Abolition of Earlier Year Updates

Previously if you submitted an error on your payroll to HMRC in an earlier tax year and you noticed the error by 19 April following that tax year, you could amend your payroll records and submit an adjustment (FPS adjustment).

If you noticed the error after 19 April, you would submit an Earlier Year Update (EYU) to HMRC. If your payroll software did not support an EYU submission, you could make the changes through HMRC Basic Tools. These rules are still applicable for amendments to the 2019/20 tax year and earlier.

From 6 April 2021, errors made in the 2020/21 tax year must be adjusted through an FPS and you no longer submit an EYU. HMRC's Basic Tools has been updated for this change.

Whitings LLP Ely Payroll and the launch of Modulr faster payments

In 1968, the BACS Payments system was launched enabling companies to pay their employees directly in to their accounts. The process took three working days to complete and revolutionized the way employees were paid. No longer did a company have to write cheques or issue cash payments cutting time spent on payments and increasing payroll security. For 40 years BACS stood by itself, whether it be via payroll software or via faxes sent to the bank, but in 2008 faster payments were introduced to the banking system opening up a whole new way for employers to pay their staff.

In November 2019, Modulr became one of a small number of non-bank payment service providers to hold an account with the Bank of England. In April 2021, Brightpay, Whitings chosen payroll software, launched a fully integrated payments system with Modulr meaning that you can physically pay your staff, or any subcontractor you chose to use, within 15 minutes of payroll approval should you so wish. You can also make your PAYE payments via Modulr. Whitings will still maintain the long-established BACS system via PT-X but feel the launch of a faster payments system may well be more suited to employers who do not wish to comply with the rigidity of the traditional method of payments the banks enforce.

Modulr is regulated by the FCA. It connects seamlessly with the payroll software thereby removing the need for any manual input once the payroll has been approved. Any monies deposited with Modulr is held directly with the Bank of England and ringfenced at 102%. It does require some input from the employer, but the benefits of using the system speak for themselves.

Benefits of "onboarding" with Modulr

- Saving hours of time by automating payroll processes
- Eliminate errors by removing manual data entry and reconciliation
- Payments made in 90 seconds via the Faster Payments scheme
- Improve data security by processing payments directly through the Brightpay software
- Reduce payroll and payment overheads

Changes in the right to work regulations from July 2021.

As of the above date EU passports and ID cards, with the exception of Irish nationals, are no longer proof of entitlement to work in the UK. There is no requirement for employers to complete retrospective checks on staff employed prior to 1 July 2021, but EU citizens will need to satisfy new right to work criteria in the UK. The easiest way of checking whether a EU, EEA or Swiss citizen is entitled to work is to do so on-line via https://www.gov.uk/view-right-to-work. As an employer you could face a civil penalty if you employ a worker and have not carried out a correct right to work check.

The EU Settlement Scheme (EUSS) was set up to enable EU, EEA & Swiss citizens, resident in the UK on 31 December 2020, and their family members, to get the immigration status they need to continue working, living & studying in the UK. From July 2021, if you identify an EU citizen in your workforce, who has not joined the EUSS, you must advise them they have 28 days to make an application. Their employment is not affected during the application process, but they must obtain a Certificate of Application (CoA) to confirm they have applied.

Terminal changes to CJRS

The furlough scheme comes to an end with the September 2021 payroll run. All final claims must be made by 14 October. As things stand there are no plans for replacing the scheme with additional support for those industries still affected by covid.

It is worth bearing in mind, case law relating to CJRS is only now coming through the courts. On 4 June 2021, the employment tribunal found in the case of Mhindurwa V Lovingangels Care Limited that the employee had been unfairly dismissed from her job when she was made redundant due to covid but was not offered furlough.

This is no doubt just the first case to come before the courts, so we therefore expect to see more enquiries from HMRC regarding furlough claims and possible repercussions these might have. Although it is unlikely that fines or prosecutions take place because of genuine errors in the use of the furlough scheme, it could result in companies being asked to re-pay furlough claims made.

Payrolling benefits

In the long term there is little doubt that all benefits, currently advised to HMRC via P11D's, will be brought under real time conditions and completed via the payroll. In order to qualify for payrolling benefits you need to apply before the start of the new tax year, so perhaps now is a good time ask how Whitings LLP can help:

- P11D’s no longer needed for employees
- Cuts down manual input thereby reducing risk of error
- Employees pay tax in real time. No backdated tax code changes to upset your employees
- All benefits can be visible on employees’ payslips

If choosing to go down this route, then you need to inform your employees of what will be declared through the payroll:

- Details of the benefits payrolled; their value, the cash equivalent and which ones will go through the payroll
- The full amount that has been payrolled for Optional Remuneration
- Details of any benefits not payrolled
- Tax codes will change to account for the adjustment for their benefits in kind
- Pay adjustments will go through the payroll each pay period, and tax will be applied to that amount
- You should inform the employee how much taxable benefit they have received & what it was for

Pensions Dashboard Programme (PDP)

The aim of the PDP is to show a user all the details of all their different pensions online, securely & in one place. This objective has been in place for a number of years with the hope that it will finally go live in 2023. Trials will begin in earnest in the Summer of 2022 with a number of leading pension companies, such as Aviva, Legal & General & the Pheonix Group signing up to the initial test phase. It is perhaps something of a worry that, at this moment in time, the auto-enrolment giants do not appear to have agreed to join the test programme.

Reform of Statutory Sick Pay (SSP)

In July 2021 HMRC published a consultation response to confirm that there are no imminent changes to the SSP system, despite numerous calls to make the system simpler & more flexible.

As things stand, SSP is not compatible with phased returns to work as SSP ceases completely as soon as an employee returns to work, even if this is on reduced hours. Obviously, this acts as a barrier to those employers and employees who would benefit from a phased return.

To qualify for SSP, an employee must currently earn at least the Lower Earnings Threshold (LEL) currently standing at £120.00 per week. This also applies to individuals who have multiple employments. Respondents to the survey show that 75% felt that an employee’s total income should be included when it came to claiming SSP rather than income from stand-alone employments. The thinking behind this was that the extension of SSP would encourage employers to reduce sickness absence across their entire employee base.

Fuel Rates From September 2021

For one month from the date of change, employers may use either the previous or new current rates, as they choose. Employers may therefore make or require supplementary payments if they so wish but are under no obligation to do either.
The new rates are below (previous rate in brackets where there is a change):
Hybrid cars are treated as either petrol or diesel cars for this purpose.

Engine size	**Petrol**	**LPG**
1400cc or less	12p (11p)	7p (8p)
1401cc to 2000cc	14p (13p)	8p (9p)
Over 2000cc	20p (19p)	12p (14p)
Engine size	**Diesel**	
1600cc or less	10p (9p)	
1601cc to 2000cc	12p (11p)	
Over 2000cc	15p (13p)	

Freeports and Employer NI holidays

In case you thought the NI coding system was becoming too easy to follow, HMRC have announced four more NI codes in order to comply with the new regulations, starting in April 2022, for those companies trading within one of newly established Freeport areas:

- F – standard category letter
- I – married women & widows entitled to pay reduced NIC's
- S – employees above state pension age
- L – employees who defer paying 12% NIC, only paying 2% as they pay full contributions elsewhere.

In other words, these new codes match the existing A, B, C & J that will still be used by employees working for firms not working within the boundaries of one of the new Freeport areas.

In England, Scotland & Wales employers with a physical presence within a Freeport tax site can operate a zero-rated Employer Class 1 NIC's for new employees who spend at least 60%

of their time working within the Freeport tax site. New employees are classed as starting after April 2022 & must not have worked for the employer (or a business connected to the employer) in the previous 24 months. Existing employee are not included in the scheme. The zero rate can be applied up to a threshold of £25,000 per annum for a maximum period of 36 months for each employee. Earnings above £25,000, the Freeport Upper Secondary Threshold (FUST) will be charged at 13.8%.

The relief to employers who qualify for the new scheme is due to run for nine years ending in 2031. However, HMRC have stated they will review the policy part way through to determine whether it should continue.

Benefits of using an on-line portal for your payroll

Whitings switched to using Brightpay as its preferred payroll software back in September 2019. Over the following 12 months we transferred the vast majority of clients to the new software and introduced an easily accessible on-line portal in the process. The overwhelming feedback from users of the portal has been positive with some employers using it purely to help the payroll process, where others have integrated it into their daily HR needs.

- Payroll no longer needs to produce payslips. Payslips are automatically produced by the software and made available to the employees via their self-service portal.
- Historical payslips or P60's can no longer be "lost"
- Enquiries regarding leave balances and managing leave requests can be handled directly on the portal. No need for time-consuming emails or phone calls
- Employee personal information can updated in real time by employees themselves.
- Reduction in sick days. It may sound odd, but research has shown that when an employee can see how much time they have had off sick it tends to act as an incentive to keep these days to a minimum
- Reduces paper waste, thereby benefitting the environment
- Helps to cut costs by decreasing admin time in printing out employee documents and payslips
- Helps to keep staff up to date on company policy. Updates for company handbook; Employment contracts etc. can all be stored on the individual employee's portal.

For further information, advice and guidance please contact our payroll Bureau:

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