers currently provide trivial benefits – these are intended to be related to personal events or to the welfare of the individual, outside of the performance of their duties as an employee. The Government has therefore decided to define a trivial benefit as one which is provided by an employer to support their employees' welfare, and not in recognition of particular services performed by the employee in the course of the employment, or in anticipation of such services.

2.16 Finally, the Government has recognised the issue raised by respondents regarding how "pre-arranged entitlements" would apply within the exemption. The Government has decided that for there to be no pre-arranged entitlement, there must not be any contractual obligation to the benefit, including through salary sacrifice. An employer having a corporate policy of providing a benefit at certain points in the year, but without a contractual obligation to do so, would not be caught by this definition.

[Reimbursed expenses](#)

Further consultation will be held on models and the writing of guidance with stakeholders, and the CIPP will look to be involved in this.

HMRC will remove the current practice (very small and minority) of those who allow employees to salary sacrifice expenses.

HMRC will continue to allow employers to have custom scale rates but employers will need to seek approval from HMRC based on random sampling and complete a prescribed form.

[Voluntary payrolling](#)

Legislation will be laid to allow employers to use this new process from April 2016.

The Government recognises the importance of flexibility for employers, but is also mindful that one of the purposes of putting payrolling on a statutory basis is to provide consistency for both employers and employees. Lack of consistency and transparency for employees creates uncertainty and drives-up queries for employers and HMRC.

Detailed clarification:

2.34 To support flexibility for employers and that “locking-in” to a scheme of payrolling might deter some employers from opting-in, the Government will develop a scheme that is entirely voluntary, so that an employer that has started payrolling can choose to opt-out with effect from the start of a tax year. There are some practical issues should an employer decide to opt-out, such as reinstating benefits in employees’ PAYE tax codes. HMRC will work on these to support employers who may decide to opt-out.

2.35 The Government has considered the responses to the consultation carefully and has decided that as a first step car, car fuel, medical insurance and subscriptions such as gym membership will be included in the scheme. These benefits have a high degree of certainty about their cost at the start of a tax year, so naturally lend themselves to payrolling. They are also the most popular benefits provided to employees by employers. Once payrolling is established, the Government will consider how other benefits can be payrolled.

2.36 As noted, a voluntary scheme does involve practical issues – for example, adjusting employees’ PAYE tax codes in advance of opting out – that HMRC will continue to work on in advance of payrolling going live.

2.37 There are a number of detailed questions that HMRC will discuss further with stakeholders on the detail of how a scheme will be designed and operate effectively for employers and employees. These include:

- The extent to which in practice some employers would decide to payroll some, but not all, of the benefits proposed for payrolling;
- The extent to which in practice an employer would need to exclude certain employees from payrolling;
- How to avoid confusion for employees where an employer has discretion over the benefits it can choose to payroll and/ or might choose to exclude some employees;
- The payment of Class 1A NICs in real time.

Government accept further payroll simplification recommendations from the OTS

15 December 2014

In a letter to the Office of Tax Simplification (OTS), the Government have accepted several of their recommendations for payroll, including a post-implementation review into RTI and consideration of the “on or before” rule.

The [letter](#) from David Gauke MP, the Financial Secretary to the Treasury, ranges over most areas of taxation, and includes a number of new announcements concerning OTS proposals for simplifications in the payroll arena. These are tabulated on page 9 of the letter, and include:

- Agreement to consider harmonising tax and national insurance as far as possible
- A post-implementation review of real time information, and consideration of whether full “on or before” reporting is necessary
- Agreement to consider extending the remit of the short-term business visitor provision, and simplifying the national insurance application process for staff coming in from abroad
- Agreement to allow employers to authorise software providers or others to deal with HMRC on their payroll issues.



We should stress that at present these are all proposals, and would need legislation before any such changes could come into force.

Tax-free childcare impact assessment

21 November 2014

The government have issued an impact assessment on the new tax free childcare scheme, which they believe is a fairer scheme targeted at working families.

The [publication](#) argues that “the current scheme to support parents with the cost of childcare, Employer Supported Childcare (ESC), is neither effective nor fair, as many working families are unable to access support.

Survey data in the report suggest that many mothers would move into or increase their hours in work if they could arrange reliable, affordable, convenient, good quality childcare.

The new scheme is targeted at working families and is a wider, fairer and better way to help with the costs of childcare.”

GOV.UK

Move of HMRC guidance to GOV.UK

20 November 2014

Over the last few months we have discussed the transfer of HMRC guidance to GOV.UK and we share the concerns of members about the difficulties this brings.

Whilst we would urge you to provide feedback to GOV.UK using the comment box present on each web page, we would also like to encourage you to email [policy](mailto:policy@cipp.org.uk) to tell us about any specific concerns you have, whether there is any guidance you feel is missing, or whether there are elements you feel are incorrect. We are very grateful for any help you can give us in this area.



International personal tax guidance moving to GOV.UK

24 November 2014

HMRC have confirmed that Personal Tax International guidance will move to GOV.UK on 1 December 2014. We understand that this guidance covers tax and national insurance contributions of foreign employees working in the UK and compliance relating to residence and domicile.

HMRC web guidance for agents moving to GOV.UK

1 December 2014

HMRC have confirmed that they are now preparing to move their web guidance for agents to GOV.UK.

The [announcement](#) indicates that this material will move before the end of December. It also explains that guidance for agents (presumably including payroll agents and bureaux) will transition “as is”, and that it will include a new specialist browse area.

CIPP comment

Do not forget to send your views on this content to [policy](mailto:policy@cipp.org.uk) as well as any feedback you send direct to GOV.UK. This announcement suggests that the GOV.UK offering for agents (and this should include payroll agents and bureaux too) is specially designed to suit their needs, and it will be important to check that this happens as indicated.

HMRC homepage now redirected to GOV.UK

17 December 2014

HMRC has confirmed that they have now redirected the HMRC website homepage to GOV.UK, the single website for all government information and the place to access government services. They say that by the end of December all guidance for customers will be accessed through GOV.UK.

The HMRC announcement says that:

“Anyone trying to access the HMRC homepage at www.hmrc.gov.uk will now automatically be redirected to the HMRC organisation [page](#) on GOV.UK, where you can find HMRC information and guidance. Not all of the content on the HMRC website has moved to GOV.UK yet, but anything that hasn't, such as our manuals, will remain available on the HMRC website until we move it across.

Guidance on topics we know are relevant to a lot of our customers, including Pay As You Earn (PAYE), Tax Credits, Self Assessment, Child Benefit and VAT, has already moved to GOV.UK. By the end of December, we'll also have moved all of our remaining guidance for customers to the GOV.UK site.

HMRC's existing online services – the ones customers need to sign into, such as Self Assessment, won't change as a result of this move, but our customers will now access them from GOV.UK. In the longer-term, these services will be completely transformed as part of HMRC's ambitious digital plans, and will join new digital services such as Your Tax Account for business, Digital Self Assessment, and the Tax Credits Online service we made available earlier this year.

Any content that doesn't move to GOV.UK – because there's no longer a current need for it – will still be available on the [National Archives website](#).”

CIPP comment

The CIPP Policy Team continues to monitor the transition of HMRC content to GOV.UK, and would welcome comments from members at [policy](#).

HMRC software developer pages have now moved to GOV.UK

18 December 2014

HMRC have confirmed that the software developer pages and technical packs have now moved to GOV.UK

The link to use is [this one](#). HMRC say that existing links will redirect for a period of time and a small amount of content will still be hosted on the HMRC site for a little while longer.

In addition, there is the option to 'sign up to email alerts' for any changes to software developer content. However this will alert you to changes for any of the software developer pages and not just the online service that you are interested in e.g. PAYE, SA etc.

The aim is that this work should have no impact on HMRC's customers – you should not need to do anything except start to use the guidance on GOV.UK.

But HMRC point out that “you can choose to get involved and help us to make sure the content and tools we develop meet your needs. All pages on [GOV.UK](#) include a link (near the bottom of the page) for you to tell us if there's something that isn't working well for you and the [GOV.UK](#) feedback form can accessed using the link below (and it can also be found in the 'Contact' area of [GOV.UK](#)) - <https://www.gov.uk/contact/govuk> .

CIPP comment

The CIPP Policy Team continues to monitor the transition to GOV.UK as a whole, and to collate and share members' concerns with the GOV.UK team. We would therefore be pleased if any feedback on software developer or other pages could be copied to [policy](#).

Shortcuts for HMRC news in GOV.UK

22 December 2014

HMRC have issued information for agents about accessing news on GOV.UK, some of which will also be of interest to employers.

On the transition to GOV.UK, HMRC mention that you can find the latest news by choosing to sign up for our latest feeds on particular topics, including VAT, PAYE and Corporation Tax. Follow the links below, or go to our [Services and information page](#) and choose the topics you are interested in. The link to the latest feed can be found at the top right of each topic page.

- [Self assessment latest feed](#)
- [PAYE for employers latest feed](#)
- [VAT latest feed](#)

As well as this, HMRC have created a [feed for tax agents](#) and are currently working through which GOV.UK content will be most relevant for this feed. They say that this may take a little time.

HMRC mention that they "are working hard to ensure that the guidance on GOV.UK meets the needs of all of our customers and we really want to hear from agents with their suggestions as to how the guidance and tools can be improved. All pages on GOV.UK include a link, 'Is there anything wrong with this page?' (near the bottom of the page) for you to tell us if there's something that isn't working well for you, or, for example, if you've spotted a broken link. The [GOV.UK feedback form](#) can be found in the 'Contact' area of GOV.UK and is the best way to send more substantive comments.

CIPP comment

The CIPP Policy Team attend the Agent Strategy Group meetings and would welcome any suggestions that members might have for subjects that should be covered in the next meeting in March 2015. Please email your suggestions to [Samantha Mann](#) with ASG suggestions in the title. Thank you.



HMRC

HMRC 2014-15 half yearly performance

21 November 2014

HMRC have issued a briefing explaining their performance in the first half of this financial year.

The [briefing](#) reports some notable successes and challenges during the period, such as tax credits renewals and introducing new digital ways of working.

The section of the report covering customer helplines may be of particular interest to the payroll community. This shows that HMRC increased the number of calls handled by 1.8% compared to the same point last year, to 74.5%. This is compared to just 48% of calls in 2010-2011.

Customers are also reported to have benefited from better self-service options on the phone, with the introduction of voice recognition through Intelligent Telephone Automation (ITA), which drew mostly positive feedback from customers. Customers get the information they need automatically, or are routed to an adviser able to deal with their specific enquiry. So far this year the ITA service has handled 7.4 million calls.

Direct Recovery of Debts consultation outcome

24 November 2014

The Government have published the outcome of the recent consultation on Direct Recovery of Debts (DRD), which would enable HMRC to recover cash directly from bank accounts.

The [response](#) says that the objective is to recover cash directly from the bank accounts, building society accounts and ISA accounts of a small number of debtors who owe £1,000 or more. This is expected to bring in around £100 million a year.

The Government seek to reassure the stakeholders who have expressed concerns by further strengthening the safeguards which will apply to the limited use of DRD. These include:

- Guaranteed face-to-face visits to debtors from an HMRC officer
- a new, specialist unit to deal with cases involving vulnerable members of society
- ensuring judicial oversight, with a right of appeal to the County Court
- giving debtors 30 days to contact HMRC and arrange payment of the debt or object to the use of DRD before any money is taken and
- further new safeguards relating to transparency, governance and a phased implementation of the DRD powers.

The Government intend to legislate in a Finance Bill in 2015, during the next Parliament. Draft legislation will be published and consulted on due course.

Employment and Payroll Group to be jointly chaired by HMRC and CIPP

27 November 2014

HMRC has confirmed the establishment of the new Employment and Payroll Group (EPG), which will subsume the existing Employment Consultation Forum (ECF) and two other groups. It will be jointly chaired by HMRC and the CIPP.

The [announcement](#) explains that the new forum:

- will be made up of employer and payroll representative bodies, software developers, employers (small and large) and payroll bureaux; and
 - will be the primary route through which HMRC, and other government departments, engage with the employment and payroll community about big PAYE operational issues.
-

P45 review completed

3 December 2014

The review of the P45 mentioned on page 2 of the October [Employer Bulletin](#) has been completed.

The layout of the form will remain unchanged until at least April 2016 while HMRC considers how the P45 process can be improved. A consultation process on the future of the P45 is to be carried out.

HMRC say that some minor changes will appear within the guidance notes on updated versions of HMRC's pre-printed P45 stationery that is available from February 2015.

Employers have been advised to continue using their existing stocks of pre-printed P45 stationery and they should only order further P45 stationery when these need to be replenished.

The existing plain paper P45(Online) design specifications remain unchanged.

HMRC update on improving services for small business

11 December 2014

HMRC has issued a report summarising their efforts to improve services for small businesses.

They have structured the [document](#) around a number of themes, in the hope that businesses will dip in and out of the sections that most interest them, including:

- delivering new and enhanced digital services: for example the new digital service, Your Tax Account, allowing businesses to manage their services via a personalised homepage
- delivering better help, support and guidance: setting out what is available to small businesses, such as live seminars, mobile apps and payment support
- supporting business to grow: information on the new Employment Allowance of £2,000, as well as other tax reliefs and incentives
- modernising our processes and services: how we're transforming our services to be simpler and more straightforward.

CIPP comment

CIPP's Karen Thomson is part of the Administrative Burdens Advisory Board, and if any members have suggestions for further reductions in burdens, please email [policy](#).

HMRC blocks 4,000 phishing sites to protect taxpayers

16 December 2014

A Government report on cyber security singles out HMRC for the positive steps it has taken to protect its customers.

The Cabinet Office [report](#) focuses both on future plans and on achievements to date across Government.

It includes praise for the Department for Work and Pensions (DWP) for the design of its digital programme. But it is the work of HMRC to deter cyber attacks which attracts most recognition. HMRC is reported to have closed down 4,000 illegal websites and responded to 75,000 phishing reports as part of its pro-active technical measures to protect taxpayers from online fraud. HMRC says it has secured web domains that could be used by criminals to send fraudulent emails to customers for the purposes of delivering malware or stealing personal information. More than 94% of all fraudulent emails spoofing HMRC web domains are now being deleted by internet service providers (ISPs), preventing delivery to customers' mailboxes, according to HMRC.



Large businesses: customer relationship management

16 December 2014

HMRC has published a guide to the customer relationship management model which it uses to manage links with the large business community.

This [guide](#) explains what the relationship management model is based on, what it includes and the role of the CRM.

The key elements of the strategy are set out as:

- Customer Relationship Managers (CRMs) to manage the relationship with the 2,000 largest and most complex businesses in order to improve the handling of issues
- risk assessments of customers against a published framework and resourcing to the highest risks
- a non-statutory business clearance process to provide customers with pre-filing decisions on the tax treatment of transactions to increase certainty.

HMRC half yearly report for April to September 2014

22 December 2014

HMRC have published their latest half yearly report to Parliament.

Highlights from the [report](#) include:

- Improved telephone response rates
- But slightly lower postal response figures
- The switch to 03 prefix numbers now completed for most HMRC helplines, reducing the cost to customers
- A reduction in the total cost of collecting income tax (Self Assessment and Pay As You Earn) to 88 pence per £ collected from 96 pence in the equivalent months of 2013.

Government to use joint venture to collect unrecovered debt

23 December 2014

A new joint venture will now be used to target debts owing to six Government organisations, including those most relevant to employers and employees.

The Government [announcement](#) confirms that “a new company - Integrated Debt Services Limited - jointly owned by the government and TDX Group, an Equifax company, will provide a single point of access to a wide range of debt management and collection services for a number of government departments and the wider public sector in 2015.

Debt owed to the government, which stands at some £22.6 billion, originates from many sources including unpaid fees, taxes, fines and loans, ineligible benefits or grants and unrecovered costs from court cases.

The Government has reviewed how it collects debt and today a new ambitious approach has been launched. The new company will use a range of proven and effective debt management services to support debt recovery with a focus on increasing returns.

The service will launch initially with 6 customers:

- HM Revenue & Customs
- The Department for Work and Pensions
- The Home Office
- The Student Loans Company
- The Legal Aid Agency
- The Driver and Vehicle Licensing Agency.

Excuses for late tax returns

7 January 2015

HMRC have published a list of ten “terrible” excuses for late tax returns. These are not about returns or submissions due from employers, but they may nevertheless serve as a salutary reminder for payroll professionals too that only reasonable appeals against penalties are likely to be successful.

The excuses were all used in unsuccessful appeals against HMRC penalties for late filing and payment.

Here's the full list:

- My pet dog ate my tax return...and all the reminders.
- I was up a mountain in Wales, and couldn't find a postbox or get an internet signal.
- I fell in with the wrong crowd.
- I've been travelling the world, trying to escape from a foreign intelligence agency.
- Barack Obama is in charge of my finances.
- I've been busy looking after a flock of escaped parrots and some fox cubs.
- A work colleague borrowed my tax return, to photocopy it, and didn't give it back.
- I live in a camper van in a supermarket car park.
- My girlfriend's pregnant.
- I was in Australia.

Help and support for employers from HMRC

9 January 2015

HM Revenue and Customs (HMRC) are encouraging employers and their agents or bureaux to take advantage of a wide range of webinars, videos and educational emails explaining key aspects of HMRC obligations for employers.



The support available includes:

- [emails](#) from HM Revenue and Customs (HMRC) on how to become an employer
- an [online course](#) on becoming an employer
- [webinars](#) on subjects such as taking on your first employee, running payroll, and paying HMRC, statutory payments, expenses and benefits, and company director responsibilities
- YouTube videos on topics such as [Getting started as an employer](#) and [Care and support employers](#)

Live webinars last for an hour. You can ask questions during the presentation and get answers from the HMRC host. You need to register and log in at least 5 minutes before the start time, for live webinars.

You do not need to register to watch the YouTube videos.

A million businesses now signed up to HMRC Your Tax Account

12 January 2015

More than a million small businesses have signed up to the HMRC online tax account – Your Tax Account.

HMRC have explained that:

Launched in May 2014, Your Tax Account will, over time, enable small businesses to access everything they need to manage their tax affairs in a single, secure, online space. HMRC has worked with business customers to ensure it reflects their needs and is user-friendly.

The core of the current service is a personalised homepage from which businesses can access:

- links to the key transactions they need to complete (for Self Assessment, Corporation Tax, Pay As You Earn for employers and VAT)
- an overview of their key tax records
- a summary of their current liabilities
- direct links to information and guidance, plus interactive tools
- links to payment information and how to pay.

More services will be added as the product develops.

National Insurance

Employer guide to abolition of employer National Insurance contributions for under 21s

8 December 2014

HMRC have now issued a guidance booklet for employers explaining how the abolition of employer National Insurance contributions for employees under 21 will operate.

The [guidance](#) confirms some important details, such as:

- the continuation of liability in respect of earnings above the upper secondary threshold
- the new category letters
- continued liability for Class 1A and Class 1B employer contributions.

Extending Employment Allowance to individuals employing personal carers

11 December 2014

Following the announcement in the Autumn Statement that the Employment Allowance is to be extended to employers of personal carers, HMRC has published a document giving further details.

The HMRC [paper](#) explains that the change which has been announced will help individuals who need to purchase care for themselves or others, and will take effect from 6 April 2015.

The current restriction remains applicable to all other employers who employ staff for purposes connected with their personal, family or household affairs

NICs Employment Allowance

28 January 2015

At the last Employment and Payroll Group (EPG) a member raised a question regarding individuals who employ carers.

As announced in the Autumn Statement, we know that from 6 April 2015 individuals who employ carers will be able to claim the National Insurance Contributions (NICs) Employment Allowance. The question asked at the EPG asked was:

"Is this only for those receiving funding from local authorities or does it include private funded cases?"

We asked HMRC and they advise the following:

"Individuals employing a care and support worker will be eligible to claim the Employment Allowance, irrespective of whether they are using NHS direct payments/funds from local authorities or private funds to pay them. In other words, you will be eligible to claim the allowance if you are paying the carer using your own money or NHS direct payments.

However, if the individual employing the care and support worker is also a sole trader and has already claimed the Employment Allowance for their business, they cannot claim a second employment allowance."

Minutes from the last EPG meeting will be available soon. If you would like to share your top five payroll issues, please email them to [Karen Thomson](#) and they will be raised at the next EPG meeting.

National Insurance guidance for software developers for tax year 2015-16

28 January 2015

This technical specification was first published in December and it was highlighted that example 4 was incorrect. This version has been updated with the correct calculations.

This document will become available on GOV.UK but in the meantime you can download it through the link below.

National Minimum Wage (NMW)

Low pay survey shows jobs below NMW

21 November 2014

A survey about low pay from the Office of National Statistics (ONS) shows 236,000 jobs paying below the National Minimum Wage (NMW).

The ONS [report](#) notes that the 236,000 jobs with pay less than the NMW held by employees aged 16 and over in April 2014 constituted 0.9% of UK employee jobs. These included 9,000 jobs held by 16 to 17-year-olds (2.7% of jobs in this age group) and 31,000 jobs held by 18 to 20-year-olds (2.9% of jobs in this age group).

More employers failing to pay National Minimum Wage are named

1 December 2014

The Department for Business, Innovation & Skills (BIS) have released the names of a further 25 employers who have been found to have failed to pay the NMW to some or all of their workers.

Between them these employers are [reported](#) to owe workers a total of over £89,000 in arrears and have been charged financial penalties totalling over £36,000.

Call to improve National Minimum Wage enforcement

9 January 2015

The TUC have issued a report publicising some of the “scams” used to avoid paying the National Minimum Wage (NMW), and calling for stronger enforcement.

The [report](#) confirms that most employers are happy to pay their employees at or above the NMW, but that a minority have developed “a wide range of scams, including under-recording hours, bogus self-employment, misusing interns and volunteers, charging for uniforms, not paying for travel between work sites during the working day, clocking workers off when there are no customers in the store or cafe, and employers vanishing to avoid minimum wage fines only to reappear under another name.”

The report estimates that 250,000 workers are paid at less than the NMW. It also identifies ten groups of workers who are particularly at risk of underpayment: apprentices, migrant workers, domestic workers, interns and bogus volunteers, false self-employment, zero-hours contracts including temporary agency workers, social care, workers whose accommodation is dependent on their job, seafarers, and umbrella employment schemes.

The TUC plan outlines a 10-point programme of continuous improvement during the next parliament:

- Restore the budget for raising awareness about the minimum wage to £1 million.
- Hire 100 more HM Revenue and Customs (HMRC) enforcement officers
- Better official guidance on the minimum wage so that employers know their responsibilities.
- Create legal gateways so that HMRC can share information about enforcement with local authorities and the transport regulatory authorities
- Name and shame all non-payers.
- Government to guarantee arrears if employer goes bankrupt or simply vanishes.

- Adopt a prosecution strategy targeted towards the worst offenders and increase maximum fine from £5,000 to £75,000.
- More targeted enforcement for high-risk sectors.
- Make government funding for training apprentices dependent on employers paying the minimum wage, and create a duty for training providers to check that the minimum wage is paid.
- Promote collective bargaining so that trade unions can deal with more minimum wage problems themselves.

TUC General Secretary Frances O'Grady said: "Failing to pay the minimum wage is an antisocial act that squeezes those workers who have the least. There should be no hiding place for cheapskate bosses who try to cheat their workers out of the minimum wage."

Government publish evidence for the 2015 National Minimum Wage level

12 January 2015

The Government have issued a report giving their final detailed evidence to help the Low Pay Commission finalise the 2015 National Minimum Wage (NMW) level.

The [report](#) covers issues relevant to setting of the NMW, including the

- UK economy
 - evidence on pay
 - labour market
 - apprentice national minimum wage.
-

National Minimum Wage consultation outcome on consolidated Regulations

23 January 2015

The [responses](#) to this consultation show general support for the draft consolidated regulations and agree that the detailed rules are clearer and more workable.

The Department for Business, Innovation & Skills (BIS) launched this consultation in July 2014. It is a separate piece of work to the general consultation on the National Minimum Wage (NMW) and focused on a draft set of consolidated regulations to combine the 1999 NMW Regulations and the later amending Regulations and whether they would be clear and workable.

Most respondents said that even greater clarity would be welcome, particularly in the guidance. BIS will consider the various suggestions raised by respondents and review the guidance in 2015.

Read the full [consultation response](#).

Overtime and holiday pay

Employers capping overtime after holiday pay ruling

28 November 2014

Research by Sage UK suggests that one in ten small businesses are restricting non-guaranteed overtime as a result of the recent ruling concerning the calculation of holiday pay.

Many thanks to Sage UK for their report:

An estimated 295,000 workers in the UK face having their overtime capped following the landmark holiday pay ruling this month as employers look to limit potential claims by employees, research by Sage UK has found.

The snap poll of 285 small businesses conducted by the business software and services provider found that one in ten small firms across the country will limit the amount of overtime that people can take equating to 40,000 small businesses.

An estimated five million workers will be affected by the decision by the UK Employment Appeal Tribunal (EAT) according to the Department for Business, Innovation, and Skills. The ruling, made on November 4th, stated that under Working Time Regulations (WTR) non-guaranteed overtime should be factored in when calculating the amount of holiday pay that an employee is entitled to. Bosses must now factor in the 12-week period prior to a holiday when calculating holiday pay.

Furthermore, employees now have a right to back-claim for wages which were not previously factored in, potentially costing businesses thousands of pounds in backdated claims.

When the changes were explained to the respondents, two-thirds of business owners (62%) did not agree with the ruling. A further 29 per cent are concerned about the impact the ruling will have on their business, and 12 per cent said they were not aware of the ruling.

Lee Perkins, Managing Director of Sage UK's Start-up and Small Business Division said:

"The holiday pay ruling will undoubtedly create new challenges for businesses paying staff that regularly take overtime paid hours. The complexities mean a significant number of business owners are in the dark as to what to do next. This will be more clearly felt by small firms which do not have the same resources as larger businesses to easily make adjustments.

"However, the holiday pay ruling does not need to be the administrative burden that it may first seem. With a robust payroll system in place, businesses will be able to easily calculate the amount they should be paying their employees when taking holiday time moving forward.

"The potential impact on payroll teams and future cashflow is huge, so our advice is to always plan ahead and start getting your house in order now to avoid being caught out. Our priority is to communicate to our customers and reassure them that we will support them through this change."



Government limits impact of holiday pay ruling

19 December 2014

The government has taken action to reduce potential costs to employers and give certainty to workers on their rights following the recent court decisions on holiday pay. This follows the Employment Appeal Tribunal ruling that holiday pay should reflect non-guaranteed overtime.

The [announcement](#) says that the Government recognises the decision of the court and is taking action to protect UK business from the potentially damaging impact of large backdated claims. Changes made to regulations under the Employment Rights Act 1996 will mean that claims to Employment Tribunals on this issue cannot stretch back further than 2 years.

CIPP comment

The CIPP has been involved in the task force discussions which have led to this announcement, and welcomes the certainty that this will now give to employers and their agents and bureaux.

We recommend the new CIPP [training course](#) on holiday pay and leave which will give members the up-to-date detail on this issue.

Acas guidance on calculating holiday pay

14 January 2015

Acas has updated their [holiday pay guidance](#) to reflect recent court judgements and the resulting change to regulations.

The Government has introduced regulations to take effect from 1 July 2015 to limit and clarify the maximum amount of back-dated holiday pay that can be claimed.

This means that the rules employers and workers follow to calculate holiday pay may need to be updated.

Key points:

- Guaranteed and normal non-guaranteed overtime should be considered when calculating a worker's statutory holiday pay entitlement but there is currently no definitive case law that suggests voluntary overtime needs to be taken into account.
- Commission should be factored into statutory holiday pay calculations.
- Work-related travel may need to be factored into statutory holiday pay calculations.
- A worker's entitlement to holiday pay will continue to accrue during sick leave.
- There are different rules for calculating holiday pay depending on the working patterns involved.
- Workers must take their statutory paid annual leave allowance and can only be 'paid in lieu' for this when their employment ends.

CIPP comment

The CIPP are running a new [training course](#) on holiday pay and leave which will give members up-to-date detail on recent changes.

John Lewis and Waitrose staff receive £22m holiday pay windfall

19 January 2015

Employee-owned retail group one of the first companies to detail the cost of the November tribunal ruling on holiday pay.

[The Guardian](#) has reported that John Lewis and Waitrose staff are set to share a £22m extra bonus this year after an employment tribunal forced a change in the way all British companies calculate holiday pay.

The windfall, in pay and pension contributions, comes 18 months after [69,000 workers shared £40m in holiday back pay](#) after the employee-owned retail group admitted it had been miscalculating pay for seven years.

This time around, about 60,000 workers will share £3m in their February pay packets and John Lewis will take on £7m more in pension liabilities. Workers will then receive a further £12m in additional holiday pay over the year ahead. While the average worker can expect to enjoy an extra £62-£188 in their pay packet relating to holiday pay, the company admitted that workers' annual profit-related bonus, usually announced in early March, might be lower as a result.

Pay As You Earn

Employment-related securities information: transfer to GOV.UK

14 November 2014

All HMRC information about employment-related shares and securities has now been transferred to GOV.UK, the latest chapter in the transition of all Departmental material.

All information about employment-related shares and securities previously published on the HMRC website at <http://www.hmrc.gov.uk/shareschemes/> has now been transferred over to the GOV.UK website.

The browse/menu page is www.gov.uk/business-tax/employment-related-securities.

This [note](#) prepared by HMRC gives some background to the transition and what that means for HMRC's customers.

CIPP Survey: RTI Research from the OTS UK Tax Competitiveness Review

21 November 2014

Following the publication of the final report of the Office of Tax Simplification (OTS) Review of the competitiveness of the UK Tax Administration, the Policy team have put together a survey to gather your views and opinions as to your experiences so far with RTI.

October 2014 saw the publication of the final report of the Office of Tax Simplification (OTS) Review of the competitiveness of the UK Tax Administration.

The OTS brief in this case was to research how improvements could be made to the UK's tax administration and in this regard they looked closely at the outcome of the World Bank's 'Paying Taxes' report which focuses on three indicators which are:

- Total tax contribution
- Time needed to comply
- Number of tax payments.

For full details see [World taxes Report 2014](#)

Whilst the initial remit was UK tax administration and the competitiveness of the UK tax administration, as you would imagine many issues were raised within the submissions from 60 groups along with speaking to 1500 people during the course of the review and as a result the OTS made many and varied key recommendations, amongst which are:

- Consider streamlining tax payments through a single tax account
- Extend short term business visitors rules and easements
- Build on the success of HMRC's Customer Relationships Managers (CRM) and expand coverage as far as is financial viable
- Improve the assistance given to business particularly through greater use of digital communications channels
- Harmonise income tax and NICs and integrate as much as possible
- Review HMRC's Real Time Information (RTI) process particularly around 'on or before'

For full details see the OTS [Review of the competitiveness of UK Tax administration](#).

OTS have concluded that RTI is clearly a huge and dominating issue: employers are expecting efficiencies to flow from all the work they have had to put into getting ready for and implementing the system. There are strong, regular pleas for continuation of the easements around 'on or before' to save administrative effort;

And have three stated recommendations for RTI:

- The OTS would like to see a post implementation review into RTI, looking at whether the 'on or before' reporting is actually necessary to operate the Universal Credit system, and to what extent monthly reporting could achieve this, with a view to making the current relaxation for smaller employers permanent, and extending to those employers in place at April 2014.
- Software developers had advised that HMRC staff frequently quote data protection as a reason for not being able to discuss a particular employer's issues. The solution is for the employer to give their authority, and the OTS recommends that helpline staff and the HMRC guidance support this.
- The OTS recommends that an annual scheme may be set up by a structured email facility, with written notification by HMRC that this has been set up.

It will be interesting to see what the impact of RTI will be on the World Bank Survey of 2015, (as the report from the OTS began with the World Bank Survey of 2013 which looked at the 2012 tax year) and equally we look forward to HMRC carrying out an in-depth post implementation review of RTI, however until then we would very much like to gather your views, if you are willing to share them, on how RTI has impacted your day to day work, costs and relationships.

The Policy team have produced a [survey](#) to gather your views and experiences to date with RTI. The [survey](#) will remain open until Monday 22 December. Thank you.

HMRC new approach to PAYE compliance

25 November 2014

Earlier this year, HMRC started rolling out a programme of meetings with companies dealt with by its Large Business Service (LBS). It is seeking to understand each company's approach to employee reward and remuneration better and assess any areas of potential compliance risk.

Many thanks for this report to BDO, who say that this programme

"is partly in response to widespread criticism of HMRC's failure to audit PAYE compliance in the largest companies, and may be linked to its recent statement that two-thirds of the 800 biggest businesses operating in the UK are under some form of tax enquiry by HMRC. It is also a good way for HMRC to build an up to date picture of modern remuneration strategies.

We understand that LBS recruited external professionals to support the initiative and that this is not just a paper exercise: where irregularities emerge from these meetings, they will be the subject of detailed enquiries and penalties will be sought on adjustments where the client is unable to prove that reasonable care has been taken.

HMRC outlines the issues it wants to discuss so that each company approached can be fully prepared before the meeting takes place. Many companies are choosing to produce an HR led presentation to outline the company's operations and its reward and remuneration strategy. The breadth of scope of these meetings can be extensive - covering everything from the HR team and structure and Senior Accounting Officer review work through to how you deal with benefits and what PSAs you have in place.

LBS's initiatives have generated £31bn in additional revenue for HMRC over the last four years, so, if this one is deemed to be a success, we anticipate it will be rolled out to other employers in some form in the next few years.

It is increasingly unlikely that the old approach of testing employer compliance very rarely (many employers have not been audited for more than ten years) will survive. So, all employers should consider a review of their position and put right any problems voluntarily, before HMRC comes knocking on their door."

Employment intermediaries: reporting obligations

4 December 2014

The Institute of Chartered Accountants in England and Wales (ICAEW) have published their comment on the draft secondary legislation about employment intermediaries - The Income Tax (Pay As You Earn) (Amendment No X) Regulations 2015 - published by HMRC on 1 October 2014.

In their [response](#) ICAEW say that their main concern is “the enormous burden that will be faced by affected businesses given the practical and legal difficulties in complying with the reporting obligations” in the draft legislation. “Not only will many of the proposed reporting obligations be impossible to meet (eg, not every worker will have a UTR) but some information requirements seem unnecessary (eg, reporting for three years after the last transaction).”

ICAEW also express major concerns about the security of personal data.

Cessation of temporary SCONs

4 December 2014

HMRC have announced that they are introducing a new Generic Notification to remind employers that the temporary SCON will not be available for use from April 2015. This reminder will also be included in the December edition of the Employer Bulletin. If by 15 December 2014 any employer is still not using the correct SCON, they will receive a GNS message as a further reminder that they must take action to start and record the correct SCON. They will also receive the GNS message each time they make a subsequent submission using the temporary SCON.

Payroll bureau or agent members should be aware that some of their customers may receive the new notification, and this may generate queries to customer support lines. Any employers who are satisfied that the temporary SCON was not used on their last submission but who nevertheless receive a GNS message should notify HMRC at mailbox.sconmandation@hmrc.gsi.gov.uk.

HMRC clarifies new employee address policy

5 December 2014

We recently [reported](#) an HMRC statement that with effect from April 2015 they will update individual employees' records each time an employer provides a new address. This guidance included a requirement for employers to notify employees individually. Following concerns received HMRC have issued some detailed clarification.

The feedback indicated that employers felt their data protection obligations were covered by existing arrangements, and they therefore did not see any need to provide a further notification to their employees.

The HMRC explanation now issued reads as follows:

It is important to stress that employers, as data controllers, need to satisfy themselves that they are complying with the Data Protection Act (DPA). However, HMRC's view is that this use of personal data is not excessive. HMRC needs these address details. We know that a lot of the addresses we hold for employees are out of date. Getting up to date address details from employers will enable HMRC to check that we hold the correct addresses and, if not, to update them. So it is clearly in the interests of the employees and employers, as well as HMRC, that we have accurate addresses for all of our customers.

HMRC is also of the view that by sending the address details to HMRC, employers will not breach the Fairness provisions in the DPA. Employers are legally required to submit the address of new employees to HMRC. Most employees will probably assume that employers continue to send address information to HMRC, and this use of the data would not therefore be unexpected. However, if any employer is in any doubt that their employees might regard this use of their personal data as being unexpected, then they will need to notify their employees to ensure that they comply with the DPA's Fairness provisions.

In summary, HMRC is satisfied that the disclosure of employee address to HMRC does not breach the DPA, and we are aware of no legal barrier that would prevent employers from providing address data to HMRC.

Finally, we would like to thank everyone who provided feedback on this change and hope this latest message provides the necessary clarification.

Incorrect or temporary SCONs

9 December 2014

A reminder that if you operate a Contracted Out Pension Scheme and the SCON is not correct on your FPS from April next year your FPS will be rejected. The temporary number some of you may still be using will cease from April.

HMRC has confirmed at the Employer Payroll Group (EPG) that whilst they are pleased with the reduction in incorrect SCONs there are still too many.

Full details of this issue and how to ensure you avoid problems in April are at page 9 of the latest [Employer Bulletin](#).

Improving the operation of the Construction Industry Scheme

11 December 2014

HMRC have published details of the changes to the Construction Industry Scheme (CIS) which were announced in the Autumn Statement.

The Government has today published a summary of [responses](#) to the consultation at this link and draft [secondary legislation](#) for a short technical consultation. The aim of the next stage of the consultation process is to ensure the legislation works as intended.

The HMRC notes say that the overall effect of the changes is intended to improve the operation of the Construction Industry Scheme (CIS) making it easier for businesses to access gross payment status, reduce administration burdens and move more transactions online.

The specific changes include the following:

- the threshold for the turnover test will be reduced to £100,000 in multiple directorships;
- the initial and annual compliance tests will focus on fewer obligations;
- the nil return obligation will be amended;
- joint ventures where there is already one member with gross status will be allowed easier access to gross payment status;
- allow an earlier repayment to liquidators in insolvency proceedings; and
- mandation of filing of CIS returns and online verification.

Statutory payment recovery rates for 2015-2016

15 December 2014

The statutory payment recovery rates and NIC threshold for 2015-2016 have now been confirmed.

The Department for Work and Pensions (DWP) has confirmed that the statutory payment recovery rates and NIC threshold will remain the same for 2015-2016:

- 92% if the total Class 1 NICs (both employee and employer contributions) are above £45,000 for the previous tax year,
- 100% plus an additional 3% (NIC compensation rate) if the total Class 1 NICs for the previous tax year are £45,000 or lower.

Employment Intermediaries: Consultation on travel and subsistence expenses

17 December 2014

HMRC is seeking views on the use of overarching contracts of employment by employment intermediaries in the temporary labour market, and in particular on proposals to restrict relief for travel and subsistence costs.

The consultation [document](#) notes that there is evidence that some businesses in this part of the labour market are seeking to avoid paying employment taxes, including National Insurance, for their workers. HMRC are especially concerned about arrangements which mean that some people are able to benefit from tax relief on home to work travel expenses that is not generally available to others.

The consultation is open until 10 February 2015.

CIPP comment

The CIPP Policy Team will be reviewing this consultation document, and if appropriate will seek members' views in due course.

Tax Residence Indicator

17 December 2014

The final version of the Tax Residence Indicator for individuals has been released by HMRC.

The Statutory Residence Test (SRT) came into effect from 6 April 2013 and applies from 2013-14 onwards. 'Split year' treatment may apply if, during the tax year, a UK resident starts to live or work abroad or comes from abroad to live or work in the UK.

The tax year will be split into two parts depending on certain residence conditions.

This final [version](#) of the residence tool can determine if any of the 8 split year cases in the Statutory Residence Test apply. It also allows you to work out the residence status of someone who dies in the tax year.

CIPP comment

CIPP are represented at the Expat Forum and would value any feedback that members would care to share on their experience of using the Tax Residence Indicator. Please send comments to [policy](#).

HMRC publish customer experience research about the migration to RTI

18 December 2014

New research published by HMRC focuses on employers' experience of the end of the first full year of national implementation of RTI. The research was conducted in June, July and August 2014.

The [report](#) explains that the research was designed to explore issues of interest to HMRC and to look in more depth at any problems employers had experienced.

According to the report, two thirds of employers found it easy to deal with PAYE in real time, with 29% rating it 'very easy' to deal with and a further 38% 'fairly easy'. On the other hand, a third of employers (34%) mentioned at least one downside of RTI, with inflexible timings and additional costs being the downsides mentioned most often.

Important admin burden announcements for employers and agents

18 December 2014

HMRC have issued a revised Tax Information and Impact Note setting out new figures for the costs and benefits from the introduction of RTI. To coincide with this, correspondence has been published by the Administrative Burdens Advisory Board (ABAB) setting out some important agreements with Government.

The revised RTI [note](#) and exchange of letters published by [ABAB](#) together highlight:

- Revisions to HMRC's figures reflecting the costs and benefits attributable to the introduction of real time information. HMRC acknowledge the representations and evidence provided by ABAB members in increasing the figures previously calculated for costs and reducing those for benefits.
- Acknowledgement by HMRC of some important lessons for the future about the way customer evidence is built into estimates of costs and benefits.

CIPP comment

The CIPP's Karen Thomson is a member of the Admin Burdens Advisory Board (ABAB) and has welcomed involvement in looking at the actual cost and admin burden savings for RTI. The CIPP agrees with ABAB's comments and recommendations and looks forward to continuing to work with HMRC in this area.

HMRC agree much requested simplification to the year end process

19 December 2014

HMRC are proposing a revision to secondary legislation that should significantly lighten the load for Payroll Bureaux and Agents and Employers alike at the tax year end.

The proposed revision looks to amend PAYE regulations so as to remove mandation for completing the "seven questions" checklist when making the final Full Payment Submission. This change is expected to take effect from 6 March 2015, and should thus avoid the need to complete this checklist for the tax year 2014-15. HMRC have said that from 6 March 2015 they will accept a final FPS or EPS for 2014-15 and 2015-16 with or without a completed checklist (software data items 111 to 117). Employers should still report the Final Submission for Year indicator (data item 109).

However HMRC recognise that some software developers may not be able to make the necessary amendments to their end of year products in time for the final 2014-15 submissions. HMRC advise that "In cases where employers do have to complete the checklist in order to make their final submission, they should ensure that they complete it

accurately. We will remove these checklist items from our Basic PAYE Tools as soon as possible. Please note that this will probably not be until July 2015.”

HMRC have also emphasised that “the removal of the checklist does not affect an employer’s obligation to report on time:

- all expenses and benefits provided on forms P11D and P9D
- the amount of Class 1A National Insurance due on all the expenses and benefits provided on form P11D(B).

Where no benefits have been paid during 2014-15 and a form P11D(B) or P11D(B) reminder is received, employers can either:

- submit a 'nil' return
- complete the '2014-15 Employer- No return of Class 1A' form

to advise us that they have no P11D to submit and no Class 1A return to make. The online 'no return to make' form will be available from 6 April 2015.”

HMRC also ask all employers and their agents or bureaux to note that the penalty consequences where employers fail to make a PAYE report – including the final one of a tax year - by the relevant reporting date remain unchanged.

Confirmation of the proposed change in the law comes in the revised RTI Tax information and Impact Note (TiiN) [RTI: Improving the operation of PAYE](#), which explains that since the last version of the TiiN was published in March 2013 HMRC have worked with external stakeholders to better understand how RTI changes have affected business.

CIPP comment

The CIPP welcomes this reduction in admin burdens for employers and agents alike. Many CIPP members and members of the former ECF, now EPG, have requested that the questions on the final FPS be looked at. This was one of the biggest areas of contention as many believed the cost model showed a reduction in end of year processes and yet the “P35 questions” seemed to remain. Removing the requirement to submit this information at year end will significantly reduce burdens on employers but will most definitely reduce burdens on agents and bureaux, and make a busy time of the year just a little less frantic by removing the mandatory need for the employer (client) to provide confirmation to the answers to seven questions.

We acknowledge this to be a positive step forward in bringing about improvements to employer and business processes via RTI and very much hope that most Software Developers will be able to bring about adjustments in time to include for the 2014-15 tax year and thus minimise unnecessary work or confusion.

HMRC Employer Bulletin – December 2014

19 December 2014

HMRC have issued the December issue of their bi-monthly round-up of news for employers and their bureaux and agents.

The latest issue of the [Employer Bulletin](#) includes updates and clarification of a wide range of stories, including:

- the announcements in the Autumn Statement
- filing and payment penalties
- changes to benefit in kind rules, and
- the new benefit charge for zero emission vans.



Statutory payment rates for 2015-16

6 January 2015

If readers who need the new statutory payment rates and thresholds have not yet located them, we repeat them below.

We apologise that confirmation of the statutory payment figures was overlooked in the flurry of announcements on Autumn Statement day. The proposed thresholds and rates are set out below:

	2014-15	2015-16
STATUTORY ADOPTION PAY		
Earnings threshold	111.00	112.00
Standard Rate	138.18	139.58
STATUTORY MATERNITY PAY		
Earnings threshold	111.00	112.00
Standard rate	138.18	139.58
STATUTORY PATERNITY PAY		
Earnings threshold	111.00	112.00
Standard Rate	138.18	139.58
Additional statutory paternity pay	138.18	139.58
STATUTORY SHARED PARENTAL PAY		
Earnings threshold	111.00	112.00
Standard rate	138.18	139.58
STATUTORY SICK PAY		
Earnings threshold	111.00	112.00
Standard rate	87.55	88.45

Six months left to register your share schemes to avoid penalties

7 January 2015

Many small employers may be unaware that by 6 July 2015 they need to register all employee share schemes with HM Revenue & Customs and file online returns. It is important that employers and their agents take action as early as possible to ensure that everything is in place in good time before the deadline.

Employers who fail to implement these major [changes](#) by July face:

- loss of the tax advantages expected by their employees if a scheme remains unregistered
- penalties of up to £700 for a late return, with an extra £10 per day if the return is still outstanding after nine months
- a penalty of £5,000 for a material inaccuracy in a return which is not corrected without delay.

The changes include:

- online filing for all share scheme forms from April 2015, including Share Incentive Plans (SIP) and unapproved arrangements and
- self-certification of Share Incentive Plans (SIPs), Save As You Earn (SAYE) schemes and Company Share Option Plans (CSOPs) from April 2014.

In order to register with HMRC, the employer will need to provide HMRC with basic information such as their company registration number and unique tax reference number. Once the business has registered, HMRC will provide a unique scheme reference number.

Schemes only need to be registered once. However, HMRC must be notified of specific amendments to scheme rules as part of the annual online return process.

HMRC to proceed with changes to issuing coding notices

8 January 2015

Following the consultation on arrangements for issuing PAYE coding notices to employees and pensioners, HMRC have now decided to proceed with most of their proposed changes.

As the [announcement](#) confirms, the original proposal would have allowed HMRC to:

- remove the obligation to give the employee notice of a new code notified to an employer where the employee's PAYE income is not chargeable to tax or the employee is not liable for tax on their PAYE income;
- delay the issue of a notice of coding to the employee for up to 30 days from the date when a notice of an amended code has been issued to the employer; and
- allow for the notices of coding to be issued electronically through digital channels.

The government now plans to proceed with the amendments to remove the requirement to issue notices of coding to individuals where there is no liability to tax and to provide for the digital issue of notices of coding.

They are postponing the proposed amendment to delay employee notices of coding for up to 30 days at this time pending further review.

Student loan repayment threshold for tax year 2015-16

13 January 2014

HMRC announced in their October 2014 edition of [Employer Bulletin](#) that from 6 April 2015 the student loan threshold will rise from £16,910 to £17,335.

HMRC's Software Developers Support Team has confirmed that the 2015-16 pay frequency equivalents for student loan borrowers in the Plan 1 Income Contingent Repayment (ICR) scheme are:

- Annual - £17,335
- Monthly - £1,444.58
- 4 weekly - £1,333.46
- 2 Weekly - £666.73
- Weekly - £333.36.

Cessation of temporary SCONs

27 January 2015

A reminder that if you operate a Contracted Out Pension Scheme and the SCON is not correct on your FPS, from April 2015 it will be rejected.

HMRC issued a reminder in their December 2014 [Employer Bulletin](#) regarding the withdrawal of the temporary Scheme Contracting-out Number (SCON).

The Bulletin reiterates that the temporary SCON will not be available for use from April 2015 and that employers must start recording the correct SCON that refers to the scheme that the individual is currently a member of. This can be found on the Contracting-out certificate or by contacting your Pension Scheme administrator. If the SCON is not correct then the Full Payment Submission (FPS) will be rejected.

If you have not started to use the correct SCON by 15 December 2014, you will have received a GNS message as a further reminder that you must take action to start recording the correct SCON. You will also receive the GNS message each time you make a subsequent submission using the temporary SCON.

If you do not have a contracted-out pension scheme you should leave the SCON field blank. If you are prompted for a SCON you should make sure you are using the correct National Insurance contribution category letter for your employee.

Payroll bureau or agent members should be aware that some of their customers may receive the new notification, and this may generate queries to customer support lines.

Any employers who are satisfied that the temporary SCON was not used on their last submission but who nevertheless receive a GNS message, should notify HMRC at mailbox.sconmandation@hmrc.gsi.gov.uk.

The CIPP supports Employee Motivation Day

22 January 2015

Today marks the UK's first ever Employee Motivation Day which has been created to inspire passion and appreciation across the UK's workforce and the Chartered Institute of Payroll Professionals (CIPP) is encouraging payroll to be involved.

With money being the main reason that people come to work, payroll has a huge impact on employee motivation. Therefore paying people accurately and on time, every time is essential to encouraging employee motivation. However, we are using employee motivation day to highlight other ways in which payroll can motivate employees.

According to a survey carried out by the [Citizens Advice Bureau](#) "around half of all respondents in employment and struggling with debt said their work performance was suffering (51%). Of these, one in two are finding it hard to concentrate at work (54%), while more than one in three (36%) are finding it difficult to do their jobs well."

Payroll can help! And for the last 12 months the CIPP has had a "saving through payroll" campaign. The sole aims of this campaign are to help people out of debt and avoid pay day loan companies, but more importantly help people to avoid debt in the first place through financial awareness and education in the workplace.

Our objective is to encourage all businesses to offer saving through payroll, and for payroll to take the lead in educating their employees about their pay, pensions and saving for retirement, deductions from pay, and how their organisations reward strategy and benefits package can assist them financially.

The CIPP's Karen Thomson, Associate Director of Policy, Research & Strategic Visibility says "whilst payroll cannot cure the financial problems of the UK, there is a lot payroll can do to help. Payroll departments take all sorts of deductions from pay, so saving through payroll would just be another one. Working with organisations who can help payroll automate the information going from and to the financial provider will limit the burden on payroll but provide an incredible service to their employees"

How can employers help? Offer a savings scheme where deductions come straight from the employee's pay. There are a number of schemes available from Christmas savings, to every day savings provided by organisations such as Credit Unions, banks and other financial third parties. The CIPP has also been working with payroll service providers to offer this facility without charge; what are you waiting for!

Employee motivation day links to the CIPP's National Payroll Week, taking place 7-11 September 2015. During which organisations across the UK are hosting workshops for their employees to find out more about the support that is available to them and how they can benefit from the reward strategy on offer through their employing organisation.

To find out more about operating saving through payroll schemes, or how you can offer financial awareness and training with support from the CIPP, email [Karen Thomson](#).

Devolution of income tax in Wales

26 January 2015

The Wales Bill received Royal Assent on 17 December 2014 and is now The Wales Act 2014, an act of law.

Subject to a referendum [The Wales Act 2014](#) will make provision about the setting by the Welsh Assembly of a rate of income tax to be paid by Welsh taxpayers and about the devolution of taxation powers to the Assembly.

The introduction of a Welsh rate of income tax would be structured along the lines of the Scottish rate (due to come into force in 2016). It would be administered by HMRC as part of the UK-wide income tax system and applied to non-savings income. The Welsh Parliament would be able to set a rate of Welsh income tax which would be added to each of the main UK rate bands after ten pence in the pound had been deducted from each rate.

The Act will also make related amendments to Part 4A of the Scotland Act 1998 on the definition of a Scottish taxpayer. This is to ensure that an individual cannot be a Welsh and Scottish taxpayer in the same year, if the Welsh rate is introduced.

Part-time sick pay proposals for employees with fluctuating health conditions

26 January 2015

A [report](#) released this week will call on government to support measures to increase the flexibility of sickness absence policies to allow employees with fluctuating health conditions to pre-emptively arrange part-time sick leave.

The Work Foundation's [Health at Work Policy Unit](#) (HWPU) has launched its second policy paper on fluctuating conditions which looks at the role of policy in improving organisational resilience to fluctuating conditions in the workforce. The paper considers the challenges faced by employers in managing a workforce where the prevalence of chronic and fluctuating conditions is set to rise.

It explores the kinds of support which employers will need from doctors and other healthcare professionals, from the welfare and benefits system and from other agencies such as the Fit for Work Service, Access to Work, Occupational Health services and patient advocacy groups. It also assess whether policy-makers have scope to do more to create a system of incentives and support for the many employers who wish to do more but lack access to advice, resources or support.

A 'part-time sick pay' system, which already operates in the Nordic countries, is designed to support people with temporarily reduced work capability to remain in work by making sick pay arrangements more flexible.

Commenting on the paper, lead author Karen Steadman - researcher at The Work Foundation - said: *"Fluctuating health conditions are a very real threat to the sustainability of the UK workforce, and the resilience of UK businesses. It is our hope that government heeds this warning, and takes action to support employers in developing businesses that reflect the needs of the workforce, ensuring their productivity into the future."*

The introduction of statutory part-time sick pay and growing income protection would go a long way to supporting those with fluctuating conditions. However, it is essential that government also impacts upon workplace culture and practice to ensure that employers fulfil their obligations to help their employees."

Read the full report: [Fluctuating conditions, fluctuating support: Improving organisational resilience to fluctuating conditions in the workforce](#)

Pensions

Pensions Regulator support for pension schemes in trouble

13 November 2014

The Pensions Regulator has explained how it helped to facilitate an innovative rescue plan for Kodak's UK pension scheme and the restructuring of UK Coal's operations, following a major fire.

We are grateful to the Regulator for this commentary on the two [reports](#).



In January 2012, the Kodak group's US parent, Eastman Kodak Company, entered Chapter 11 bankruptcy proceedings. This meant that the Kodak Pension Plan was at risk of losing both existing support from the wider Kodak group and ongoing contributions from its sponsoring employer.

In order to maximise the value available to the Kodak Pension Plan, a deal was agreed under which the trustees acquired Kodak's cash generative 'personalised imaging' and 'document imaging' businesses. In exchange, the Kodak group was released from its liabilities to the Kodak Pension Plan.

Despite the acquisition, there remained serious doubts as to whether the assets could provide adequate support for the scheme's existing liabilities. Therefore members were given the option to transfer to a new scheme which would offer benefits better than the Pension Protection Fund, but lower than in the Kodak Pension Plan. Members representing in excess of 94% of liabilities have decided to transfer.

The regulator and the trustees have agreed a governance framework to limit risks to member benefits and the PPF, including monitoring the performance of the acquired businesses and imposing restrictions on discretionary pension benefit awards and investments.

The regulator's Interim Chief Executive Stephen Soper said:

"We are prepared to work constructively with employers in a distressed state, in conjunction with the pension trustees, to explore the merits of the available options. In these situations, the chances of a successful outcome are greatly improved when we are in dialogue with all parties at an early stage. The continuation of a scheme without a material sponsoring employer covenant will be extremely rare. However, in the Kodak case, the voluntary transfer of members to a new scheme offering lower benefits resulted in a reduced level of risk, improving the balance between the interests of members and the PPF.

"We recognise that the continuation of the new scheme leaves the PPF exposed to risk. Therefore the regulator and trustees have agreed a number of mechanisms to protect the PPF and we'll continue to monitor the situation closely. Although the reduction of member benefits was considered appropriate in this case, it is a step that trustees should approach with utmost caution and care."

The regulator has also today issued a report explaining its role in facilitating the July 2013 restructuring of UK Coal's operations, following a major fire which resulted in the closure of the company's Daw Mill mine.

This follows the regulator's report published in January 2013 which detailed its activities in relation to the restructuring of the group in 2012. The report published today sets out the events occurring following that restructure, the impact of the fire at Daw Mill and the rationale for the regulator's subsequent decisions.

Stephen Soper said:

"Sadly, the initial opportunity to survive and rebuild its fortunes - gained through the initial restructuring of UK Coal - was taken away by a catastrophic fire in the group's main Daw Mill mine in early 2013. Our role in this new situation was to work with the parties concerned to reach the best available outcome for pension scheme members and the PPF. With greatly increased business challenges and risks, the regulator's view was that balancing the needs of the company and the scheme was no longer possible."

The regulator notes that subsequent to the completion of the 2013 restructuring, UK Coal has been obliged to participate in a further restructuring, which is expected to result in a managed closure of the business. In July 2014 the PPF took on the assets and liabilities of the UKCOL Sections of the Industry Wide Coal Staff Superannuation Scheme and the Industry Wide Mineworkers' Pension Scheme, and will provide compensation for their 7,000 members.

New pensions research

17 November 2014

The annual Employee Benefits/ Close Brothers pensions research with employers for 2014 shows the impact of recent pension reforms on staff.

Key findings in the research [report](#) indicate

- A welcome for the abolition of compulsory use of annuities
- A loud call for guidance and advice about employee decisions
- An increase in employer costs since auto enrolment reported by 66% of respondents.

Labour proposes review of pension freedoms

18 November 2014

The government will have to review the pension flexibilities introduced in the Taxation of Pensions Bill within six months if an amendment tabled by Labour is passed and obliges the government to carry out a review.

Many thanks to Professional Pensions for their report on the [amendment](#) to the Bill which was proposed by Labour MP Cathy Jamieson.

She said that the review would include analysis of the impact the changes had on the use of salary sacrifice arrangements. This is over a concern that employees could exploit the potential tax advantages of salary sacrifice with the tax-free benefits of pension saving and later take their pot as cash.

In a public bill committee debate, Jamieson raised a concern that the government had failed to fully consider the tax effects of the changes. She said: "Has there been enough focus on the taxation implications and has that been considered enough in the discussion about putting the guidance guarantee in place?"

The review would also look at how the freedoms have affected revenues at the Treasury, as well as the effect on the purchase of annuities.

Guidance on the ending of contracting out

19 November 2014

From 6 April 2016, when the new State Pension is introduced, contracting-out of the additional State Pension will end. Guidance issued jointly by the Department for Work and Pensions (DWP) and HM Revenue & Customs (HMRC) explains the impact of this change for employers, employees and trustees.

The new [guidance](#) comprises separate factsheets and overview documents intended for:

- the 2,500 private sector employers who offer an open contracted-out salary related pension scheme
- employees of these employers
- trustees with open, contracted-out defined benefit pension schemes.

New Chair for National Employment Savings Trust (NEST)

19 November 2014

Otto Thoresen has been named as the next Chair of the National Employment Savings Trust (NEST) Corporation.

Mr Thoresen is currently Director General at the Association of British Insurers (ABI). His NEST appointment will commence on 1 February 2015 and continue for a 5 year term.

Research shows lack of understanding of changes to State Pension

19 November 2014

The Department for Work and Pensions (DWP) have issued research showing widespread ignorance of the forthcoming changes to the State Pension, along with a booklet to explain the changes.

The new State Pension replaces the current State Pension for people who reach State Pension age on or after 6 April 2016.

The new [booklet](#) is intended to help people understand how the system is changing. The launch coincides with the publication of new [research](#) carried out on behalf of DWP which confirms the lack of understanding many people have about the British State Pension system.

Some 42% of people yet to retire admit they need to find out more about saving for retirement, while 38% concede they "try to avoid thinking about" what will happen when they stop working. And only 60% of all adults surveyed realise it is possible to take action to increase their State Pension.

Lesley Titcomb announced as new Chief Executive of The Pensions Regulator

24 November 2014

The Pensions Regulator has confirmed the appointment of Lesley Titcomb as its new Chief Executive.

The [announcement](#) says that Lesley Titcomb is currently Chief Operating Officer and a Board member with the Financial Conduct Authority, and will take up her new post from 2 March 2015.

She said: "The UK is currently undergoing a pensions revolution. With so much fundamental change, it is important that the industry is overseen by a strong, independent pensions regulator, focused on the issues within the sector, that is respected for its technical expertise and authoritative voice. I relish the opportunity of working with the regulator's high quality team and with other industry stakeholders to ensure that the changes and new freedoms planned for the pension system deliver clear benefits for retirement savers."

Regulator shuts down £134m pension 'liberation' schemes

24 November 2014

Legal action by The Pensions Regulator has put a stop to five connected pension 'liberation' schemes that received transfers totalling more than £134 million from over 1,400 individuals.

The [announcement](#) explains that the regulator was concerned that the schemes were established with the main purpose of providing a cash payment to the member rather than providing retirement benefits and that this constituted misuse or misappropriation of pension scheme monies.

The schemes operated according to complex arrangements that purportedly enabled funds to be 'lent' to the member via a company under the member's control, which would become their employer under one of the schemes. The member could then use the money as they wished.

The schemes sought to allow members to access their pension funds as cash through a supposed legal 'loophole'. In May 2014, the High Court ruled that this supposed gap in the law did not exist, finding in the regulator's favour on three preliminary legal issues.

Changes to The Pensions Regulator website

26 November 2014

The Pensions Regulator (TPR) have made some changes to their website and are seeking feedback. TPR report that they have made some changes to their website, including renaming their 'pensions professionals' section in response to feedback from IFAs, accountants and bookkeepers.

They are inviting readers to say us what they think about this – as well as thoughts on the new homepage design. You can visit the prototype website and add your comments [here](#).

Pension scheme list consultation launched

26 November 2014

The Pensions Regulator is consulting over plans to publish a list of pension schemes to help small and micro employers prepare for automatic enrolment.

Research by the regulator suggests one in five (290,000) employers in this category will not seek advice when choosing a pension scheme, while one in ten (130,000) do not know how to select a scheme, or think it will be difficult.

To address the risk of non-compliance caused by employers failing to find an available scheme for staff, the regulator is [consulting](#) on their proposal to publish a list of schemes on its website early in 2015.

The TPR [announcement](#) explains that schemes on the list will have to meet key criteria: in particular they must accept any employer irrespective of how many staff they have or how much they pay. The list may also indicate whether a scheme holds independent master trust assurance and / or has a public service obligation.

Providers will be required to ensure schemes continue to meet the criteria while the regulator will remove schemes if regulatory concerns arise.

The list is intended as a starting point for the smallest employers to inform themselves about what is available. The regulator will also make clear on its website that there may be more suitable schemes in the open market, particularly for larger employers or for those with higher paid workers.

Executive Director for Automatic Enrolment Charles Counsell said:

"The needs and behaviours of small and micro employers preparing for automatic enrolment are expected to be very different to the large and medium organisations which have already successfully staged.

"In line with our educate and enable approach, we are working to understand those needs, particularly the ability for small and micro employers to identify a pension scheme they can use to comply with automatic enrolment without the help of advisors."

40th NAPF Annual Survey tracks workplace pensions from 1975-2014

4 December 2014

The National Association of Pension Funds (NAPF) has launched its 40th Annual Survey. According to NAPF, it provides a unique snapshot of UK workplace pension schemes today and an opportunity to reflect on how this pension landscape has changed since 1975.

Highlights of the [survey](#) include the fact that active DB scheme members shrunk by two thirds from 3.5 million in 1975 to 1.1 million in 2014. The membership of DB schemes has fallen to such an extent that active membership of DC schemes outnumbers that of DB schemes for the first time in 2014.

Survey shows low pension understanding among 18 to 29s

5 December 2014

A Survey by Barnett Waddingham, the UK's leading independent firm of actuaries, administrators and consultants, has revealed that 81% British 18-29 year-olds do not understand pensions and the majority are more likely to save money for their first home or clear debt over saving into a pension.

The firm's Helping Hands [survey](#) of over 850 members of the public, has gauged generational attitudes and perspectives towards pension saving and saving in general, by asking specific questions aimed at three different generations of savers: 18-29 year-olds, 30-49 year-olds and 50+ year-olds.

Of the three generations surveyed, those aged 18-29 appear to be the most disengaged with pension saving, with 81% stating that they do not understand pensions and 40% answering that they had never heard of auto-enrolment. Worryingly, 33% of this age-group admitted to having no pension savings at all.

When asked which was the most financially important to them, 49% of those 18-29 year olds surveyed rated saving for a house as the greatest priority, followed by 41% rating clearing debt, 6% said buying a car, while only 4% of those surveyed rated building a pension as the most financially important to them.

Other findings from the Helping Hands survey include:

30-49 year-olds

- * 75% don't understand pensions
- * 70% stated that paying off their mortgage was their primary or secondary financial pressure which kept them up at night
- * Only 4% would be very likely to pay for advice

50+ year-olds

- * 80% are aware of the new pension freedoms introduced in the 2014 Budget
- * Two thirds do properly understand their retirement options
- * 75% do not view their pension investment as safe

Damian Stancombe, Head of Workplace Health and Wealth at Barnett Waddingham said: "Naturally, there are bound to be differences in attitude between generations but the Helping Hands Survey highlights that increasingly 18-29 year-olds are emerging as the "Generation YOLO!".

"It cannot escape anyone that a 25 year-old is going to have a fundamentally different view of what's important to a 40 year-old, and again to a 55 year-old. Employers and trustees need to significantly change the way they communicate with each generation regarding saving for retirement. To truly engage, they can no longer communicate collectively across generations when there are particular concerns that will be missed without communicating to individual age groups."

"It is telling that 18-29 year-olds rated saving for a house and clearing debt significantly above building a pension. A

number of survey respondents commented that they didn't see the point in building a pension when they have existing debt to contend with. Ultimately true saving begins with debt management. To tackle the issue of engaging this age group with pension saving, new strategies to help the young clear debt need to be considered by both the government and employers.

FCA reports on annuities sales practices and retirement income market

12 December 2014

The Financial Conduct Authority (FCA) has issued a report into sales practices and consumer behaviour around pensions, calling for significant improvements if people are to understand their options as the Government's pension reforms take effect.

The FCA are concerned that many individuals will not appreciate the choices available to them, and may therefore be induced to make unwise decisions. The principal recommendations in the [report](#) are:

- Requiring firms to make it clear to consumers how their quote compares relative to other providers on the open market.
 - The introduction of a behaviourally trialled alternative to the current system of wake-up packs. This would build on work already underway and feed into our work considering how we will replace the ABI Code with FCA regulation.
 - Recommending that the pension guidance service and firms take account of the findings of the market study on consumer behaviour when designing tools to support decision-making.
 - In the longer term, recommending the development of a 'Pensions Dashboard' which would allow consumers to view all their lifetime pension savings in one place.
-

Quarterly review from the Pensions Regulator

17 December 2014

The latest stakeholder update from the Pensions Regulator gives a short overview of their work over the last four months.

The [update](#) covers a range of subject areas. Unsurprisingly, one strong theme is enforcement activity with:

- Reports on recent action against "pension liberation" schemes, and
 - Warnings of potential action against more employers failing to meet their auto enrolment deadlines.
-

HMRC Pension Schemes Newsletter 66

18 December 2014

The December 2014 issue of the HMRC newsletter for pension schemes is now published. It includes a useful round-up of all the current round of changes to the pension landscape.

The [newsletter](#) provides updates and background information on a range of pensions topics, with most content unsurprisingly being devoted to the new flexibilities announced over the past few months.

Pension flexibility: HMRC developments

22 December 2014

HMRC have issued what they hope will be a helpful progress report on the implementation of the new flexibility rules, including the issuing of draft regulations and clarification of Inheritance Tax implications.

The HMRC report covers:

- The Taxation of Pensions Act 2014 (TOPA14) - The Bill received Royal Assent on 17 December and will have effect from 6 April 2015. As this was a money bill the Lords were only able to debate the Bill but could not amend it, so the wording in the Act is the same as the Bill that left the House of Commons on 3 December
- Regulations to support TOPA14 - HMRC have now issued three draft sets of regulations for comment in connection with TOPA14. These relate to:
 - The Provision of [Information](#) (covering reporting requirements where new BCE5C occurs, and transfers of tax free beneficiaries drawdown funds)
 - [Overseas](#) Schemes (the elements that we could not include in TOPA14)
 - Flexible and other annuity [transfers](#) (using the new vires introduced into FA04 by TOPA14).
- Autumn Statement announcement - HMRC hope to publish early in the New Year draft legislation for comment for the changes in connection with annuities that were announced at Autumn Statement

HMRC have also had a number of questions about whether the changes in TOPA14 have any IHT impact. They say that hopefully the following clarifies the position.

- For inheritance tax purposes, payments made at the discretion of the pension provider are not included in the deceased's estate because there is no absolute control over the payment to be made. Where a payment is not discretionary and is made to the estate or to a named beneficiary as of right, the sum is included in the estate and is therefore liable to inheritance tax, although it will be exempt if it is paid to a surviving spouse of the deceased. The Taxation of Pensions Act does not change this treatment.
- At present anyone can receive a lump sum death benefit and the Taxation of Pensions Act does not change that. However, the Act introduces a new type of beneficiary, a nominee, who may receive a pension death benefit. The Act does not change the fact that it is for pension providers to determine the type of death benefits they want to pay, a lump sum death benefit or a pension death benefit, or possibly a combination of the two. This discretion means that the benefits remain exempt from inheritance tax even if subsequently the administrators decide that the pension death benefits should be paid to a nominated beneficiary.

Employers responding to pension reforms

24 December 2014

While several surveys report that most employers are taking steps to facilitate the new pension flexibilities, we share some case studies.

We are grateful to the Pensions Expert service from the Financial Times for these interesting case studies:

Manufacturer **James Walker Group** raised concerns that the increased complexity of pension freedom would alienate members and affect auto-enrolment. The employer used a nationwide roadshow to gauge member understanding. It found many members did not understand pensions or annuities and did not understand the risks they were taking. People with a limited understanding of pensions would not comprehend the newly increased range of options available. The employer invested two years of research into auto-enrolment and saw it as an opportunity to standardise its pensions offering.

The **Kingfisher** Pension Scheme also reviewed its default fund to ensure it allowed members to make the most of the retirement flexibility. The challenge faced by many schemes is deciding which of the new at-retirement options their members are most likely to want. Understanding what members would want while allowing them to choose any of the options was at the heart of deciding the structure of the default.

Nest reviewed its DC investment strategy and launched a consultation of its own on how to respond to the reforms. It also conducted comprehensive research for the consultation document, encompassing areas such as behavioural economics and how members may interact with the changes. Because Nest is a very young scheme, pot size is currently extremely small on average, giving them time to think about how to evolve the investment strategy for when people start having larger pots and want to take advantage of that flexibility.

JPMorgan UK Pension Plan would use an automated drawdown option as a way to mitigate factors such as increasing longevity, uncertain retirement ages and uncompetitive annuities.

The employer would pay the set-up cost of going into this structure in the same way as they do going into the annuity, but then the member would be responsible for paying the annual ongoing admin charges, so there would be no incremental cost to the employer in doing this.

The £2.2bn DC plan currently contacts members five years before retirement with the option to remain fully invested in a blend of diversified growth funds; or they can remain invested until 18 months prior to retirement, at which point 25 per cent of their pot is converted into cash for a lump sum.

Marks & Spencer are also considering offering a drawdown option for members of its DC scheme. The M&S plan is a mastertrust run by Legal and General. Members can give a 3-5 per cent contribution to receive 6 per cent from their employer, or 6 per cent and upwards to receive 12 per cent. Legal and General is currently looking at ways to allow members to take income from the scheme, with drawdown being potentially easy to implement through the mastertrust.

Pensions minister plans to let existing pensioners surrender their annuities

6 January 2015

Pensions minister Steve Webb wants to extend freedoms announced in the 2014 Budget to give up to five million existing pensioners the chance to trade in their annuities for cash

We are grateful to The Daily Telegraph for this report on the interview given to that publication:

Steve Webb, the Pensions Minister, told The Telegraph he wanted to change the law to enable these pensioners to sell their annual lifetime incomes – known as “annuities” - to the highest bidder at any time after they have retired. Pensioners may decide they would rather have cash than a guaranteed income stream to give money to children, to pay for home renovations or to invest.

The plan will be particularly appealing to those who have more than one pension as a result of working for several employers, and who would prefer to have money “up front” than to receive a small amount from a low-value pension each year. The reform would also create a new market in “second hand” pensions, as insurance firms and other companies buy up individuals’ annuities, bundle them together and sell them on in bulk.

Mr Webb said he had been urged by pensioners to introduce the reforms, while several major pensions companies and insurers had also expressed “considerable interest and enthusiasm” for the plan.

“I want to see people trusted with their own money wherever possible,” he said. “I have already heard from people around the country who would like to see this change made.

“I want to see if we can get these freedoms extended to those who are receiving an annuity but who might prefer a cash lump sum.

“No-one would be obliged to do so, but for those who would prefer up-front capital to regular income, I can see no reason why this should not be an option.”

An estimated 400,000 people who retire each year use the money they have saved while working to buy an annuity – an insurance product which pays an annual income for the rest of their lives. For many people, it is the biggest financial decision they will ever make. However, in recent years annuity rates have plunged, trapping many pensioners in poor-value schemes that have destroyed the value of their lifetime savings.

Half of DB schemes unsure how to tackle end of contracting out

9 January 2015

A survey by Hymans Robertson shows that half of defined benefit schemes have not yet decided how they will deal with the end of contracting out. Contracting out ends in April 2016 as the single-tier state pension comes into effect, increasing the national insurance bill for both employers and employees.

The [survey](#) indicates that, as well as the 50% of undecided schemes, 15% planned to pay the additional costs and 11% felt unable to make changes. Only 10% of schemes said they planned to close their scheme to future accrual.

Hymans suggested a five-step process to prepare for the end of contracting out, including assessing the impact on the scheme, consulting with members and communicating any decisions before implementing changes.

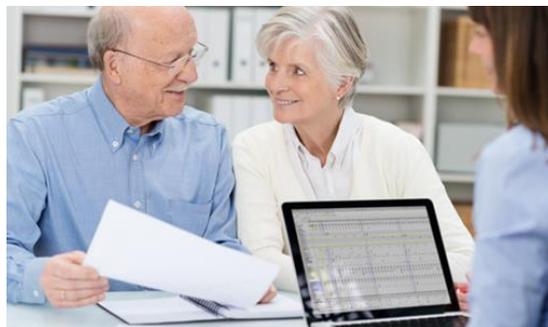
The consultancy calculated the cost of NI contributions for a member on an annual salary of £20,000 as £484 from the employer and £199 from the member.

Pension Wise – your money, your choice

14 January 2014

Pension Wise is the name of the guidance guaranteed by the government to help individuals with their pension choices when changes commence in April 2015.

When the changes to pensions were announced at Budget 2014 the government said all retirees would have the right to free, independent guidance on their retirement options from April 2015.



If you are 55 or over and have a defined contribution pension (a pension based on how much has been paid into the pot), it is your decision how you take the money.

Pension Wise will be the free and impartial service to help you understand what your choices are and how they work. Help will be available on the Pension Wise website, over the phone or face to face about:

- what you can do with your pension pot
- the different pension types and how they work
- what's tax-free and what's not.

You can [register your interest](#) to get early access to the [Pension Wise](#) service. You'll get help and guidance, as well as being able to give feedback about how the service can be improved

Millions of pensioners could run out of cash as a result of rule changes coming into effect in April.

The new pension rules will enable those over 55 to take as much money as they like out of their Defined Contribution (DC) schemes at lower tax rates and according to a discussion paper [Dashboards and Jam Jars](#) published by the charity Age UK, individuals could potentially use up their savings within ten years.

The discussion paper is all about helping consumers with small DC pension pots make decisions about retirement income.

The paper recommends that consumers should be provided with a Pensions Dashboard which should be able to gather data electronically from all their schemes. The Dashboard should display details of all of the consumer's DB and DC schemes in one place alongside their State Pension entitlement.

The paper also recommends that pension providers should develop new tools 'Pensions Jam-Jars' to help people budget, control their spending and set aside money for future goals. These could also help them manage the inevitable trade-offs and conflicts which exist when taking a retirement income. These tools could help consumers decide how much money to take out of their pension each year.

Full state pension?

According to a report by [Professional Pensions](#) a freedom of information (FOI) request from Hargreaves Lansdown found just 45% of people retiring between 2016 and 2020 would actually be entitled to the full state pension. Up to two million people could miss out on the weekly £148 because they were contracted out of the second tier state pension or had gaps in their National Insurance contributions.

Pot follows member will begin on a voluntary basis

14 January 2015

Pensions minister confirms that the transfer of pension pots will happen on an opt in rather than an opt out basis and that eventually money will follow member by default.

[Professional Pensions](#) has provided a summary of evidence delivered to the Work and Pensions Select Committee on 12 January.

Pensions minister Steve Webb revealed the initiative would start with the 20 largest providers who cover about 90% of the market. This comes after the minister confirmed job moves would not automatically trigger pot follows member transfers last year.

He explained the solution might work in a similar way to transfers in the ISA market but that DWP would publish details of its plans next month.

"[Providers] will get the infrastructure up and running. We will then get it started. And what we plan is to do it on an opt-in rather than an opt-out basis. Eventually money will follow you by default," he said.

The initial opt-in approach would help with the problem of pension scams and matching pots, which were "slowing things down" he said. A solution is expected to be in place within 18 months.

Webb said: "I think the whole area of pensions transfers has been ripe for reform for years - they've been slow, they've been expensive.

"If we're going to do this thing we've got to do it in bulk, we've got to do it efficiently and we've got to streamline it. There are good examples on ISA transfers that work really well and really cheaply.

"It ought not to be rocket science. All we're doing is taking a pot with somebody's name on it and matching it to the same person somewhere else. But we've got to get it right and that's why we think this incremental approach is best."



Scotland

Scotland to set own tax rates and bands

28 November 2014

The Smith Commission has agreed that the Scottish Parliament should be given the power to set income tax rates and bands on earned income and will retain all of the income tax raised in Scotland.

The [report](#) says that the Scottish Parliament should have the power to set income tax rates and bands, the body on strengthening devolution has concluded.

The Smith Commission also said a share of VAT should be assigned to the parliament, and Air Passenger Duty fully devolved.

The commission was set up by Prime Minister David Cameron in the wake of the vote against Scottish independence. Its findings will form the basis of legislation on more Scottish powers.

The Smith Commission, which took forward its recommendations in consultation with the Scottish Parliament's five parties, recommended that:

- The parliament should be given the power to set income tax rates and bands on earned income and will retain all of the income tax raised in Scotland.
- The parliament should be given powers to allow 16 and 17-year-olds to vote in Scottish elections.
- The parliament should be given powers to create new benefits in devolved areas and make discretionary payments in any area of welfare.
- A range of other benefits that support older people, carers, disabled people and those who are ill should also be fully devolved.
- The Scottish government and Scottish Parliament should have a "formal consultative role" in the process of reviewing the BBC Charter.



HMRC Update on devolution of income tax in Scotland

23 December 2014

HMRC have issued a Technical Note confirming proposed amendments to Income Tax rules relating to the introduction of the Scottish Rate of Income Tax.

The Scotland Act 2012 introduced the Scottish rate of income tax, which is expected to be implemented in April 2016.

The [Technical Note](#) now issued contains draft amendments to Income Tax rules which are required to implement the Scottish rate. It also sets out:

- two areas in which the Government has made minor changes to the approach it set out in the May 2012 Technical Note; and
- regulations which set out the high level requirement for Scottish employees & pensioners to be made aware of the amount of tax they are paying towards Scottish Government expenditure.

HMRC say that they will continue to consult with employers and pension providers on the specific nature of changes required to the P60.

Scotland Act 2012

22 January 2015

Information regarding the [Scotland Act 2012](#) has now been moved to GOV.UK and contains a useful [FAQ](#) on the Scottish rate of income tax. Draft legislation is due to be published later this month.

Background

The Scotland Act 2012 gives the Scottish Parliament the power to set a Scottish rate of income tax to be administered by HMRC for Scottish taxpayers. It is expected to apply from April 2016.

The Act also fully devolves the power to raise taxes on land transactions and on waste disposal to landfill – it is expected that this will take effect in April 2015, at which point the existing Stamp Duty Land Tax and Landfill Tax will not apply in Scotland and will be replaced with Land and Buildings Transaction Tax and Scottish Landfill Tax.

The act also provides powers for new taxes to be created in Scotland and for additional taxes to be devolved.

For employees and pensioners, the Income Tax change will be applied through PAYE (Pay As You Earn). HMRC will issue tax codes to employers in the months before April 2016 which will identify those employees who are Scottish taxpayers, and employers will deduct tax at the appropriate rates, which may be higher or lower than or the same as those which apply in the rest of the UK.

The definition of a Scottish taxpayer is based on the location of an individual's main place of residence – further guidance will be available in due course.

CIPP comment

As part of the Stakeholder Group the CIPP policy team continue to be looking at the implementation detail of the Scottish Rate of Income Tax. The next meeting is due to be held in February where, amongst other issues, we will be discussing further HMRC's requirement that employers show the Scottish rate separately on the P60.

HM Government has also just published a message to stakeholders announcing that draft legislation will be published by Burns Night (25 January) which we will publish when available. The full message can be read through the link below – an excerpt says,

“Since the publication of the Smith Commission [report](#), the UK Government has engaged a wide range of sectors as part of the process of turning the Smith Commission Agreement into draft clauses, including the Stakeholder Group established by the Secretary of State for Scotland to inform the preparation of the draft legislation.”

See our November [news item](#) for further detail on the Smith Commission recommendations.

Draft legislation on further devolution for Scotland

23 January 2015

The UK Government has published a [command paper](#) with draft clauses on further devolution for Scotland. In September 2014, the people of Scotland voted to remain part of a United Kingdom with a united future and the Prime Minister invited Lord Smith of Kelvin to oversee and deliver cross-party agreement on the shape of improved and enhanced devolution for Scotland.

On 27 November 2014 Lord Smith delivered an [agreement](#) reached unanimously between all five main Scottish political parties on more powers for the Scottish Parliament. This is the first time all five have participated in a devolution process.

The draft clauses published in this [command paper](#) are the next stage in delivering that commitment and this draft legislation shows how the measures included in the Agreement would look in law.

There isn't enough time before the next UK General election for this Government to take a new Scotland Bill through Parliament. However producing these draft clauses now means that whoever forms a government after the election in May 2015 will be able to turn them into law at the earliest possible opportunity.

The leaders of the three main UK-wide political parties, David Cameron, Nick Clegg and Ed Milliband, have all promised to take forward a Scotland Bill in the next Parliament.

CIPP comment

As mentioned in a recent news item – [Scotland Act 2012](#), the CIPP Policy Team is part of the Stakeholder Group. We will continue to look at the technical aspects of the implementation of the Scottish Rate of Income Tax, particularly in light of the draft clauses which state that the Scottish Parliament will be given powers to introduce new rates and bands of income tax above the UK personal allowance.

HMRC has assured us that, working with HMT, they fully intend to consult with the business and representative community on the detail of legislating and implementing the tax powers within the Command Paper.

The next Stakeholder Group meeting is due to be held in February and the Policy Team will naturally be dissecting the command paper ahead of this meeting and will report thereafter on any detail payroll professionals and employers will need to be aware of.

HMG has published a message to stakeholders about the publication of the Command Paper and can be accessed through the CIPP news link below.

[Command Paper](#)

Shared Parental Pay and Leave

Shared Parental Leave and Pay could start this month

14 November 2014

Members may wish to be reminded that the new entitlement of Shared Parental Leave (SPL) and Shared Parental Pay (ShPP) replaces Additional Paternity Leave and Pay for babies due on or after 5 April 2015. This means that for very premature births the new regime could come into effect within the next few weeks – except in Northern Ireland where the legislation has yet to be finalised.



Employers and their agents and bureaux should therefore check that software and internal payroll and HR processes are now ready to implement the new scheme before April should it be necessary to do so.

This CIPP [factsheet](#) and the new training [course](#) give all the information that you will need.

The benefits of sharing parental leave

20 November 2014

The Government have published some thought-provoking reflections from parents who have successfully shared parental leave, while a new survey has revealed that a third of UK fathers are forced to use annual leave instead of paternity leave

The Department for Business, Innovation & Skills (BIS) have [published](#) a series of accounts from parents who have benefited in both family and work from sharing parental leave.

At the same time a MumsNet [research](#) report shows that 39% of fathers are obliged to use their paid annual leave in order to afford to take time off after the birth of their children, and just one in six employers (17%) top up the level at which paternity leave is paid.

Employers not ready for Shared Parental Leave

26 November 2014

ADP have published research suggesting that 21 per cent of employers are not ready for the requirements of the legislation, while 70 per cent say they predict little or no interest from employees in the first 12 months.

The [research](#) also shows however that 33 per cent of 16- to 34-year-olds anticipate taking advantage of it within the next five years.

New Shared Parental Leave and Pay regulations come into effect

2 December 2014

The new regulations introducing Shared Parental Leave and Pay have now come into effect in Great Britain.

The new rules, which apply to couples with babies due or children matched or placed for adoption on or after 5 April 2015, will allow parents to choose whether they want to share the mother's maternity leave and pay. There are expected to be as many as 285,000 working couples that will be eligible to share leave and pay from April 2015.

Employers should remember that the regulations have so far come into effect only for Great Britain, that is for employees living in England, Scotland and Wales. Separate legislation to extend this provision to employees who live in Northern Ireland is currently passing through the Northern Irish Assembly and is expected to take effect from April 2015.

And don't forget the CIPP [training course](#) to ensure you have all the details correct.

Online government calculator launched to help employees work out leave and pay entitlements

22 December 2014

Employers and their agents and bureaux will want to be aware of a new official online calculator for employees who are to become parents to calculate their leave and pay entitlements.

The new [calculator](#) is intended to set out for an employee their rights to maternity, paternity or shared parental leave, and how much pay they can get if they take leave.

Shared parental leave and pay: updated guide for employers

5 January 2015

Updated official guidance has been issued to provide newly emerging detail about shared parental leave and pay.

The updated [technical guide](#) includes a number of new features, including additional Q&A on early births and the interaction between shared parental leave and pay and sick leave.

Shared parental leave and pay and flexible working in Northern Ireland

23 January 2015

[The Work and Families \(Northern Ireland\) Act 2015](#) has received Royal Assent and comes into full legal effect on 5 April 2015.

The Northern Ireland (NI) provisions for Shared Parental Leave (SPL) contained in the Act mirror the provisions as those in Great Britain, which are contained in the Children and Families Act 2014 and the Shared Parental Leave Regulations 2014/3050.

There is only one exception to this; namely where there is an interface with the Welfare Reform Proposals, as these have not yet been implemented in NI. As and when these are implemented, the NI provisions on SPL will be amended accordingly. Thank you to [Pinsent Masons](#) for this detail.

Tax Agents and Advisors

HMRC Agent Update 45

9 December 2014

The latest Agent Update from HMRC includes the usual helpful round-up of news and reminders, including updates on digital support for agents and Working Together actions.

The [45th](#) issue of Agent Update is a good way of ensuring that you have missed nothing in the past two or three months.

HMRC survey digital needs and attitudes of agents

22 December 2014

HMRC have published research into the readiness of agents to assimilate or embrace the ongoing switch to digital communication.

The [Tax Agent Segmentation Research - Exploring agents' digital needs and attitudes](#) places agents into four groups as regards their attitude to digital transformation, with the following titles and percentages:

- Corporate pacemakers (11%)
- Mid-sized progressives (26%)
- Small but savvies (51%)
- Hard to win overs (11%).

It is not clear how many payroll agents or bureaux were included, although the majority of respondents will no doubt have been tax agents. It therefore remains to be seen whether the payroll community have a higher incidence of "pacemakers" and "progressives" than the overall agent population!

CIPP comment

The CIPP Policy Team will be surveying members early in the new year to see what they think about this segmentation.

HMRC Digital Services for Agents

6 January 2015

HMRC have issued a further detailed update on digital services for agents. As always, the CIPP advises that services intended for agents are usually applicable to bureaux as well.

Many thanks to HMRC for this report:

Agent Online Self Serve (AOSS)

In this latest update we're pleased to announce that our AOSS project has passed its first Government Digital Services (GDS) assessment. This involved a panel interview for the AOSS team and an assessment of the project against 26 service standards. We met GDS' requirements on all 26 counts. This success enables us to move into the next phase - the design and development of the first live service, which we'll trial (through what's known as a 'private beta' release) with a small number of agent users.

During our initial user research agents told us that the ability to access the PAYE accounts of their employer clients was very important to them. That's why we are planning for an initial service that will enable agents, once they have confirmed and verified their employer client lists, to access their clients' PAYE accounts and view liabilities and payments.

Our first live (private beta) release will involve a small number of agents with whom we'll work closely to improve the service. We'll then gradually increase the scope and the number of users as we respond to feedback and make improvements. We'll also begin to add new features.

If agents would like to help us with this work we'd very much like to hear from them. For the initial service in 2015 we will need agents who:

- Are based in the U.K;
- Have between 20 and 200 employer PAYE clients; and
- Hold Government Gateway administrator credentials on behalf of their firm. That means they are able to login on the Government Gateway and (if necessary) delegate access to others in the firm

Agents who would like to help and who meet these criteria should email diane.ross@hmrc.gsi.gov.uk

If agents have already volunteered, either through their representative body or individually, they don't need to contact us again. We'll be going through our current list of volunteers to identify anyone we think will be able to help us and we'll approach them directly.

We also plan to publish an advert and a questionnaire on the GOV.UK website to help us reach as many agents as possible who might be interested in getting involved.

Prototype - the first service

We hope to publish the prototype on GOV.UK so more agents can look at the screens we've designed so far. This won't be a live service but it will offer an opportunity to let us have views. We'll let you know when the prototype has been published and we hope that agents will let us know what they think. Obtaining feedback to improve the service at every stage is really important. The current AOSS design has been through several iterations and has already been improved thanks to user research and comments.

The prototype service has been demonstrated to some agents' representatives and to the larger professional services firms so that they can give us their early thoughts.

Third Party Software

We know that many agents use third party software products, which are able to exchange information with HMRC systems by using Application Programming Interfaces (APIs) – sets of rules that developers use that define how a third party product can ask one of our systems to do something. We will be working with software providers on the production of APIs to ensure compatibility with the new agents' service. We'll provide these APIs to agents who develop their own in-house products too.

Discussions about the support third party software solutions might provide to AOSS started at a meeting of agents, software developers and HMRC in October. A further meeting is scheduled for February 2015 and we'll let you know how this work progresses.

Next steps

We'll continue with our user research and with designing and developing our first live (private beta) service. As we've said before we know that this will present us with some challenges. For example, we'll need to design a solution that works well where multiple agents are acting for the same client and we'll want to talk to some agents about that.

We have made good progress but we know that there is still much to do. We'll keep you posted through regular updates.

More agent volunteers are needed to test Agent Online Self Service (AOSS)

26 January 2015

Agents come in all shapes and sizes and so, to ensure that a wide selection are chosen to test the new digital services being designed and built by HMRC, more volunteers are needed.

HMRC are now preparing to trial through a 'private beta' release the first service under AOSS and would like to build up the volunteer pool to include more agents with employer PAYE clients.

The new service will enable agents, provided they have appropriate authorisation, to access the PAYE accounts for their employer clients and view their liabilities and payments - once they have confirmed the accuracy of the client list that HMRC will present to them (how up to date are your client lists?)

Agents who would like to get involved can sign up by simply following the [Agent Services link](#) which will take you to a questionnaire. The questionnaire should only take a couple of minutes to complete but it will provide HMRC with information about the agents' business and ensure that a wide range of agents (with employer PAYE clients) is selected to take part.

HMRC will only invite a small number of agents into the 'private beta' trial at first but will then look to include more as the service ramps up, develops and improves.

Recognising that for many agents January is an exceptionally busy month the [questionnaire](#) will remain available for completion until 28th Feb 2015.

Agents who have already volunteered, as a result of previous calls via News OnLine will have been separately contacted for further details about their firm and to check that they're still keen to help so don't need to apply again, thank you for volunteering.

The [questionnaire](#) will remain open until the 28 February 2015 and your input is vital to the correct design and build of this new service.

Thank you for your time and commitment.

Welfare Reform

DWP Touchbase – November 2014

18 November 2014

The Department for Work and Pensions (DWP) have issued the latest in their monthly series of updates for stakeholders, with updates on the new Fit for Work service.

The latest [Touchbase](#) includes

- an update on the new Fit for Work service intended to help employers reduce sickness absence
- details of the transfer of the contract to carry out health-related assessments from ATOS to MAXIMUS Health and Human Services Limited
- news of additional measures to counter benefit fraud.

DWP Stakeholder Bulletin - November 2014

3 December 2014

The latest monthly Bulletin from the Department for Work and Pensions (DWP) has been issued.

The [Bulletin](#) contains the usual helpful round-up of news, including references to funding for apprenticeships.

Universal Credit and employers: frequently asked questions

15 December 2014

The Government has published guidance explaining what Universal Credit will mean for both employers and employees.

This [guidance](#) answers questions on topics such as:

- the main benefits of Universal Credit to employers
- preparing claimants for Universal Credit
- payroll
- recruitment

The guidance explains the benefits for employers emanating from the disappearance of the 16 hour rule. There is also a link to a toolkit for employers, as well as details of how payroll data will influence Universal Credit.



DWP Touchbase – December 2014

16 December 2014

The Department for Work and Pensions (DWP) has issued its December Touchbase publication, highlighting developments of the past month, including the Autumn Statement changes for DWP and the new state pension.

The December Touchbase is [here](#).

Fit for work service up and running

5 January 2015

The new Fit for Work service went live on 16 December 2014.

The new service can be accessed by separate websites for [England and Wales](#) and for [Scotland](#). Presumably the Northern Irish access will be confirmed later.

Fit for Work is intended to help employers to better understand and manage sickness absence within the business. Expert and impartial advice is delivered by a team of occupational health professionals.

The service claims that by supporting staff attendance, preventing sickness absence and helping absent employees return to work quicker, you can reduce business costs and increase productivity.

Fit for Work guidance

6 January 2015

The Department for Work and Pensions (DWP) have now published official guidance for employers on the new Fit for Work arrangements which clarifies the position of Northern Irish employees.

The [guidance for employers](#) is quite comprehensive. Among other details, the guide confirms that employees who “are living outside England, Scotland or Wales” are ineligible for the scheme. So employees living in Northern Ireland are not to be included in the new arrangements.

DWP have at the same time published Fit for Work [guidance for employees](#) and [guidance for GPs](#)

About the Chartered Institute of Payroll Professionals



The Chartered Institute of Payroll Professionals (CIPP) is the only Chartered Institute for individuals working in payroll in the UK, and has a dedicated pensions faculty for individuals responsible for pensions administration and management.

Representing over 6,500 members and students, as well as the payroll and pensions professions, the CIPP policy and research team attends government consultation forums to discuss potential changes to legislation and the impact on payroll and pensions in practice. This enables us to ensure that CIPP members and students are amongst the first to hear about changes, and have their say through consultation surveys and responses.

As well as providing access to information about proposed changes, the CIPP also provides our members and students with access to support and information to assist them in their career development, and ensure that they are efficient, effective and compliant in their roles, this includes:

- Advisory service helpline available Monday to Friday which will answer member queries relating to payroll and pensions
- legislation
- E-newsletter providing the latest news and developments straight to your inbox
- PayrollProfessional and TPF Insight magazines which feature news and case studies relating to payroll, pensions and HR
- Payroll factcard providing all of the key figures needed to run a payroll, whatever the frequency

If you would like to find out how membership of the CIPP can benefit you, or sign up for a free trial, please visit www.cippmembership.org.uk, email membership@cipp.org.uk or call 0121 712 1000





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