

Reporting for Social Care arrears payments

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May 2018



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Social Care Employers' Arrears Payments

Overview

It has been identified that some Social Care Sector employers may not have been paying the National Minimum Wage (NMW) for hours worked during overnight shifts, where employees can sleep on the premises (sleep-in shifts).

Here are some links to useful information regarding possible arrears:

Get help to work out if you've underpaid your workers for sleep-in shifts and tell HMRC using the social care compliance scheme: <http://bit.ly/underpaid-social>

Sleep-in shifts: www.gov.uk/government/news/new-sleep-in-shift-pay-compliance-scheme-launched-to-support-social-care-sector-and-identify-back-pay-for-workers

National Minimum Wage: www.gov.uk/government/publications/enforcing-national-minimum-wage-law

Information on automatic enrolment duties and deducting pension contributions from NMW arrears can be found at www.tpr.gov.uk/nmw. We cannot advise on this, if you have any queries in this regard please contact The Pensions Regulator (TPR) directly.

HMRC and TPR have provided guidance to help employers report the arrears amount, deductions made and how to make payment of the tax/national insurance contributions due.

To reduce the administrative burden on HMRC, they are allowing all Social Care Sector employers to deal with the tax implications of these arrears using an Alternative PAYE Arrangement, also known as an APA. This arrangement means you will not be required to submit Earlier Year Updates (EYU) for each individual payment made. HMRC are strongly recommending that you use the APA if you are making payments for pre-RTI years, or for years where you no longer hold the payroll records.

You can use an APA to send an APA return to report the tax deducted. This only relates to arrears to pay for previous tax years. Arrears in the current tax year should be included in normal pay and tax and NI contributions deducted accordingly.

If you are using the APA, you should not include the tax deducted on an Full Payment Submission (FPS), you should only report the NI contributions and any other deductions, such as pension or student loans, on the FPS.

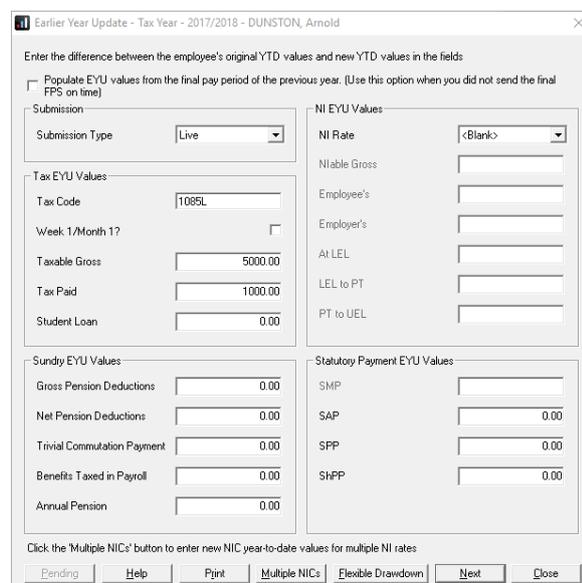
EYU

The EYU can be used to report the arrears payment and tax due to HMRC. This payment of arrears should be paid under existing RTI rules. To do this in your payroll software you will need to:

- Calculate and deduct tax for each year as if the additional pay had been paid at week 53 for that year
- Use the employee's tax code for each closed tax year
- Give each employee a letter showing the revised pay for each tax year and the tax and NICs deducted. Each letter should also contain the following message: 'If you think you've overpaid tax or NICs for any of the years concerned you should contact HMRC National Insurance Contributions and Employer Office

To submit an EYU to report the tax information for the arrears:

1. Go to **Online Services | Send Earlier Year Update**
2. Choose the employee and click **OK**
3. Select the **Tax Code** (for the relevant year) for the individual
4. Enter the difference between what was sent on the last FPS and what should have been sent. In this example we have entered **Taxable Gross** £5000 (arrears) and £1000 **Tax Paid**
5. Click **Next**
6. Click **Print** if you require a copy of the information for your records
7. Choose **Send** to submit to HMRC
8. Add the **Tax Paid** amount to your next P32 payment due to HMRC



The screenshot shows a software window titled 'Earlier Year Update - Tax Year - 2017/2018 - DUNSTON, Arnold'. The window contains several input fields for tax and National Insurance (NI) information. The 'Tax EYU Values' section includes fields for Tax Code (1085L), Taxable Gross (5000.00), Tax Paid (1000.00), and Student Loan (0.00). The 'NI EYU Values' section includes a dropdown for NI Rate (<Blank>) and input fields for Niable Gross, Employee's, Employer's, At LEL, LEL to PT, and PT to UEL. The 'Sundry EYU Values' section includes Gross Pension Deductions (0.00), Net Pension Deductions (0.00), Trivial Commutation Payment (0.00), Benefits Taxed in Payroll (0.00), and Annual Pension (0.00). The 'Statutory Payment EYU Values' section includes SMP, SAP (0.00), SPP (0.00), and SHPP (0.00). At the bottom, there are buttons for Pending, Help, Print, Multiple NICs, Flexible Drawdown, Next, and Close.

If you have pre-RTI years, or years for which you no longer hold the payroll records, we strongly recommend you use the APA.

National Insurance

As NI is deducted in the pay period in which the payment is made, this should be reported through RTI on an FPS. You will need to make a payment that is after tax is calculated but before NI calculation – therefore the amount of arrears is not included in Taxable Pay.

To create a payment after tax but before NI calculation:

1. Go to **Company | Alter Payments / Deductions**
2. Select **Add New**
3. Select **No** to the message **Do you want to use the Wizard?**
4. Complete the **Name** field (for instance: NWM Arrears)
5. Leave **Payment or Deduction** set to **Payment**
6. Set the **Category** to **After Tax but Before NI Calc**
7. Under **Type** choose **Value**
8. Click **OK**

In **Payroll | Do/Redo Payroll | Payroll Run** screen

9. Enter the arrears amount for the individual next to the Payment you have created and **Process**
10. This will calculate the NI for the arrears payment
11. This information will then be included in the FPS submitted for this period

Auto Enrolment

For more information on what your automatic enrolment duties are, because of paying these arrears, and calculating the pension contributions due please refer to the Pension Regulator guidance. For detailed guidance for employers and advisors see www.tpr.gov.uk/nmw.

Statutory Payments

The earnings used to calculate Statutory Payment entitlement are those paid in the relevant period and so will not change any previously calculated entitlement.

Additional Software and Services Available

IRIS AE Suite™

The IRIS AE Suite™ works seamlessly with all IRIS payrolls to easily manage auto enrolment. It will assess employees as part of your payroll run, deduct the necessary contributions, produce files in the right format for your pension provider* and generate the necessary employee communications.

IRIS OpenPayslips

Instantly publish electronic payslips to a secure portal which employees can access from their mobile phone, tablet or PC. IRIS OpenPayslips cuts payslip distribution time to zero and is included as standard with the IRIS AE Suite™.

IRIS Auto Enrolment Training Seminars

Choose from a range of IRIS training seminars to ensure you understand both auto enrolment legislation and how to implement it within your IRIS software.

Useful numbers

HMRC online service helpdesk	HMRC employer helpline
Tel: 0300 200 3600	Tel: 0300 200 3200
Fax: 0844 366 7828	Tel: 0300 200 3211 (new business)
Email: helpdesk@ir-efile.gov.uk	

Contact Sales (including stationery sales)

For IRIS Payrolls	For Earnie Payrolls
Tel: 0344 815 5700	Tel: 0344 815 5677
Email: sales@iris.co.uk	Email: earniesales@iris.co.uk

Contact support

Your Product	Phone	E-mail
IRIS PAYE-Master	0344 815 5661	payroll@iris.co.uk
IRIS Payroll Business	0344 815 5661	ipsupport@iris.co.uk
IRIS Bureau Payroll	0344 815 5661	ipsupport@iris.co.uk
IRIS Payroll Professional	0344 815 5671	payrollpro@iris.co.uk
IRIS GP Payroll	0344 815 5681	gpsupport@iris.co.uk
IRIS GP Accounts	0344 815 5681	gpaccsupport@iris.co.uk
Earnie or Earnie IQ	0344 815 5671	earniesupport@iris.co.uk