EXPLANATORY MEMORANDUM TO

THE SOCIAL SECURITY (CONTRIBUTIONS) (AMENDMENT AND APPLICATION OF SCHEDULE 38 TO THE FINANCE ACT 2012) REGULATIONS 2013

2013 No. 622

1. This explanatory memorandum has been prepared by Her Majesty's Revenue and Customs (HMRC) and is laid before Parliament by Command of Her Majesty.

2. Purpose of the instrument

2.1 The Social Security (Contributions) (Amendment And Application of Schedule 38 to the Finance Act 2012) Regulations 2013 ("The 2013 Regulations") is a combined Statutory Instrument, making the following amendments to the Social Security (Contributions) Regulations 2001 (S.I. 2001 No. 1004) ("the SSCR 2001"):

- amendments necessary for the operation of HMRC's Real Time Information programme (RTI) for the majority of employers from April 2013 and to allow the Simplified Pay As You Earn (PAYE) Deduction Scheme (SPDS) to continue until 5th April 2014 for those employers who are existing care and support employers for the purposes of the SSCR 2001.

- to disregard payments under the Armed Forces Early Departure Payment scheme (EDPs) in the calculation of earnings for the purpose of Class 1 National Insurance contributions (NICs);

- to take into account changes to the formula used to calculate the return of NICs paid in excess of the annual maximum arising from the reduction in the contracted-out rebate from 6th April 2012;

- to specify how the amount of unpaid Class 2 NICs is computed when the contributions are recovered by HMRC through the PAYE code (coding out) of the individuals that have not paid them;

- to make changes to the rules that determine the time limits and higher rates that apply to the payment of voluntary Class 2 and 3 NICs. These changes are necessary because of the White Paper "Single-tier pension: a simple foundation for saving" published on 14th January 2013;

- to reflect the correct value of the NICs disregard in relation to qualifying childcare vouchers provided for individuals who are subject to income tax at the additional rate of charge;

- to remove the NICs disregard from Class 1 NICs on the first 15 pence per working day of a meal voucher provided by an employer to an employee.

2.2 In addition to making these amendments to the SSCR 2001, the 2013 Regulations also bring into force certain parts of Schedule 38 to the Finance Act 2012 (“FA2012”) with respect to NICs, extending HMRC’s power to tackle dishonest conduct beyond simply those agents acting in relation to Tax.

3. Matters of special interest to the Joint Committee on Statutory Instruments

3.1 None.

4. Legislative context

Real Time Information (RTI)

4.1 This instrument amends Schedule 4 to the SSCR 2001, which contains provisions derived from the Income Tax (Pay As You Earn) Regulations 2003 (S.I. 2003/2682) (“the PAYE Regulations”) in relation to the way that Class 1 NICs are paid, accounted for and recovered.

4.2 Under the PAYE system, employers must report to HMRC after the end of each tax year what payments have been made to their employees and the NICs liability in respect of those payments. They must also report certain information in relation to statutory payments such as statutory sick pay.

4.3 Following the introduction of RTI, employers are required to report payments to employees and the NICs liability in respect of those payments to HMRC each time a payment is made. This will be done using a return. Each return is required to contain certain information about the way that NICs have been calculated. A separate new form of return will allow employers to report deductions from the amounts they are paying to HMRC to take account of statutory payments they have made.

4.4 The 2013 Regulations make amendments to the SSCR 2001. In particular, they insert into the SSCR 2001 provisions that relax the requirement, in specific circumstances, that employers must notify HMRC on or before they make a relevant payment to their employee.

4.5 In addition to Income Tax subject to PAYE and Class 1 NICs, the repayment of student loans by employees are made through the PAYE system and the income tax construction industry scheme (CIS) also relies upon the PAYE system. Amendments to the PAYE Regulations and the Income Tax (Construction Industry Scheme) Regulations 2005 (S.I 2005/2045) are being made by HMRC at the same time as these Regulations to reflect the introduction of RTI. The Department for Business, Innovation and Skills is similarly making regulations amending the Education (Student Loans) (Repayment) Regulations 2009 (S.I. 2009/470).

Simplified PAYE Deduction Scheme (SPDS)

4.6 The 2013 Regulations also amend the provision that allows certain employers to use the SPDS, closing the scheme to the majority of participants from 6th April 2013. Existing care and support employers as defined in paragraph 21D who file their PAYE returns on paper will be able to continue using the scheme until 5th April 2014 when it will be closed to all users.

Armed Forces early departure payments (EDPs)

4.7 The 2013 Regulations introduce a new regulation 10A into the SSCR 2001 that disregards payments under the Armed Forces EDP.

Changes to calculation of NICs paid in excess of annual maxima

4.8 The 2013 Regulations amend the SSCR 2001 to take account of the reduction in the contracted-out rebate from 6th April 2012 effected by Article 2 of the Social Security (Reduced Rates of Class 1 Contributions, Rebates and Minimum Contributions) Order 2011 (S.I. 2011/1036). They make changes to the formula used to calculate the return of contributions paid in excess of the annual maximum of contribution liability prescribed in legislation for those with more than one employment, one of which is contracted out.

Collection of unpaid Class 2 NICs through an individual's PAYE code

4.9 The 2013 Regulations inserts new regulation 63A into the SSCR 2001.

Changes to the time limits and higher rates applying to the payment of voluntary contributions for those reaching State Pension age on or after 6 April 2017.

4.10 Sections 12(3) and 13(6) of the Social Security Contributions and Benefits Act 1992 and the Social Security Contributions and Benefits (Northern Ireland) Act 1992 set out the rules regarding the rate of Class 2 and Class 3 NICs payable when those contributions are paid late. These are known as the higher rate provisions.

4.11 In the case of voluntary Class 2 NICs, in order to avoid the higher rate provisions, these must be paid before the end of the tax year following the one to which they relate. If these contributions are paid after that time, they have to be paid at the highest rate of Class 2 in force between then and when they are paid.

4.12 In the case of Class 3 NICs, in order to avoid the higher rate provisions, these must be paid before the end of the second tax year following the one to which they relate. If these contributions are paid after that time, they have to be paid highest rate of Class 3 in force between then and when they are paid.

4.13 Regulation 48(3)(b)(i) of the SSCR 2001 provides that voluntary contributions have to be paid before the end of the sixth year following the year in respect of which they relate.

4.14 For the tax years 2006-07 to 2015-16 this instrument extends the time limits for paying voluntary NICs to 5th April 2023.

NICs disregard for qualifying childcare vouchers provided to additional rate taxpayers

4.15 The 2013 Regulations amend the SSCR 2001 to allow the NICs treatment of certain non-cash vouchers to be aligned with the tax treatment of such vouchers. The amendment to the disregard concerns childcare vouchers made available to individuals (chargeable to the additional rate of income tax), through an employer-supported childcare scheme. The amount to be disregarded is increased from £22 to £25 and comes into effect on 6 April 2013.

4.16 The relevant tax change which reduced the additional rate of tax from 50% to 45% was introduced in the Finance Act 2012 and will come into force on 6 April 2013. The amendment made in the 2013 Regulations mirrors the policy and wording for the related tax relief for childcare vouchers in section 270A(6ZA)(a) of the Income Tax (Earnings and Pensions) Act 2003, as amended by the Income Tax (Exempt Amounts for Childcare Vouchers and for Employer Contracted Out Childcare) Order 2013 (S.I. 2013/513).

Removal of NICs disregard on Meal Vouchers

4.17 The 2013 Regulations amend the SSCR 2001 to remove a NICs disregard which is no longer considered necessary as a result of a review of tax reliefs by the Office of Tax Simplification (OTS), an independent body set up by the Government in July 2010. It removes the disregard from Class 1 NICs on the first 15 pence per working day of a meal voucher provided by an employer to an employee.

4.18 The 2013 Regulations also amend the Social Security (Contributions) (Amendment No. 5) Regulations 2001 (S. I. 2001/2412) to make sure that redundant legislation is removed from the statute book

Dishonest Tax Agents

4.19 Schedule 38 to the FA2012 makes provision in respect of dishonest tax agents. It allows HMRC to issue a conduct notice to an agent, to seek access to the agent's working papers from the Tribunal, to penalise dishonest conduct and to publish the name of agents who have been penalised.

5. Territorial Extent and Application

5.1 This instrument applies to all of the United Kingdom.

6. European Convention on Human Rights

As the instrument is subject to the negative resolution procedure and does not amend primary legislation, no statement is required.

7. Policy background

- ***What is being done and why***

Real Time Information (RTI)

7.1 HMRC started to pilot RTI from April 2012 and the SSCR 2001 were amended to facilitate its introduction. The 2013 Regulations make further amendments to the SSCR 2001 which are necessary to reflect changes to employers' obligations under RTI from April 2013 when the majority of employers will be required to report relevant payments to HMRC on or before the making of those payments to employees.

7.2 There are some specific circumstances where employers may not be able to fulfil the requirement to deliver a return on or before they make a payment to an employee. The SSCR 2001 have therefore been amended to allow employers in specific circumstances to submit a return up to 7 days after the payment is made to the employee.

7.3 An example could be where someone works for a day or does piecework and is paid in cash but the employer won't know the amount actually due until the shift is completed.

7.4 We have also removed the requirement for those earning below the Lower Earning Limit (currently £107 per week) to be reported for NICs purposes where those payments are already being reported under RTI for tax.

7.5 The 2013 Regulations also make changes to Part 4 of Schedule 4 of the SSCR 2001 to cover direct collection of NICs from employees which were not required to make returns under RTI during the pilot. These schemes will have to make returns under RTI from 6th April 2014.

7.6 Other amendments to the SSCR 2001 make changes to the information an employer is required to include in returns when they make their return to HMRC.

Simplified PAYE Deduction Scheme (SPDS)

7.7 The scheme was closed to new employers from 6th April 2012 with the intention that it would be closed completely from 6th April 2013. However to allow more time for HMRC to thoroughly test the new paper forms and guidance, with customers who will use them, the introduction of RTI reporting on paper returns has been deferred to April 2014. As a result, the SPDS will remain open for 2013-14, for existing users who are care and support employers and wish to file on paper only. SPDS Employers reporting RTI electronically will do so, as planned, from April 2013. The SDS will close after 5th April 2014.

Armed Forces early departure payments (EDPs)

7.8 EDPs are lump sum and periodical payments made to members of the armed forces who have left the service and satisfy conditions relating to age and length of service. EDPs are paid by the Ministry of Defence (MoD).

7.9 It has been the intention of Government since the introduction of EDPs in 2005 not to subject them to Class 1 NICs. However, because of an interaction with the changes to the taxation of pensions in 2006 and the MoD providing further information on the nature of EDPs, the strict legal position is that they have been liable to NICs since the start of the 2005-06 tax year.

7.10 The 2013 Regulations ensure that EDPs will not be liable to Class 1 NICs from the day they take effect, 6th April 2013. Primary legislation will be introduced as soon as it is practicable to retrospectively remove the liability to Class 1 NICs for the period 6th April 2005 to 5th April 2013.

Changes to calculation of NICs paid in excess of annual maxima

7.11 There is a maximum amount of NICs that an earner with more than one employment is required to pay for any tax year. The SSCR 2001 include a series of mathematical calculations that provide the overall amount due. Where contributions have been paid in excess of the maximum amount required the earner is entitled to a refund.

7.12 From 6th April 2012 the contracted out rebate for employees, which forms part of the calculation, has been reduced from 1.6% to 1.4%. This means that the refund calculations when NICs have been paid over the annual maximum needs to be updated to reflect the change in the contracted out rebate in respect of the 2012-13 and subsequent tax years.

Collection of unpaid Class 2 NICs through an individual's PAYE code

7.13 HMRC is extending the use of the PAYE tax code to recover debts of Class 2 NICs.

7.14 The 2013 Regulations ensure that when a debt is collected by coding out the amount of Class 2 NICs due is computed by reference to the highest weekly rate of such contributions in the period beginning with the contribution week to which the debt relates and ending with the day the PAYE code is determined.

Changes to the time limits and higher rates applying to the payment of voluntary contributions for those reaching State Pension age on or after 6 April.

7.15 The Department for Work and Pensions (DWP) published a White Paper Single-tier Pension: a simple foundation for saving on 14th January 2013. Subject to the successful passage of legislation there will be an increase in the number of qualifying years that certain contributors will need in order to obtain a full Single-tier Pension. Those reaching State Pension age on or after 6th April 2017 at the earliest will need to achieve 35 qualifying years (the current State Pension only requires 30 qualifying years). Qualifying years are achieved by the payment or crediting of sufficient NICs.

7.16 Contributors can pay voluntary NICs (Class 3 but sometimes Class 2) to protect State Pension entitlement by filling gaps in their contribution record to achieve qualifying years. Before contributors pay voluntary contributions they are encouraged to obtain a State Pension Statement from DWP. Until the Single-tier proposals are enacted and IT changes are made DWP may not be able to provide State Pension Statements that give accurate estimates of

Single-tier Pension to those who reach State Pension age on or after 6th April 2017. This uncertainty may make the decision whether to pay voluntary contributions more difficult.

7.17 In order to ensure that contributors who reach State Pension age on or after 6th April 2017 who may be affected by the introduction of the Single-tier Pension are not disadvantaged we are making pre-emptive legislative changes to extend the time limits for paying voluntary NICs for the 2006-07 to 2015-16 tax years inclusive. Those considering whether to pay contributions in respect of those years will have until 5th April 2023 to decide.

7.18 In addition, the higher rate provisions that apply to late payment of voluntary NICs are also being dis-applied. The 2012-13 rate will be payable, until 5th April 2019:

- in relation to Class 3 for the years 2006-07 to 2009-10; and
- in relation to voluntary Class 2 for the years 2006-07 to 2010-11.

This is the rate at which a person who has not yet paid those contributions would have to pay them now because of the higher rate provisions. For the remaining tax years up to and including 2015-16, no higher rate provisions will be applied until 6th April 2019. Instead the rate payable will be the rate that is set for each tax year as part of the annual up-rating of NICs rates and thresholds.

NICs disregard for qualifying childcare vouchers provided to additional rate taxpayers

7.19 The 2013 Regulations align the NICs disregard with the tax treatment of employees chargeable to the additional rate of income tax. The change reflects a change made to the tax relief for childcare vouchers which were made to support the Government's policies on providing support for childcare costs in order to encourage parents to work. The 2013 Regulations amend the amount to be disregarded for qualifying childcare vouchers for employees who joined employer-supported childcare schemes on or after 6th April 2011 from £22 to £25.

Removal of NICs disregard on Meal Vouchers

7.20 The OTS was asked by the Government to consider whether tax reliefs contained within the taxes legislation still served any purpose. The OTS identified a number of reliefs where the policy rationale had weakened over time, were otiose or little used, created distortions in the tax system or were complex for business and/or HMRC to administer which they thought could be abolished.

7.21 Following the OTS's recommendations to the Chancellor, the Treasury consulted on the abolition of 36 reliefs, including the relief for luncheon vouchers.

7.22 There is a tax exemption and a mirroring NICs disregard on the first 15p per working day of a meal voucher provided by an employer to an employee. However, any benefit provided above 15p per working day is liable to tax and NICs. The relief was introduced in 1946 when food rationing was in place with the objective of helping individuals afford healthy meals. It was targeted at employees working for companies without workplace canteens.

7.23 The benefit of the relief has been almost entirely eroded by inflation. The relief is therefore very low in value and no longer achieves a clear objective. It also causes an additional administrative burden to the employer in calculating the taxable benefit to be reported to HMRC because the employer has to account for tax and NICs on any value above 15p.

7.24 Responses to the consultation provided no compelling reason for continuing the relief and associated NICs disregard. The Government’s view is that the evidence provided by respondents suggests that employers are still willing to issue luncheon vouchers despite the relief being worth only 15p. Therefore, the relief is a deadweight cost and should be abolished. It was therefore confirmed it should be abolished from 6th April 2013.

7.25 The Government announced the changes on 6th December 2011. The 2013 Regulations give effect to that announcement.

Dishonest Tax Agents

7.26 The Review of Powers, Deterrents and Safeguards was an HMRC project to modernise and align tax legislation. Schedule 38 to FA2012 was produced by the Review. It modernised existing powers in relation to agents at sections 20A and 99 of the Taxes Management Act 1970 and extends them to almost all of the taxes and duties for which HMRC is responsible.

7.27 Schedule 38 will be brought into effect from 1st April 2013 by an Appointed Day Order [SI 280 (C.14) The Finance Act 2009. Section 101 (Tax Agents: Dishonest Conduct) (Appointed Day) Order 2013].

7.28 The intention is that Schedule 38 should apply to dishonest conduct by an agent in relation to NICs, as it will apply to dishonest conduct in respect of tax.

7.29 Paragraphs 53 to 57 of Schedule 38 contain consequential amendments. The specified sections of National Insurance legislation (mainly provisions to do with information powers) now include reference to Schedule 38. These paragraphs of Schedule 38 also add to the existing National Insurance vires to allow regulations to be made to bring the remaining Parts of the Schedule into effect for NICs. The 2013 Regulations allow Schedule 38 to apply fully for the purposes of NICs.

- ***Consolidation***

7.30 There are currently no plans to consolidate the SSCR 2001.

8. Consultation outcome

Real Time Information (RTI)

8.1 In accordance with the Government's Tax Consultation Framework, a draft of these Regulations was published on the HMRC website for comment from 15th November 2012 to 11th January 2013 together with drafts of regulations which amend the Income Tax (Construction Industry Scheme) Regulations and the PAYE Regulations.

Simplified PAYE Deduction Scheme (SPDS)

8.2 HMRC continues to communicate with those employers affected by the closure of the SPDS ensuring that they are aware of their obligations under RTI and those who are permitted to continue using SPDS are aware that they can.

Armed Forces early departure payments (EDPs)

8.3 This regulation only applies to the MoD, therefore there has been no public consultation. The MoD is aware of the changes.

Changes to calculation of NICs paid in excess of annual maxima

8.4 No consultation has been undertaken.

Collection of unpaid Class 2 NICs through an individual's PAYE code

8.5 HMRC first consulted on proposals to extend coding out as part of the Review of Powers, Deterrents and Safeguards including publication of "Payments, Repayments and Debt: The Developing Programme of Work" in June 2007. A summary of the responses to that consultation was published in "Responses to Consultation and Proposals" on 10th January 2008 and legislation for some of the proposals was included in Finance Bill 2008.

8.6 In November 2008 HMRC published a further consultation document "Modernising Powers, Deterrents and Safeguards: Payments, Repayments and Debt: The Next Stage". Chapter 5 of this document put forward further proposals for the coding out of small debts.

8.7 The consultation document formally proposed that HMRC would extend the legislation in section 684 Income Tax (Earnings and Pensions) Act 2003 to collect any small debt through adjustment to the employee's notice of coding. The consultation document set out the proposals for implementation and the safeguards that HMRC would put in place. Interested parties were asked to what extent the proposals struck the right balance between HMRC and debtor and whether there were further safeguards that should be considered.

8.8 Views about the proposals were sought from a group of customers drawn from the small business community and qualitative research was commissioned to better understand the issues around tax debt. HMRC has also consulted with representatives of small businesses.

8.9 In April 2009 HMRC published “Responses to consultations and explanations”. Chapter 6 of the document, titled “Payment, repayment and debt”, summarised the findings from the November 2008 consultation. Respondents thought that with sufficient safeguards, it was sensible that HMRC should be able to recover debts it was owed through PAYE.

Changes to the time limits and higher rates applying to the payment of voluntary contributions for those reaching State Pension age on or after 6 April 2017.

8.10 No consultation has been undertaken but the regulations have been published in draft on the HMRC website.

NICs disregard for qualifying childcare vouchers provided to additional rate taxpayers

8.11 The amendments in the 2013 Regulations were published in draft on 11th December 2012 as part of the consultation process for Finance Bill 2013.

Removal of NICs disregard on Meal Vouchers

8.12 The Treasury consulted on the impact of removing 36 reliefs identified by the OTS in May 2011.

8.13 A total of 78 consultation responses were received from individuals, businesses and representative bodies. In general, interested parties were fully supportive of the OTS work in simplifying the complexities of the UK tax code; and agreed in removing reliefs where the policy rationale is no longer relevant.

8.14 Respondents to the relief for Luncheon Vouchers argued that employers still continued to use luncheon vouchers with total issuance being between £7-£8m a year; and that 75 per cent of this amount is subject to the 15p tax relief. It was further argued that repeal of this relief will impact upon luncheon voucher suppliers as well as the hospitality industry.

8.15 The Government has considered the arguments made. On the basis that employers are still willing to issue luncheon vouchers despite the relief being worth as little as 15p, the Government maintains the view that this relief has no practical application. The Government published a detailed response to the consultation which can be viewed in the Consultation Response Document on the HMRC website.

8.16 In accordance with the Government’s Tax Consultation Framework (http://www.hmrc.gov.uk/consultations/tax-consultation-framework.pdf), HMRC has published this instrument in draft.

Dishonest Tax Agents

8.17 There were several formal consultations on Schedule 38 FA 2012 for the full 12 weeks including publication of draft legislation on 6th December 2011.

9. Guidance

Real Time Information (RTI)

9.1 Extensive guidance has been published on HMRC's website for employers using RTI, this will be updated to reflect these changes.

Armed Forces early departure payments (EDP)

9.2 HMRC will update the guidance it provides to employers as appropriate.

Changes to calculation of NICs paid in excess of annual maxima

9.3 The updating of the excess contributions calculations does not impose any new obligations on individuals or employers.

Collection of unpaid Class 2 NICs through an individual's PAYE code

9.4 Guidance will be available on the HMRC website and the relevant guidance in the National Insurance Manual and the Debt Management and Banking Manual will be updated.

Changes to the time limits and higher rates applying to the payment of voluntary contributions for those reaching State Pension age on or after 6 April 2017.

9.5 The changes apply to individuals and guidance will be amended to reflect the changes that are being made.

NICs disregard for qualifying childcare vouchers provided to additional rate taxpayers

9.6 HMRC will update the guidance prepared for use by employers and parents, to include reference to the effect of this legislation.

Removal of NICs disregard on Meal Vouchers

9.7 These Regulations do not impose any new obligations.

9.8 The Treasury has published a response to the consultation confirming which reliefs are to be abolished and those that are to be retained. The relevant HMRC guidance in the "CWG 2 Employer Further Guide to PAYE and NICs" and on HMRC's website will be amended to reflect these Regulations.

Dishonest Tax Agents

9.9 HMRC will publish guidance on Schedule 38 FA 2012. This has been subject to consultation.

10. Impact

Real Time Information (RTI)

10.1 All employers including charities or voluntary bodies will be required to use RTI.

10.2 The impact of RTI on the public sector is the same as for any other employer

10.3 A Tax Information and Impact Note was published on 15th March 2012 alongside the Social Security Income (Contributions) (Amendment No 3) Regulations 2012 (S.I. 2012/821). This has been updated as a result of changes to the impacts as a result of the year long RTI pilot and is available on the HMRC website at http://www.hmrc.gov.uk/thelibrary/tiins.htm

Simplified PAYE Deduction Scheme (SPDS)

10.4 Closing the SPDS to non care and support employers will have no impact on the voluntary sector.

10.5 When the SPDS is closed to employers other than care and support employers they will be required to operate standard PAYE. The Basic PAYE Tools free payroll software will be available for all employers with 9 or fewer employees to use. HMRC recognises this may prove difficult for some who employ staff to provide them with care and support. These employers will be given the option to submit their returns to HMRC on paper from 2014-15 onwards.

10.6 Closing the SPDS will have no impact on the public sector.

10.7 A Tax Information and Impact Note was published on 15th March 2012 alongside the Income Tax (Pay As You Earn) (Amendment) Regulations 2012 (S.I. 2012/822) and is available on the HMRC website at http://www.hmrc.gov.uk/thelibrary/tiins.htm . It remains an accurate summary of the impacts that apply to this amendment.

Armed Forces early departure payments (EDPs)

10.8 A Tax Information and Impact Note will be published on the HMRC website at http://www.hmrc.gov.uk/thelibrary/tiins.htm

Changes to calculation of NICs paid in excess of annual maxima

10.9 There is no impact on business, charities or voluntary bodies.

10.10 There is no impact on the public sector.

10.11 In line with government commitments, a Tax Information and Impact Note has not been prepared for this amendment as it gives effect to previously announced policy and it relates to routine changes to rates, limits and thresholds to a predetermined indexation formula.

Collection of unpaid Class 2 NICs through an individual's PAYE code

10.12 There will be an impact on business, charities, voluntary bodies and the public sector where they employ persons with small debts which HMRC may seek to recover through coding out.

10.13 An Impact Assessment titled "Payments, Repayments and Debt: The Next Stage" was published by HMRC on 14th April 2009 which considered the impact of the proposal to extend coding out to any small debt. The Impact Assessment remains an accurate summary of the impacts that apply to this amendment and is available on the HMRC website at: http://webarchive.nationalarchives.gov.uk/20100330144254/http://www.hmrc.gov.uk/budget2009/powers-debt-2400.pdf

10.14 The Impact Assessment assessed that a small cost may be incurred by employers. HMRC estimates there would be a cost to employers of just over 50p for every tax code change. This is based on the assumption that it will take 3.5 minutes for an employer to deal with a coding notice manually and 2 minutes for an employer using software, which met general agreement in consultation.

10.15 The Impact Assessment also stated that HMRC would provide employees with information about how their PAYE coding will change as the debt is collected. Individuals may also turn to their employer for advice on their PAYE coding. HMRC have assumed that 1 in 20 of the people that have a debt coded out would contact their employer with a query and the employer would take 5 minutes to refer them to HMRC.

Changes to the time limits and higher rates applying to the payment of voluntary contributions for those reaching State Pension age on or after 6 April 2017.

10.16 There is no impact on business, charities or voluntary bodies.

10.17 There is no impact on the public sector.

10.18 A Tax Information and Impact Note was published on 27th February 2013 alongside a draft of this amendment and is available on the HMRC website at: http://www.hmrc.gov.uk/thelibrary/tiins.htm. It remains and accurate summary of the impacts that apply to this amendment.

NICs disregard for qualifying childcare vouchers provided to additional rate taxpayers

10.19 The impact of this amendment on business, charities or voluntary bodies is negligible.

10.20 No impact on the public sector is foreseen.

10.21 A Tax Information and Impact Note relating to this amendment was published on 11th December 2012 and is available on the HMRC website at http://www.hmrc.gov.uk/thelibrary/tiins.htm. It remains an accurate summary of the impacts that apply to this amendment.

Removal of NICs disregard on Meal Vouchers

10.22 There will be an impact on business, charities or voluntary bodies that provide luncheon vouchers to their employees.

10.23 There is no impact on the public sector.

10.24 A Tax Information and Impact Note covering this amendment was published on 6th December 2011 alongside the autumn statement and is available on the HMRC website at http://www.hmrc.gov.uk/thelibrary/tiins.htm . It remains an accurate summary of the impacts that apply to this amendment.

Dishonest Tax Agents

10.25 There is no impact on business, charities or voluntary bodies.

10.26 There is no impact on the public sector.

10.27 A Tax Information and Impact Note was published on 6th December 2011 for Schedule 38 to FA 2012 and is available on the HMRC website at http://www.hmrc.gov.uk/thelibrary/tiins.htm. It remains an accurate summary of the impacts that apply to this amendment.

11. Regulating small business

Real Time Information (RTI) & Simplified PAYE Deduction Scheme (SPDS)

11.1 The legislation applies to small business.

11.2 RTI aims to reduce administrative burdens for all employers, including small employers (upon whom the current burden of PAYE currently falls disproportionately). The aim is to achieve this by integrating employee payment and reporting to HMRC into a single payroll process.

11.3 Small employers are already required to submit returns to HMRC electronically, but those who do not currently use payroll software are expected to find the move to RTI most difficult. However, HMRC's existing free Basic PAYE Tools software has been updated and can be used by all employers with 9 or fewer employees.

11.4 A number of small firms have taken part in the RTI pilot and HMRC's research into employer impacts. The resulting findings have informed the support HMRC needs to offer to small employers to migrate to RTI.

Armed Forces early departure payments (EDPs)

11.5 The legislation does not apply to small business. The amendment only applies to the MoD.

Changes to calculation of NICs paid in excess of annual maxima

11.6 The changes to the excess refund calculation do not affect small businesses.

Collection of unpaid Class 2 NICs through an individual's PAYE code

11.7 This amendment applies to small business. The amendment itself has no impact on small business but the impact of the wider policy is described in the Impact Assessment titled "Payments, Repayments and Debt: The Next Stage" which was published by HMRC on 14th April 2009 and is referred to in paragraph 10.13 of this memorandum.

11.8 The wider policy is aimed at non-compliant taxpayers. To exempt small businesses would be to exempt the vast majority of UK enterprises from changes which aim to level the playing field by tackling more effectively those who seek to gain an advantage through not meeting their liabilities or delaying payment.

11.9 To help minimise any impact of the requirements on firms employing up to and including 9 employees, the approach taken is as follows. HMRC provides the Basic PAYE Tools which includes a P11 Calculator that will work out and record an employee's tax, NICs and Student Loan deductions every payday. This free computer software package is available to download http://www.hmrc.gov.uk/paye/tools/basic-paye-tools.htm . This is provided free of charge and will minimise the burden on employers if they choose to take advantage of it. For those businesses which do not have access to computers or payroll software HMRC provides manual tables.

Changes to the time limits and higher rates applying to the payment of voluntary contributions for those reaching State Pension age on or after 6 April 2017

11.10 The changes do not affect small businesses.

NICs disregard for qualifying childcare vouchers provided to additional rate taxpayers

11.11 The new regulations apply to small business.

11.12 The impact on any small firms affected by this change will be negligible.

Removal of NICs disregard on Meal Vouchers

11.13 The legislation applies to small business.

11.14 Some small businesses (those with fewer than 20 employees) will be affected by the proposals if they provide luncheon vouchers because they will have to record the value of the benefit if they continue to provide it.

11.15 All businesses were able to respond to the Treasury consultation on the impact of removing the relief. However, there is no evidence from the consultation to suggest that the abolition of the relief will have a significant impact on small business.

Dishonest Tax Agents

11.16 The legislation will apply to dishonest tax agents operating small businesses.

12. Monitoring & review

Real Time Information (RTI) & Simplified PAYE Deduction Scheme (SPDS)

12.1 RTI has been piloted from April 2012 and HMRC will continue to monitor the operation of RTI, in particular the interaction with Universal Credit when it commences and consider further amendments as necessary.

Changes to the time limits and higher rates applying to the payment of voluntary contributions for those reaching State Pension age on or after 6 April 2017.

12.2 The changes are being made from the earliest possible commencement date for Single-tier Pension and will be monitored and subject to review once the Single-tier Pension legislation is enacted. This is to ensure that customers have sufficient time to obtain a State Pension Statement and decide whether it is worthwhile paying voluntary NICs before the higher rate provisions apply or the contributions become time-barred. In the event that the Single-tier Pension legislation provides for a later commencement date the Principle Regulations may require further amendment.

NICs disregard for qualifying childcare vouchers provided to additional rate taxpayers

12.3 The change will be kept under review through communication with the affected taxpayer groups.

Remaining provisions

12.4 The remaining provisions in the 2013 Regulations will be monitored and reviewed as appropriate within the context of the wider National Insurance and Tax frameworks.

13. Contacts

The following contacts can answer specific queries regarding the 2013 Regulations:

Armed Forces early departure payments (EDPs) / Collection of unpaid Class 2 NICs through an individual's PAYE code / Removal of NICs disregard on Meal Vouchers
Raj Nayyar at HMRC, Telephone 0207 147 2521 or e-mail: raj.nayyar@hmrc.gsi.gov.uk

RTI/ SPDS/ Changes to calculation of NICs paid in excess of annual maxima / Changes to the time limits and higher rates applying to the payment of voluntary contributions for those reaching State Pension age on or after 6 April 2017

Hasan Mustafa at HMRC, Telephone: 0207 147 2508 or e-mail: hasan.mustafa@hmrc.gsi.gov.uk

NICs disregard for qualifying childcare vouchers provided to additional rate taxpayers
Su McLean-Tooke at HMRC, Telephone 020 7147 2665 or email: susan.mclean-tooke@hmrc.gsi.gov.uk

Dishonest Tax Agents
Madeleine O'Brien at HMRC, Telephone 0207 147 2466 or email: madeleine.o'brien@hmrc.gsi.gov.uk.