

Payroll Return Incentive

Have a case of Champagne on the Taxman!



Do you have fewer than 50 employees?

If you do, you might qualify for a case of Champagne, or rather a £250 refund from the taxman so you can buy it yourself! In November 2004 HM Revenue & Customs ("HMRC") wrote to all UK employers warning that if they had 50 or more employees at that date, their 2005-06 payroll returns (Forms P14 and P35) would have to be filed on-line. Smaller employers (less than 50 employees) were offered a £250 credit to encourage compliance.

Making the Return

Your software must contain all the relevant details or the filing will be rejected by HMRC's computer system, thus you should try to file earlier rather than later, as mistakes might need correcting.

Check your authentication details before filing, or register now if you do not have any – go to www.hmrc.gov.uk and look for "PAYE for employers" under "Do it online".

When you file your returns you will receive two messages. The first will be an e-mail from the Government Gateway confirming receipt. The second will follow shortly to say that the return has been accepted, or if it has failed it will say why.

Once you have filed on-line and you have received an acceptance message you can relax. Do not send a paper

copy as this might be processed before the on-line version and you could be fined automatically.

You will get a letter confirming that the £250 payment has been agreed. To claim it you deduct this amount from your next payment, or if you would rather receive a cheque then you can say so.

Already had a £250 refund?

If you had a £250 payment for 2004-05 you must enter this in the correct box on the 2005-06 P35 if you received the money by credit to your payment history, or leave it off the return entirely if you received it by cheque. If you set the payment off against an amount of PAYE and NIC paid for 2005-06 then you should report the net amount paid on the "NICs and Tax paid" box on the P35.

Barnes Roffe Topical Tips

- If you are unsure whether you have to file on-line contact your HMRC office.
- Your Form P35 is due by 19 May 2006, but all PAYE and NIC deducted must be paid by 19 April.
- Check your authentication details as this has been the most common cause for rejections of returns.
- Check you can connect to the Government Gateway as your internet security might prevent this.
- If you need to run a payroll very shortly after 6 April 2006 then you must check your software will allow you to do so before filing the 2005-06 return. If it will not, you will need to speak to your software vendor to ensure that you have time to submit the returns on-line, update the codes for the new tax year and run your payroll before your payment deadline.
- Don't delay as the system is likely to be jammed with last-minute filings from 18 May onwards!
- Note that the HMRC end of year Internet filing service will be suspended for maintenance from 1 March to 5 April 2006.
- Ensure that you identify the £250 separately in your business records as it is tax-free.
- Sage payroll users: Ensure that you have v8.09 or above and at least Internet Explorer v6 (or Netscape Navigator v5.5). Windows 95 users will not be compatible with this. Also check if you need to get the Sage Internet Submission Module from the Sage website. If you have have the v11 or v12 Sage year-end update you will already have the latest module.

Consult your Barnes Roffe LLP contact Partner for guidance in this important area.