



# **Reporting for Social Care arrears payments**

**IRIS PAYE-Master**

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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](http://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](http://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](http://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 FPS, you should only report the NI contributions and any other deductions, such as pension or student loans, on the FPS.



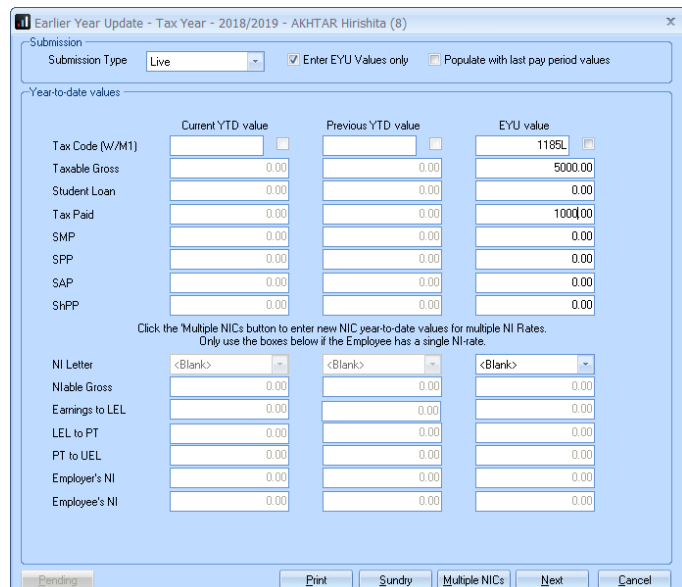
## EYU

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 **RTI Online Services | Send Earlier Year Update**
2. Tick **Enter EYU Values only**
3. 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**
4. Click **Next**
5. Click **Print** if you require a copy of the information for your records
6. Choose **Send** to submit to HMRC
7. Add the **Tax Paid** amount to your next P32 payment due to HMRC



|   | Current YTD value | Previous YTD value | EYU value |
|---|-------------------|--------------------|-----------|
| Tax Code (W/M1)   |                   |                    | 1185L     |
| Taxable Gross   | 0.00              | 0.00               | 5000.00   |
| Student Loan  | 0.00              | 0.00               | 0.00      |
| Tax Paid  | 0.00              | 0.00               | 1000.00   |
| SMP   | 0.00              | 0.00               | 0.00      |
| SPP   | 0.00              | 0.00               | 0.00      |
| SAP   | 0.00              | 0.00               | 0.00      |
| ShPP  | 0.00              | 0.00               | 0.00      |
| Click the 'Multiple NICs' button to enter new NIC year-to-date values for multiple NI Rates. Only use the boxes below if the Employee has a single NI-rate. |                   |                    |           |
| NI Letter   | <Blank>           | <Blank>            | <Blank>   |
| Niable Gross  | 0.00              | 0.00               | 0.00      |
| Earnings to LEL   | 0.00              | 0.00               | 0.00      |
| LEL to PT   | 0.00              | 0.00               | 0.00      |
| PT to UEL   | 0.00              | 0.00               | 0.00      |
| Employer's NI   | 0.00              | 0.00               | 0.00      |
| Employee's NI   | 0.00              | 0.00               | 0.00      |

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 National Insurance 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 | Details | Additions/Deductions**
2. In the next available **Additions/Deductions** line, enter the **Pay Description** (for instance: NWM Arrears)
3. Leave **Pay Type** set to **Add**
4. Only tick the **NI** column, make sure **Tax, Pen** and **QE** are unticked
5. Click **Save**, then **Close**

In the **Pay | Variations | Enter Variations** screen

6. Enter the arrears amount for the individual in the Temp Amount column for Payment you have created
7. Click **Save**, then **Close**
8. Run the payroll from **Pay | Calculate** – this will calculate the NI for the arrears payment
9. 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](http://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 |