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**End of year compliance for  
2010/11 and start to  
2011/12**

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**Foreword**

Welcome to the May 2011 issue of the Anderson Anderson & Brown LLP Employer and Expatriate Tax Solutions (EETS) Bulletin. Covering a number of topical changes recently introduced, or in the pipeline, we trust you find these articles and the compliance calendar informative.

**1. Happy new tax year!**

Our Happy New Tax Year 2011 annual booklet for employers is now available. It brings you up-to-speed with changes to the tax and National Insurance Contribution (NIC) regimes for employees that take effect from the start of the new 2011/12 tax year and is also designed to help you through the complexities of finalising your returns for 2010/11. The document can be found at:

<http://www.aab.co.uk/docs/literature/>

**2. PAYE tolerance reduced from 2010/11**

During 2009, HMRC brought their new National Insurance and PAYE computer system "NPS" online. During the latter part of 2010 and continuing into 2011, this system has been at the heart of the issue of P800 tax reconciliation calculations to many employees and other individuals. Unfortunately, the information as presented in many of these P800 calculations has not always been accurate for 2007/08, 2008/09 and 2009/10. The tolerance for these three years was £300 such that no underpayment of below £300 was collected by HMRC.

However, HMRC has announced that as the work to clear those years is almost complete, the tolerance for 2010/11 tax reconciliation will be re-set to £50. This means that where an employee has an underpayment of tax of more than £49.99 for 2010/11, a P800 calculation will be sent to the individual concerned.

For 2010/11, this has the potential to generate the issue of many more P800 notices resulting in an increased number of enquiries from employees to their payroll and HR departments.

Our experience of the P800 calculations issued up to 2009/10 are that these should be checked very carefully as we have found a wide range of inaccuracies and reasons for appeal. In some cases, even where the tax due is correct, HMRC has agreed concessionally not to proceed with collection where they have failed to make proper and timely use of information already in their possession.

**3. Code BR retained from 6 April 2011 for share scheme awards post termination**

Here we have a further change as a result of HMRC's new NPS system. In our February 2011 Bulletin we highlighted how Code OT is to replace code BR as the default code in a number of situations for new employees and for leavers. Representations were made to HMRC that the operation of code OT could present administrative difficulties for companies paying leavers in connection with employee share schemes. As a result, if a payment in the form of shares or share options etc give rise to deemed or notional earnings on or after 6 April 2011 code BR can continue to apply in these circumstances, rather than OT as previously announced.

This information is published without the responsibility on our part for loss occasioned to any person acting or refraining from action as a result of any information published herein.

#### 4. Modified PAYE and changes for tax equalised employees - new code OT notification

Employers can also establish an “EP Appendix 6 arrangement” with HMRC which has the effect of relaxing the PAYE compliance rules for tax equalised employees. Under an EP Appendix 6 arrangement, employers can determine which PAYE code to use and until now there has been no requirement to notify HMRC of the PAYE code applied. As another consequence of HMRC’s new NPS system and to avoid a mismatch which would cause individual forms P14 to be rejected, employers with an EP Appendix 6 arrangement are now required to inform HMRC of employees for whom they are operating code OT.

#### 5. Minimising your PAYE risk

Simple errors can lead to HMRC rejecting the online submission of employer returns (forms P35 and P14). HMRC have issued a guide on how employers can avoid common problems when registering for and logging on to the “PAYE” Online for Employers Service”. It also suggests steps that employers should consider if it is discovered that an annual return contains an error. Where an error does arise there is some basic guidance provided by HMRC on amending the P35 but employers should apply great care in this area as the presentation of amended statutory returns may potentially carry interest and penalty consequences.

#### 6. Short term business visitors (“STBV’s”) - reporting deadline of 31 May 2011

Employers can agree with HMRC what is commonly called an “EP Appendix 4 agreement” which simplifies their PAYE compliance responsibilities in relation to STBVs. The Appendix 4 agreement has a 2010/11 filing deadline for providing information to HMRC by 31 May 2011. The ability to meet this filing deadline will typically depend on having appropriate internal policies, procedures and systems to track short term business visitors who are assigned or recorded to UK businesses.

#### 7. Internationally mobile workers within the EU - new multi state A1/E101 application form

A new version of the multi-state application form has been added to HMRC’s website, to assist HMRC to decide which social security regime is applicable, where an individual (whether employed or self employed) is working in more than one European Union country. The updated form includes additional questions to establish the habitual residence and working patterns of the individual. The UK and Denmark has not adopted the rules relative to third country nationals working in these countries which means that there are two sets of European social security rules in operation, each relevant in different circumstances.

#### 8. Increased penalties for offshore tax evasion by individuals

HMRC has announced new penalties for overseas non-compliance. The new penalties come into force from 6 April 2011 and apply to income tax and capital gains tax. The first self assessment returns affected will be for 2011/12. The severity of the new penalties depends upon the tax transparency of the territory in which the income or gain arises. What HMRC mean by this is that for countries where they believe it is harder for them to get information, the penalties charged will be higher and could be up to 200% of the tax arising on the undeclared income or gains.

Details of the countries falling into various risk categories can be found at the following HMRC website:

<http://www.hmrc.gov.uk/news/territories-category.htm>



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**End of year compliance deadlines for 2010/2011  
and start of 2011/12**

Date	Deadline
19 April 22 April for electronic payments	For last PAYE, CIS and Class 1 NICs payment
19 May 22 May for electronic payments	File Employer Annual P35 Return and supporting P14's to HMRC  First PAYE, CIS and Class 1 NICs payment for 2011/12
31 May	Give each relevant employee a form P60  Deadline for short term business visitors reporting
6 July	File expenses and benefits annual returns on forms P11D, P9D and P11D(b)). A copy of the P11D must also be given to the employee concerned by this date.  File share scheme related annual returns - forms 35, 39 and 42.  Termination payment reporting where package exceeded £30,000 and included both cash and benefits in kind  Deadline for agreeing with HMRC items that can be included in a PAYE settlement agreement ("PSA") for 2010/11
19 July	Class 1A payment deadline  File best estimate of Class 1A NIC for modified payroll arrangements
31 July - 31 August	Typical range of deadlines by which HMRC expect filing of PSA tax and NIC calculations for 2011/12 (see your specific agreement on form P626)

For further information on employer or expatriate tax or social security matters, please contact our EETS team on 01224 625111

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