

Article topic: Business Services

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Beware of late payment penalties for PAYE

Following a new HMRC crackdown this April, employers will face big penalties if they miss PAYE payment deadlines, warns Angela Brake, Head of Payroll at Target Chartered Accountants.



Administering PAYE is a fact of life for all employers. But whilst the majority meet the PAYE deadlines, there are a small minority who regularly miss, or even delay, making their payments to HMRC. Up until now, these employers have done so without serious consequence; however, all this is set to change from next month, as HMRC brings in a new system of penalties.

At the moment, PAYE (which includes income tax, employees' Class 1 NICs, employers' NICS, class 1A NICs, Construction Industry Scheme and Student Loan deductions) must be paid to HMRC by the 19th of the following month, or the 22nd if payments are made electronically. There is a concession for smaller employers, who can make quarterly payments if the average PAYE owing is less than £1500 per month.

From April onwards, failure to meet the deadlines on two or more occasions will result in automatic penalties. The aim of the measures is to target late payers, or those who fail to settle their liabilities and take six months or more to pay up.

Although, one delayed payment in the tax year will not incur a charge, two-four late payments will result in a 1% charge on the sum outstanding. Employers who make late payments in 11 out of 12 months will be charged 4% of the total amount overdue.

Any payment made more than six months late will result in a 5% penalty, with a further 5% if the amount is still outstanding after twelve months. For later payments, employers will be liable for further charges under a new tariff system.

HMRC will only show flexibility where a Time to Pay arrangement is in place, or where a 'reasonable excuse' exists. This is only applicable where something 'unusual, unforeseeable and unpreventable' has occurred.

A lack of funds as a reason for late payment is not acceptable, so it is vital that companies have the funds in place to settle their PAYE account on time. As well as impacting on cash flow, the penalty system will also increase the burden on employers administering their own payroll.

It is not just a case of meeting payment deadlines - employers must also ensure that their PAYE calculations are accurate. Any underpayments, even if they are as a result of human error, will be viewed as an attempt to delay payment and result in a 'first strike'. Penalties will then be incurred if further underpayments are made, even if the situation is corrected afterwards.



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Although there is an opportunity of appeal, the chances of success are minimal, so we are advising employers to review their PAYE administration as a key priority. If you have cash flow issues which prevent the payment of PAYE on time, these need to be communicated to HMRC immediately, so a Time to Pay arrangement can be organised in advance.

In other situations, you may have made late payments in the past, or underpaid amounts owing as a result of administrative issues. If these problems can't be resolved internally, outsourcing payroll will be the most cost-effective option – especially if you are facing the prospect of having to pay regular penalties.

From as little as £250 per year, our payroll team can handle all aspects of your PAYE, including calculating and processing your payments accurately and on time. We also handle your P35 return, as well as managing all other payroll administration on an ongoing basis. As a Bacs Approved Bureau we can even arrange to transmit the payment of PAYE on your behalf, therefore ensuring prompt payment to HMRC.

For more information on outsourcing PAYE or any other payroll issues, please contact Angela Brake on 01225 486350.