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Payroll Pitfalls

With the end of the tax year only a couple of months away we are reminded that payroll departments are likely to soon start planning their year end PAYE and P11D submissions. It is worth bearing in mind that for the unwary there are plenty of pitfalls out there to wander into, particularly now that penalties for late submissions and errors are automatic.

With the introduction of online filing for year end employers Form P35 there is far greater scope for HMRC to automate their review procedures. With such a degree of scrutiny being expected we fully anticipate many more forms being rejected and enquiries undertaken.

There is of course no substitute for good planning so the next months are an ideal opportunity to iron out any problems in your payroll system.

While some errors may not lead to the P35 being rejected they can still result in unnecessary demands from HMRC for unpaid taxes and weeks of communication before the position is resolved. For example, failing to enter the correct national insurance contributions and coding, all which could be picked up via a pre year end review.

For those with employees working globally or expatriate employees working in the UK, there are additional complications and a greater risk of errors. Often employers are required to operate payroll procedures in a number of different jurisdictions and employees liable to pay tax in more than one country. One common year end oversight can occur when operating a "Net of Tax Credit Scheme". It is important that the net UK tax deducted is shown on the forms P35/P14 and not the gross amount. Failing to show the net tax could again create unnecessary and unwanted communications from HMRC seeking unpaid taxes.

If you require payroll support or advice, contact Gary Johnstone of our Payroll Solutions team for further information. For assistance with international taxes and social security, please contact Richard Britten from our employer and expatriate tax solutions team.

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