

# 12PAY

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By IRIS

12Pay  
Reporting for Social  
Care Arrears  
Payments  
May 2018

# Contents

<b>Social Care Employers' Arrears Payments</b> .....	<b>3</b>
<b>Overview</b> .....	<b>3</b>
<b>Tax</b> .....	<b>4</b>
<b>Alternative PAYE Arrangement</b> .....	<b>4</b>
<b>EYU</b> .....	<b>5</b>
<b>National Insurance</b> .....	<b>6</b>
To create a payment after tax but before NI calculation:.....	<b>6</b>
<b>Auto Enrolment</b> .....	<b>6</b>
<b>Statutory Payments</b> .....	<b>6</b>

# Social Care Employers' Arrears Payments

## Overview

It has been identified that some Social Care Sector employers may not have been paying the National Minimum Wage (NMW) for hours worked during overnight shifts, where employees can sleep on the premises (sleep-in shifts).

Here are some links to useful information regarding possible arrears:

Get help to work out if you've underpaid your workers for sleep-in shifts and tell HMRC using the social care compliance scheme: click [here](#).

Sleep-in shifts: <https://www.gov.uk/government/news/new-sleep-in-shift-pay-compliance-scheme-launched-to-support-social-care-sector-and-identify-back-pay-for-workers>

National Minimum Wage: <https://www.gov.uk/government/publications/enforcing-national-minimum-wage-law>

Information on automatic enrolment duties and deducting pension contributions from NMW arrears can be found at <https://www.thepensionsregulator.gov.uk/>. We cannot advise on this, if you have any queries in this regard, please contact The Pensions Regulator (TPR) directly.

HMRC and TPR have provided guidance to help employers report the arrears amount, the deductions made and how to make payment of the tax/national insurance contributions due.

To reduce the administrative burden on HMRC, they are allowing all Social Care Sector employers to deal with the tax implications of these arrears using an Alternative PAYE Arrangement, also known as an APA. This arrangement means you will not be required to submit Earlier Year Updates (EYU) for each individual payment made. HMRC are strongly recommending that you use the APA if you are making payments for pre-RTI years, or for years where you no longer hold the payroll records.

You can use an APA to send an APA return to report the tax deducted. This only relates to arrears to pay for previous tax years. Arrears in the current tax year should be included in normal pay and tax and NI contributions deducted accordingly.

If you are using the APA, you should not include the tax deducted on an Full Payment Submission (FPS), you should only report the NI contributions and any other deductions, such as pension or student loans, on the FPS.

# Tax

You have two options for reporting payments to HMRC for National Minimum Wage for Social Care Arrears, via the **Alternative PAYE Arrangement (APA)** or via an **Earlier Year Update (EYU)**.

## Alternative PAYE Arrangement

The most straight forward way to report arrears payments in this instance is to use the APA. You deduct 20% tax from the taxable income for each employee. If you are calculating this manually, remember to round all deductions down to the nearest penny.

The total arrears of pay and tax deducted must be reported for each relevant tax year on the HMRC Return of Income tax due on National Minimum Wage Arrears for Social Care employers spreadsheet. This spreadsheet should be completed in full and sent to HMRC.

Example on APA below: £5000 arrears = £1000 tax due @ 20%

Alternative PAYE Arrangement – Return of income tax due on National Minimum Wage Arrears for							Social Care employers												
Surname	First Forename	Second Forename	NI Number	DOB	Address Line 1	Postcode	Taxable Arrears of Pay 2011-12	Tax due 2011-12	Taxable Arrears of Pay 2012-13	Tax due 2012-13	Taxable Arrears of Pay 2013-14	Tax due 2013-14	Taxable Arrears of Pay 2014-15	Tax due 2014-15	Taxable Arrears of Pay 2015-16	Tax due 2015-16	Taxable Arrears of Pay 2016-17	Tax due 2016-17	Taxable Arrears of Pay 2017-18
Bloggs	Joe		NK321654C	DD-MM-YYYY	27 Connor Lane	NE26 4JP	5000.00	1000.00											

HMRC will use the figure you've declared as the amount of tax due and will write to you to let you know how, and by when, to pay. They will issue you with a reference number to quote when making payment.

As this payment will have a different charge reference to your normal payments, you should not make the payment without the reference number HMRC send you.

HMRC does not require EYUs to be submitted if you are using the APA.

## EYU

The EYU can be used to report the arrears payment and tax due to HMRC. This payment of arrears should be paid under existing RTI rules. To do this in your payroll software you will need to:

- Calculate and deduct tax for each year as if the additional pay had been paid at week 53 for that year
- Use the employee's tax code for each closed tax year
- Give each employee a letter showing the revised pay for each tax year and the tax and NICs deducted. Each letter should also contain the following message: 'If you think you've overpaid tax or NICs for any of the years concerned you should contact HMRC National Insurance Contributions and Employer Office

To submit an EYU to report the tax information for the arrears:

1. Choose the employee
2. On the Month (or Week) tab go to Reports | File EYU
3. Click Yes to the message on screen
4. Enter the individual's Tax Code for the appropriate year
5. Enter the adjustment values, for example the difference between what was sent on the last FPS and what should have been sent. In this example we have entered Taxable Pay of £5000 (arrears) and £1000 Tax
6. Select the Submit tab
7. Click Submit EYU
8. Click Print if you require a copy of the information for your records
9. Add the Tax Paid amount to your next P32 payment due to HMRC

Earlier Year Update (EYU) to be filed with HMRC

West Brian (M) NI 1 / 2 NI 3 / 4 Submit Advanced

Employee: West Brian (M) 2

Address: 12 The Piddings Marton ER3 4SS

NINO: [ ] Joined: [ ]

Gender: M Left: [ ]

Load Adjustments: [ ]

Adjustments to File

Note: The values to enter are adjustments for the year and not YTD totals. However, for Annual Pension, this is the actual pension amount not an adjustment.

Tax Code: 456L  W1 / M1

Taxable Pay: 5,000.00 E'ee Pension with Relief: 0.00

Tax: 1,000.00 E'ee Pension without Relief: 0.00

Student Loan: 0 Benefits Taxed: 0.00

SMP: 0.00 Flexible Accessing Pension Rights:

SAP: 0.00 Pension Death Benefit Indicator:

SPP: 0.00 Serious Ill Health Lump Sum Indicator:

ShPP: 0.00 Flexible Drawdown Taxable: 0.00

Flexible Drawdown Non Taxable: 0.00

Recently Bereaved:  Trivial Lump Sum: 0.00

Enable Annual Pension:  Other Lump Sum (Personal): 0.00

Annual Pension: 0.00 Other Lump Sum (Occupational): 0.00

If you have pre-RTI years, or years for which you no longer hold the payroll records, we strongly recommend you use the APA.

## National Insurance

As National Insurance is deducted in the pay period in which the payment is made, this should be reported through RTI on an FPS. You will need to make a payment that is after tax is calculated but before NI calculation – therefore the amount of arrears is not included in Taxable Pay.

### To create a payment after tax but before NI calculation:

1. Go to Payments/Deductions
2. Select Create new payment/deduction
3. Complete the Code field (for instance: NMW Arrears)
4. Untick Before Tax, Before Pension and Qualifying Earnings
5. Ensure Before NI is ticked
6. Click Save

In the relevant Employee Month/Week tab:

7. Click Add Payment/Deduction
8. Choose the new payment set up for NMW Arrears
9. Enter the arrears amount in the Pay field in the bottom section of the screen
10. Once all pay elements required have been entered for this employee, follow your normal procedure to Calculate
11. This will calculate the NI for the arrears payment
12. This information will then be included in the FPS submitted for this period

## Auto Enrolment

For more information on what your automatic enrolment duties are, because of paying these arrears, and calculating the pension contributions due please refer to the Pension Regulator guidance. For detailed guidance for employers and advisors see <https://www.thepensionsregulator.gov.uk/>.

## Statutory Payments

The earnings used to calculate Statutory Payment entitlement are those paid in the relevant period and so will not change any previously calculated entitlement.

## Useful numbers

HMRC online service helpdesk	HMRC employer helpline
<b>Tel: 0300 200 3600</b> <b>Fax: 0844 366 7828</b> <b>Email: <a href="mailto:helpdesk@ir-efile.gov.uk">helpdesk@ir-efile.gov.uk</a></b>	<b>Tel: 0300 200 3200</b> <b>Tel: 0300 200 3211 (new business)</b>

## Contact Support

Your Product	Phone	E-mail
<b>IRIS 12Pay</b>	N/A	<a href="mailto:support@12pay.co.uk">support@12pay.co.uk</a>
<b>IRIS PAYE-Master</b>	0344 815 5555	<a href="mailto:payroll@iris.co.uk">payroll@iris.co.uk</a>
<b>IRIS Payroll Business</b>	0344 815 5555	<a href="mailto:ipsupport@iris.co.uk">ipsupport@iris.co.uk</a>
<b>IRIS Bureau Payroll</b>	0344 815 5555	<a href="mailto:ipsupport@iris.co.uk">ipsupport@iris.co.uk</a>
<b>IRIS GP Payroll</b>	0344 815 5555	<a href="mailto:gpsupport@iris.co.uk">gpsupport@iris.co.uk</a>
<b>IRIS GP Accounts</b>	0344 815 5555	<a href="mailto:gpaccsupport@iris.co.uk">gpaccsupport@iris.co.uk</a>
<b>Earnie or Earnie IQ</b>	0344 815 5555	<a href="mailto:earniesupport@iris.co.uk">earniesupport@iris.co.uk</a>
<b>IRIS Payroll Professional (formerly Star)</b>	0344 815 5555	<a href="mailto:payroll-support@iris.co.uk">payroll-support@iris.co.uk</a>

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