

In -year online filing

Employers with 50 or more employees must send their new starter and leaver information electronically (online) to HMRC from 6 April 2009. Maybe you already know this but I've still got a suspicion that many employers are not aware of their obligations, despite HMRC issuing reminders to those affected.

The requirement was originally timed for April 2008 but, a one year delay was announced in the March 2007 Budget, which might not have helped public awareness.

According to HMRC's current plan, employers with fewer than 50 employees will have to file year-end returns online from 6 April 2010 and in-year forms online from 6 April 2011.

Which forms are involved?

- P45(1) employee leaving
- P45(3) employee starting
- P46 employee starting who does not have a P45
- P46(Pen) a new form from 6 April 2009 to replace existing forms
 P160 (paper) and PENNOT (electronic) which are
 currently used to notify HMRC of a new pension or
 annuity recipient
- P46(Expat) a completely new form from 6 April 2009 for employers
 to determine the appropriate tax code and notify HMRC
 when they employ someone who has been seconded to
 work in the United Kingdom

Penalties

Penalties for sending paper forms to HMRC when required to make electronic submissions are based on the number of paper forms HMRC receive in error each quarter, on a sliding scale up to a maximum of £3,000.

The good news for those who, for whatever reason, continue to send paper forms is that the penalties will not be applied immediately. HMRC is applying a commendable common sense approach and for the first three quarters of 2009/10, they will write to employers reminding them of the new requirements and offering guidance and support. Employers who send any paper forms after that period of grace will be charged penalties.

Is it difficult?

There are many employers already successfully filing online, though the majority are not yet doing so. But most of those who need to file in-year forms online this April are already filing year-end returns online so have established their ability to communicate electronically with HMRC. Provided their software supports in-year forms, the change ought to be quite straightforward.



If your payroll software does not support any of these forms you can use the free Online Returns and Forms Service (ORFP) on the HMRC website. If you currently submit forms to HMRC via the internet you will already be registered with them for PAYE online filing and be able to access this service. Alternatively, if you are an EDI user you will need to register in advance if you have not already done so.

The question of internal administration does need to be thought through. How often do you currently send paper forms? How often will you send online forms? Who sends the paper forms currently? If this is the local employing manager (or local administrative assistant/payroll clerk) but you plan to send online forms from one central source, you need to ensure there is no duplication - otherwise you might incur penalties.

Also, switching to the new plain paper P45 for leavers (if your payroll software supports it) might prove helpful. This format is specifically for use where part 1 of the P45 is sent electronically as it only covers parts 1A, 2 and 3.

Terminology

The P46(Pen) might be referred to in some payroll software as a PENNOT because this is still the name given to the electronic message. So let's be clear - from 6 April 2009 a P46(Pen) is both a paper form and an online form. This online form might also be referred to as a PENNOT.

The EDI (Electronic Data Interchange) version of form P46(Expat) will be called P46(Exp) to conform to published EDIFACT standards for EDI messages. Elsewhere it will still be referred to as P46(Expat).

Further thoughts

Don't forget that from 6 April 2009 all P45s and P46s must show the employee's date of birth and gender. Omission of either of these will cause HMRC to reject electronic submissions.

Finally, once you are sending electronic forms to HMRC on a frequent basis why not consider receiving incoming forms electronically too? Granted this is optional, but whilst e-filing is mainly for the benefit of HMRC, the one area where employers can gain some real benefit is uploading P6s/P9s automatically to their payroll system. Especially bearing in mind HMRC will no longer be providing paper lists of P9 information after this year.

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