



PAYE (Pay As You Earn) Changes 2010

PAYE/ National Insurance late payment penalties

The HM Revenue & Customs (HMRC) is introducing new penalties for late payment of PAYE.

Who do late payment penalties apply to?

The late payment penalties apply to all employers and contractors - whether you employ one or several hundred employees or subcontractors. They apply to monthly, quarterly and annual periods of PAYE starting on or after 6 April 2010.

What do late payment penalties apply to?

Late payment penalties could be charged on any PAYE amount due if it isn't paid in full on time, including:

- monthly or quarterly PAYE (Pay As You Earn)
- student loan deductions
- Construction Industry Scheme (CIS) payments
- Class 1 National Insurance contributions (NICs)
- annual payments of employers' Class 1A NICs
- annual PAYE Settlement Agreements (PSA) payments
- PAYE determinations or charges raised

Notification of a late payment penalty

If a penalty is due, HMRC will send you a late payment penalty letter telling you how much you owe and when you have to pay it by.

Penalty rates and how they will apply

Penalties will be charged on each PAYE scheme independently. Therefore, if you operate more than one PAYE scheme you need to make sure that amounts due for each individual PAYE scheme reference is paid in full on time.

Monthly or quarterly PAYE payments

Employers will not be charged a penalty if only one PAYE amount is late in a tax year - unless that payment is over 6 months late.

The amount of the penalty will depend on how much is late and how many times your payments are late in a tax year. So if you pay part of what is due on time then any penalty will only be charged on the part that is late.

The table below shows how the penalties are calculated

Number of times payments are late in a tax year	Penalty percentage	Amount to which penalty percentages apply
1	No penalty (as long as they are less than 6 months late)	Total amount that is late in the tax year (ignoring the first late payment in that tax year)
2 - 4	1%	
5 - 7	2%	
8 - 10	3%	
11 +	4%	

Additional penalties for monthly and quarterly payments over six months late

If employers have still not paid a monthly or quarterly amount in full, after six months you may have to pay a penalty of 5%. A further penalty of 5% may be charged if you have not paid after 12 months. These penalties apply even where only one payment in the tax year is late

Penalties if you file PAYE returns late: P35, P14

As of May 2010 employers will no longer have the option to paper file their Employer Annual Return.

Penalty amount - Your Employer Annual Return (P35 and P14s)

The deadline by which your Employer Annual Return (P35 and P14s) must reach HMRC is 19 May.

If you file your return late, you'll be charged a penalty of £100 per 50 employees for each month or part month that your return is outstanding in the period from 20 May to 19 September.

HMRC will send you a penalty notice advising you of the amount you're being penalised, and telling you how you can pay it. If your return remains outstanding, you'll receive further penalty notices in September and again the following January and May, if necessary.

Penalties for failing to file your Employer Annual Return (P35 and P14s) online

If you send HMRC your Employer Annual Return (or part of your return) on paper or magnetic media, when you are required to file online, you may be charged a penalty.

The precise amount of the penalty depends on the number of P14s included in your return and is up to a maximum of £3000.

The penalty applies regardless of whether you've filed your return on time or late. And it will still apply even if you try to put things right by filing your return again online.

Penalties for failing to file your in-year forms online

It is becoming compulsory for most employers to file the in-year forms shown in the table below online. If you do not file online when required to do so, HMRC may charge you a penalty. The penalty will range from £100 up to a maximum of £3000 depending on the number of forms that should have been filed online. The first penalties will be issued for the quarter ended 5 April 2010.

The deadline for filing these forms online differs depending on the number of employees in your business:

- If you have **50 or more employees**, then as of 6 April 2009 you were required to file these in-year forms online.
- If you have **fewer than 50 employees**, then under Government proposals, you will have to file these in-year forms online from 6 April 2011.

For more information please refer to the website below:

<http://www.hmrc.gov.uk/payee/problems-inspections>