

12PAY

By IRIS

12Pay
Reporting for Social
Care Arrears
Payments
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Contents

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

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.

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

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	<input type="checkbox"/>
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	<input type="checkbox"/>
SAP	0.00
Pension Death Benefit Indicator	<input type="checkbox"/>
SPP	0.00
Serious Ill Health Lump Sum Indicator	<input type="checkbox"/>
ShPP	0.00
Flexible Drawdown Taxable	0.00
Flexible Drawdown Non Taxable	0.00
Recently Bereaved	<input type="checkbox"/>
Trivial Lump Sum	0.00
Enable Annual Pension	<input type="checkbox"/>
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
Tel: 0300 200 3600 Fax: 0844 366 7828 Email: helpdesk@ir-efile.gov.uk	Tel: 0300 200 3200 Tel: 0300 200 3211 (new business)

Contact Support

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

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