



Dear Sirs

The Institute of Payroll Professionals (IPP) was established in September 2006 following a re-branding of the Institute of Payroll and Pensions Management (IPPM). Since 1985, our primary aim has been to raise the standards of professionalism across the payroll industry and, by doing this, elevate the standing and profile of the profession. The IPP currently represents the views of its 5,000 members and works with a number of Government departments, such as HMRC, DWP, BERR formerly DTI and the ODPM.

The Mission of the IPP is to raise the contribution of payroll and pension professionals to organisations by:

- Improving technical skills and practical experience
- Working with Government to ensure practical implementation of relevant legislation, and
- Promoting the highest standards of professional conduct

The Institute, through its Policy team, has been responding to consultation documents and attending consultation meetings for more than 12 years. In addition, the IPP makes regular representation to Government departments on current and/or proposed legislation and procedures that are impracticable or inequitable for employers which, in turn, could have a knock-on effect on Government departments.

As a result of this sustained effort over the last decade, we have created sound working relationships with DWP, HMRC and other Government departments.

The IPP are grateful for the opportunity to comment on the consultations:

- Meeting the Obligations to File Returns and Pay Tax on Time.
- Interest – Working Towards a Harmonised Regime.

We are pleased to be able to feed into the policy and operational changes that arise from this consultation, and hope that this written response will assist HMRC in their decision making process.

By email

Yours faithfully

Elaine Gibson MIPPdip  
Senior Policy and Research Officer

Should you require clarification of any of the points that have been made in this response, please do not hesitate to contact me.

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## **Executive summary of findings**

### **Methodology**

The IPP's formal written response has been based on evidence from its members. This evidence has been obtained by conducting an electronic survey, which detailed the questions asked in the consultation document.

This response provides qualitative feedback and covers responses to two consultation documents being:

1. Meeting the obligations to file returns and pay tax on time
2. Interest – Working Towards a Harmonised Regime

### **The Survey Process**

The IPP responded to the first round of consultation documents relating to the above in 2008. Support was shown for an aligned penalty regime with the aim to be fair to those who comply and penalise those persistent offenders. However since that response was submitted the proposal relating to the 13 box P35 has been introduced.

In the general comments below we briefly discuss the consultation document and its complexity. This is because the last round of consultation documents proved complex and resulted in a low response number and so we again anticipated this. Due to the fact that we now have the inclusion for the proposal to include 13 boxes on the Annual Return Form P35 we had concerns regarding the expectation for a sufficient response in order to provide a voice for the IPP members, as a result we first isolated questions 9 and 10.

1. We first isolated questions 9 and 10; however from the questions we realised that employers would not fully appreciate the implications of the P35 proposal so in order that we could be sure employers would understand we introduced question 11.
  - 69 responses were received and 77% of those are opposed to the P35 proposal.
2. Next we presented the full survey being mindful to ensure that those who responded as above did not repeat the exercise.
  - Only 4 responses were forthcoming. Please see the detailed responses below.
  - Questions 9 and 10 are first answered by the 4 respondents to the full survey followed by the responses to point 1 above.

## **General Comments**

Both consultations proved complex, consultation 1 proved to be very involved and in order to enable the IPP members to answer the questions we had to extract text from the condoc and place as background information in order that members were able to answer the questions. Due to the complexity of the questions we believe this is why the response was low in number.

The hands on payroll professionals whom we represent have little spare time on their hands in order to answer survey questions and so we try to keep the questions as clear, concise and direct as possible; however due to the construction of the condoc and level of detail supporting each question we were unable to achieve this simplicity. We recommend that this is taken into account when considering future construction of such documents.

Please note that the comments detailed below are actual responses from members.

### **1. Meeting the obligations to file returns and pay tax on time**

The responses on the whole were positive for questions 1 – 8:

- Support is shown for suspension of penalties where a tax payer has entered into a time to pay arrangement.
- The safeguards are viewed as appropriate.
- The modifications to the late filing penalty model are viewed as not appropriate.
- 2 out of the 4 respondents support the overall package of penalties suggested to be effective, fair and influence behavior.
- Questions 9 and 10 have raised serious concern. Please refer to the detailed survey results.

### **2. Interest – Working Towards a Harmonised Regime**

The response was low and achieved only four responses; however the response showed a positive reaction to the proposals.

## **Introduction to the Survey**

The IPP Policy team recently ran a short survey to discuss the HMRC proposal for extra information to be included on the Employers Annual Return form P35. This is an important change and since the suggestion was raised the IPP Policy Team has opposed this. In relation to the P35 proposal, question 10 was a wide ranging question and we felt that employers would not realise the implications. As a result we drafted an additional question; please see the final question to section one.

Questions 9, 10 and 11 were posed as part of the initial survey and so the format below consists of:

- Responses from the full survey followed by;
- Responses from the initial P35 survey – questions 9, 10 and 11.

For the full survey we were mindful not to allow duplication of responses to the above three questions.

The results from the initial P35 survey show that 77% of respondents are against the proposal.

## **Conclusion/Recommendations**

The IPP Policy team recently attended a meeting to discuss the two consultation documents and at the time we stressed that the majority of members (employers) would welcome a more consistent approach to penalties and application of interest. Employers, being the payroll professionals who ensure compliance to HMG policy and legislation, for the most part are compliant and from comments received our members would welcome a regime that penalised those who do not comply.

The results that follow were discussed. The IPP and members have concerns regarding payroll adjustments which would result in constant changes to monthly figures for PAYE. The condoc response clearly mentions many different scenarios and issues that concern employers/members. However comments made by HMRC representatives indicated that payroll adjustments would be accepted. HMRC provided an example of one scenario where by the employer paid over £400 each month and then in March paid over £10,000. This transaction would stand out as being unusual and an investigation would be warranted.

With regard to questions 9 and 10 there is a clear message from employers/members regarding issues around in-year payroll adjustments. The condoc does indicate that HMRC accept that PAYE adjustments will be made; however there is no detail which provides examples of what would be acceptable. At a recent meeting the IPP representative was assured that only those employers who appear to stand out will be investigated and if required, will be penalised.

HMRC suggested a possible compromise being “would employers accept a more risk based approach rather than using the form P35 and inclusion of memo data”. The IPP did not ask that question of its members; however from discussing this with colleagues the IPP believe this to be a more acceptable suggestion.

The IPP would appreciate further information and discussion as to what constitutes an acceptable adjustment. It would have greatly assisted if HMRC had provided examples of acceptable adjustments.

With regard to the inclusion of question 11 – The survey was constructed in such a way that question 11 could not be viewed before the condoc questions 9 and 10 had been answered. The IPP was mindful to obtain members thoughts on the actual condoc questions; however we did feel that this additional question was required as the condoc questions generally describe the P35 proposal:

Question 10 asks about potential admin burdens but makes no reference to HMRC acceptance that payroll adjustments will be made to PAYE calculations. We felt it necessary to provide feedback for concerns in this area. The Policy Team discussed the proposals at the last round of autumn Regional Meetings. Potential implications could be for those payroll departments who have to reconcile with Finance Departments etc. Members expressed concern, for example one scenario discussed was that of a large, geographically spread organisation. The payroll operation may not be centralised and the monthly PAYE figure will need to be collated. Only one P35 is permitted for such a circumstance and so an admin burden could be placed on that employer as to how they would produce the data required by HMRC. There are many more scenarios as evidenced in the feedback enclosed.

As stated above it would have been useful to have been provided with examples of acceptable adjustments in order to satisfy employers of what would constitute reasonable care.

### **Other issues identified**

Section 3.29 states that 60% of medium size employers pay PAYE on time, but when considering the whole employer community we would argue that this is a small proportion of that community. It would appear to be fair if a risk based approach was applied.

Section 3.33 upon reading suggests that there were a good number of responses in favor of the P35 proposal; however the IPP provides representation on several high level forums who have discussed this subject and feedback from those forums suggests opposition to the proposal.

Section 4.16 discusses alignment and feedback suggests that employers are in favor of the principle of alignment for the application of penalties.

## **Box Detailed Survey Results**

### **Section 1. Meeting the obligations to file returns and pay tax on time**

#### **Actual Survey Introduction**

If you have already responded to the short, 3 question survey then please skip questions 9-11 in section 1. This is important as we do not wish to duplicate responses which may skew the final results.

Under the remit of Modernising Powers, Deterrents and Safeguards, in November 2008 HMRC released a new consultation document entitled "Meeting the Obligations to File Returns and Pay Tax on Time".

The consultation document focuses on in year payments of PAYE and proposals for a new penalty regime. HMRC do not know how much PAYE is due each month. One proposal involves requiring employers to report some additional information either on or alongside the end of year P35 return. This would be the amount due to be remitted to HMRC for each month of the year. The monthly figures would be an aggregate for each month, not split into PAYE, NIC, Student loans, Statutory Payments or CIS payments nor by employee.

One possibility discussed at a recent consultation workshop would mean inclusion of a memo section on the form P35 which would not form part of the P35 reconciliation; however would display the 12 payments due to be paid plus the total. Questions now follow.

#### **Note – this survey is in two parts:**

Under the remit of Modernising Powers, Deterrents and Safeguards, in November 2008 HMRC released two new consultation documents entitled

Section 1:

"Meeting the Obligations to File Returns and Pay Tax on Time".

Section 2:

"Interest – Working Towards a Harmonised Regime".

**Please note at this point we included links to the actual consultation documents so that members could read the supporting detail if required.**

#### **Question 1**

Chapter 2: Further Research. Narrative to Q1:

Since June 2008 HMRC have conducted both External and Internal research regarding penalties.

- Consultation with key external stakeholders of which the IPP has and will continue to be involved.
- Independent qualitative research by Ipsos Mori.
- Analysis of historic HMRC data.
- Detailed policy development has continued within

Lastly, work has continued to understand and map the business processes and IT systems, supporting the current penalties for late filing and late payment (alongside interest).

A range of key findings developed which are detailed in the main consultation document. From Internal HMRC analysis important lessons have been learned:

- small fixed sum penalties at filing date do positively affect filing patterns;
- the current late filing penalty regimes are not very effective in addressing prolonged late filing (if people miss the deadline they often go onto be very late filers);
- where there is no interest or late payment penalty, payment rates are significantly lower, for example in-year PAYE;
- warnings of daily penalties for late filing can be effective;
- some of the current regimes can produce results which appear disproportionate and are perceived to be unfair.

For the full detail which supports this question please refer to sections 2.1 – 2.15.

#### Question 1

Do you agree with the findings of the internal and external research presented above? Is there any other analysis or evidence that you could share with HMRC regarding penalties or tax debts?

| Answer Options  | Response Count |
|---|----------------|
|   | 3              |
| <i>answered question</i>  | <b>3</b>       |
| <i>skipped question</i>   | <b>1</b>       |
| Response Text   |                |
| Yes, I agree with the above findings.   |                |
| By and large yes.   |                |
| I have had several situations where HMRC has miss-allocated payments and charged interest. As a result of telephone calls to Shipley I have managed to get the payments re-allocated and the penalties and interest overturned. |                |
| I agree   |                |

#### Question 2

## 2. Chapter 3: The June 2008 Consultation and Responses. Narrative to Q2:

There is not a question related to chapter 3. However this does serve as a reminder of the last consultation document proposals.

Section 3.5 - The consultation looked at the specific issue of encouraging timely payment of in year PAYE. This represents a particular challenge as payments are required monthly but a return is only submitted at the end of the period (meaning HMRC does not know the correct payments for each month).

Chapter 3 provides analysis of the last consultation document. The areas which concern Payroll Professionals are In-year payment of PAYE, sections 3.29 – 3.33. Suggestions were for:

- Employer provide monthly statements
- 13 Box P35

### Chapter 4: Further Refinements – A Proposed Way Forward:

Question 2: Is the proposal outlined above that penalties should be suspended where a taxpayer has entered into a time to pay arrangement with HMRC an appropriate way of supporting taxpayers who have difficulties in meeting their payment obligations?

| Answer Options           | Response Frequency | Response Count |
|--------------------------|--------------------|----------------|
| Appropriate              | 100.0%             | 4              |
| Not appropriate          | 0.0%               | 0              |
| <i>answered question</i> |                    | <b>4</b>       |
| <i>skipped question</i>  |                    | <b>0</b>       |

## Question 3

3. Section 4.13 - The proposals for safeguards outlined in the June 2008 consultation were praised as being appropriate and robust. These include:

- a right of appeal to an independent Tribunal against all penalties;
- access to internal review before an appeal hearing if the taxpayer wishes;
- a common legislative formulation of reasonable excuse aligned across taxes which is the same as that devised for penalties in Finance Act 2008;
- provision in law for reduction of penalties in special circumstances, not otherwise covered.

This should be backed up by clear, accessible guidance. Appendix D of the consultation document is a first draft of such guidance. HMRC would welcome comments on this guidance.

Question 3: Are the safeguards proposed appropriate? Is the draft guidance appropriate? What modifications, if any, are required?

| Answer Options | Response Frequency | Response Count |
|----------------|--------------------|----------------|
|----------------|--------------------|----------------|

|   |        |          |
|---|--------|----------|
| Are the safeguards proposed appropriate?  | 100.0% | 3        |
| Is the draft guidance appropriate?        | 100.0% | 3        |
| What modifications, if any, are required? |        | 0        |
| <i>answered question</i>                  |        | <b>3</b> |
| <i>skipped question</i>                   |        | <b>1</b> |

#### Question 4

##### 4. Chapter 5: Penalty Models - Narrative to support Q4:

Penalties for late filing for annual and "one-off" return obligations – a model. Sections 5.1 – 5.12.

Section 5.2 - The diagram within the consultation document sets out the proposed framework for penalties for late or non-filing of returns where the obligation occurs annually or is a "one-off" obligation. More detail is provided both in the following narrative. It is proposed that this model would apply to Income Tax Self Assessment, Corporation Tax Self Assessment, Stamp Duty Land Tax, Stamp Duty Reserve Tax, Inheritance Tax, Petroleum Revenue Tax, Pension Schemes, end of year PAYE returns (P35) and annual accounting for VAT and some other indirect taxes.

Further detail explaining how this will work can be found in Chapter 5 of the consultation document.

Question 4: Does the model presented for late filing meet the design principles – fairness, effectiveness and influences behavior?

| Answer Options           | Response Frequency | Response Count |
|--------------------------|--------------------|----------------|
| Yes                      | 100.0%             | 3              |
| No                       | 0.0%               | 0              |
| <i>answered question</i> |                    | <b>3</b>       |
| <i>skipped question</i>  |                    | <b>1</b>       |

#### Question 5

##### 5. Staying with chapter 5 - Narrative to support Q5:

Quarterly and monthly models are detailed in sections 5.13 – 5.25; however in the main these are related to VAT. There is suggested interaction to the monthly model for Construction Industry returns. Should you have interest in this area here is the question:

Question 5: Are the modifications to the late filing penalty model, to reflect the frequency of the obligations, appropriate?

| Answer Options           | Response Frequency | Response Count |
|--------------------------|--------------------|----------------|
| Appropriate              | 0.0%               | 0              |
| Not Appropriate          | 100.0%             | 2              |
| <i>answered question</i> |                    | <b>2</b>       |
| <i>skipped question</i>  |                    | <b>2</b>       |

#### Question 6

## 6. Staying with chapter 5:

Narrative to support Q6:

Sections 5.26 – 5.34 Penalties for late payment of annual and one-off obligations– a model.

Annual payments are not common when relating to payment of PAYE; however for completeness we include the related question for you. Should you wish to answer the following question please refer to the paragraph sections mentioned above.

Question 6: Does the model presented for late payment penalties meet the design principles – fairness, effectiveness and influences behaviour?

| Answer Options            | Response Frequency | Response Count |
|---------------------------|--------------------|----------------|
| Yes                       | 100.0%             | 1              |
| No                        | 0.0%               | 0              |
| Do you have any comments? |                    | 0              |
| <i>answered question</i>  |                    | <b>1</b>       |
| <i>skipped question</i>   |                    | <b>3</b>       |

**Question 7**

## 7. Staying with chapter 5 - Narrative to support Q7:

Penalties for late payment of quarterly obligations– a model.

Sections 5.35 – 5.41 – Quarterly payments are more likely to relate to Small Employers; however for completeness we include the model and related question. Should you wish to answer the following question please refer to the paragraph sections mentioned above.

5.41 The particular issues surrounding late payment of in-year PAYE are addressed separately in chapter 6. Construction Industry Scheme deductions are collected through the PAYE system and therefore the PAYE model presented in chapter 6 would apply.

Question 7: Are the modifications to the late payment penalty model, to reflect the frequency of the obligations, appropriate?

| Answer Options            | Response Frequency | Response Count |
|---------------------------|--------------------|----------------|
| Yes                       | 100.0%             | 1              |
| No                        | 0.0%               | 0              |
| Do you have any comments? |                    | 0              |
| <i>answered question</i>  |                    | <b>1</b>       |
| <i>skipped question</i>   |                    | <b>3</b>       |

**Question 8**

## 8. Staying with chapter 5 Administration of penalties - Narrative to support Q8:

Section 5.42 - New streamlined and aligned penalty machinery provisions were included in Schedule 24 Finance Act 2007 for penalties for incorrect returns. These covered assessing (including time limits for assessing) notifying, enforcing collection and administering appeals. The same machinery provisions were seen to be appropriate for penalties for failure to notify and it is suggested are again suitable for late filing and late payment penalties. In essence HMRC is moving swiftly towards one set of rules for the administration of civil penalties, which should be similar and clearer for all, and help to make the appeal mechanisms more accessible.

Question 8: Is the overall package of penalties suggested for late filing and late payment likely to be effective, fair and to influence behaviour?

| Answer Options            |                     | Response Frequency   | Response Count |
|---------------------------|---------------------|--|----------------|
| Yes                       |                     | 66.7%  | 2              |
| No                        |                     | 33.3%  | 1              |
| Do you have any comments? |                     |  | 1              |
| <i>answered question</i>  |                     |  | <b>3</b>       |
| <i>skipped question</i>   |                     |  | <b>1</b>       |
| Number                    | Response Date       | Do you have any comments?  |                |
| 1                         | 01/20/2009 09:31:00 | The Revenue should get away from referring to the P35 as an Annual Return when issuing penalty notices or notification of over/under payments as this tends to confuse the smaller limited companies who mix this up with demands from Companies House for Annual Returns. |                |

**Question 9**

## 9. Chapter 6: In-year Pay as You Earn – Narrative to support questions 9, 10 and 11.

Sections 6.1 – 6.13. The consultation document focuses on in year payments of PAYE and proposals for a new penalty regime. HMRC do not know how much PAYE is due each month. One proposal involves requiring employers to report some additional information either on or alongside the end of year P35 return. This would be the amount due to be remitted to HMRC for each month of the year. The monthly figures would be an aggregate for each month, not split into PAYE, NIC, Student loans, Statutory Payments or CIS payments nor by employee.

One possibility discussed at a recent consultation workshop would mean inclusion of a memo section on the form P35 which would not form part of the P35 reconciliation; however would display the 12 payments due to be paid plus the total.

The models shown on pages 46 and 50 provides a bit more detail:

Question 9: Will the proposal for penalties for late payment of in-year PAYE meet the design principles: be fair, effective and influence behaviour?

| Answer Options           |                     | Response Frequency  | Response Count |
|--------------------------|---------------------|---|----------------|
| Yes                      |                     | 33.3%   | 1              |
| No                       |                     | 66.7%   | 2              |
| Have you any comments?   |                     |   | 1              |
| <i>answered question</i> |                     |   | <b>3</b>       |
| <i>skipped question</i>  |                     |   | <b>1</b>       |
| Number                   | Response Date       | Have you any comments?  |                |
| 1                        | 01/19/2009 15:53:00 | This would be difficult to administer as it would require estimates of in-year PAYE, something not easily done in a payroll environment where changes are constant. |                |

### Result from independent survey of 13 Box P35:

| Consultation document question 9: Will the proposal for penalties for late payment of in-year PAYE meet the design principles: be fair, effective and influence behaviour? |   |                |
|--|---|----------------|
| Answer Options   | Response Frequency  | Response Count |
| Yes  | 42.6%   | 29             |
| No   | 57.4%   | 39             |
| Other (please specify)   |   | 9              |
| <i>answered question</i>   |   | <b>68</b>      |
| <i>skipped question</i>  |   | <b>1</b>       |
| Number   | Other (please specify)  |                |
| 1  | Employers who pay on time and diligently will be penalised for the minor adjustments that have to be made each month to correct prior periods, whereas those who intentionally pay late or don't pay the correct amounts will probably still be able to do that.                                |                |
| 2  | As many employers already struggle to complete end of year returns on time this will just increase the burden. As majority of employers pay properly and promptly it is a minority that flout the correct procedure, I believe such activity would continue.                                    |                |
| 3  | Currently when we receive penalty notices the majority have occurred due to misallocation of funds by HMRC, or the funds have been paid and are in a suspense account unallocated, despite including the reference details.   |                |
| 4  | I believe the intention is clearly to be fair, but I'm not completely convinced it will be effective and therefore it is less likely to influence behaviour. It will create extra work for HMRC and will not make a huge difference to those who pay late because they have cash flow problems. |                |
| 5  | Once again a sledge hammer to crack a nut.  |                |
| 6  | As the HMRC fail to live the "standards" which they enforce on employers, this penalty regime could never be fair my view as I have no way of effective way of influence their  |                |

|   |  |
|---|--|
|   | behaviour.   |
| 7 | I fail to see how reporting the monthly payments on the P35 will have any influence on employers paying tax on time.   |
| 8 | From my experience in my own organisation this is difficult to quantify as I only deal with a relatively small payroll.  |
| 9 | We all understand the need for an incentive for employers to make timely payments and think that the current regime to be quite fair i.e. first time in the year you are issued with a warning letter then second late payment in the year a financial penalty is imposed. |

### Question 10

10. Question 10: Do you have any information or evidence that you can provide about the likely administrative burden of providing an aggregate monthly breakdown at the end of the year? It would also be helpful if you could provide any information on the processes you have for completing the P35 (for example what checks are involved, seniority of staff involved etc).

| Answer Options           | Response Count   |
|--------------------------|--|
|                          | 2  |
| <i>answered question</i> | 2  |
| <i>skipped question</i>  | 2  |
| Number                   | Response Text  |
| 1                        | Those making in-year payments, i.e. Payroll, are not always aware of payments due to be made until the last minute so this would require a certain amount of guesswork. In my opinion this could cause more confusion in a process already fraught with errors.  |
| 2                        | I use Sage Payroll software which already has the facility to automatically record monthly liabilities and this is reconciled to the various payrolls that I run (I operate a Payroll Bureau service for between 80 and 100 clients) as part of the P35 function. In order for this not to become more of an administrative burden than it already is HMRC would have to liaise with Sage to ensure that this data was automatically transferred to the P35. |

### Result from independent survey of 13 Box P35:

| Consultation document question 10: Do you have any information or evidence that you can provide about the likely administrative burden of providing an aggregate monthly breakdown at the end of the year? It would also be helpful if you could provide any information on the processes you have for completing the P35 (for example what checks are involved, seniority of staff involved etc). |                |
|--|----------------|
| Answer Options   | Response Count |
|  | 45             |
| <i>answered question</i>   | 45             |
| <i>skipped question</i>  | 24             |

| Number | Response Text   |
|--------|---|
| 1      | No additional burden as info is already kept.   |
| 2      | Any additional information is an administrative burden unless it genuinely improves the situation for all employers and, in the case of this issue, further levels the playing field. HMRC appears to have failed to understand the way in which employer's work, where many employers have different departments completing different parts of the year end process. Payroll service providers may be in an even worse situation unless they are responsible for both regular payment and the returns at year end. HMRC already has information and intelligence on the payment performance of employers as compared to the year end position. |
| 3      | A monthly breakdown is balanced each month here anyway - that way we have no surprises when we get to year end.<br><br>Year end information is checked to monthly reports, monthly accounting information from payroll journals by the payroller, the internal auditor and the financial manager  |
| 4      | If we are only talking about the paper P35 and not the online submission then it is relatively easy in our case to write down the monthly figures that have been submitted during the tax year by reference to Tax District Reference number. If it has to be submitted online then the software supplier would have to amend their programmes and there could be complications where unavoidable manual calculation of payslips has taken place during the year.   |
| 5      | Even across multi-site payrolls the admin burden should not be too great since the figures will have had to be gathered in the P35 checking process. But without supporting documentation from the monthly payrolls do the figures mean anything? Any employer deliberately delaying payment by perhaps understating the monthly liability can continue to do so.   |
| 6      | It would be very difficult to take into account instances where mistakes or changes have been made which require tax and NI recalculations to be performed for periods already paid.  |
| 7      | We already capture a monthly breakdown of the PAYE, NIC to enable us to reconcile the P35 return, so there would be no additional burden by including it on the P35.  |

|    |   |
|----|---|
|    | <p>Example 1<br/>Where a payroll amendment has been made the PAYE and NI on the P32 will not match initial PAYE and NI liability payments. Explaining differences and persuading HMRC they are a genuine error not to be subject to a penalty will be a great admin burden. Where as small employers outsource their payrolls this will be an additional cost that they can not afford. Amendment example - we run the clients payroll and the employees are paid on the 25th, a letter is sent to the payroll client advising them of the liability due and they make the payment to HMRC. An employee then leaves on the 31st with little notice - the payroll will need to be rerun to include holidays outstanding, pay in lieu of notice etc and the liability will alter.</p> <p>Example 2<br/>I do not think the Revenue are capable of running an advanced system at present and so will be putting extra costs on employers because of their ineptitude.<br/>HMRC already unnecessarily reallocate payments and are unable to track these or explain why the money was moved in the first place (in all our cases cheques had been sent with the yellow payslip so HMRC had a record of the year the payment should be allocated in). The Revenue then send incorrect underpayment notices and shortly after send overpayment notices for the same tax year even though no additional payments have been made during this time (or vice versa re under/overpayment notices). This has happened to at least five of our clients - they are small businesses who paid all their liabilities on time but have had to pay the extra admin burden of us rectifying the Revenue's unnecessary error.</p> |
| 8  | <p>Payments are often made after a run thereby causing problems with updating documentation. If an amended P35 was required presumably this would have a knock on effect?<br/>P35's are completed electronically but before submission they are sent to clients for signed approval, no approval no submission.</p>   |
| 9  |   |
| 10 | <p>Accountant checks P35 figures balance to what has been paid over to HMRC and what has been deducted from the employees.</p>  |
| 11 | <p>When assisting clients with end of year payroll where manual records are kept it would increase the level of work if we had to work out what should have been remitted each month.</p>   |
| 12 | <p>I produce a spreadsheet on excel updated each month for each of my payroll clients along similar lines to the summary pages of the yellow payslip booklet, which I reconcile to the payroll cumulatives to ensure the payroll balances each month.</p> <p>There would therefore be very little administrative burden for me to provide this information, except that to do so for each of my clients (now over 80) may add up significantly.</p> <p>Would it be possible just to say in answer to this proposed question on the P35 "12 equal months"?</p>   |

|    |  |
|----|--|
| 13 | <p>Monthly reports are run from the payroll system and reconciled against year-to-date figures; these are in turn reconciled against information from the general ledger system. The figures are then independently audited following year end. A quarterly return is also produced for the accountancy section. As a Payroll Manager in a local authority payroll section, I already provide a similar return to teacher's pensions. Occasionally Teachers' Pensions themselves create problems when they have included adjustments from a previous month (or even year) against the wrong month, which therefore does not reconcile.</p> <p>I imagine the same type of problem will occur with similar breakdowns for HMRC and I really believe that HMRC are not fully appreciating the work it will create for them, as well as employers in resolving such queries.</p> |
| 14 | More work when the amounts are not the same each month.  |
| 15 | If employers are aware in advance they will need to record the monthly figures on the P35 they should be able to record them as they go along and transfer the figures onto the final document.  |
| 16 | As we do payroll for over 350 companies, this will be an excessive burden in which the additional cost for this exercise will have to be passed on. We already provide a schedule like this to the client in February and March so ensure that they all pay the year to-date taxes due. Provided the client pays their taxes by the 19th April, I see no reason why we have to list the PAYE due each month again. If we do, this should only be on the basis for HMRC allocations to the correct pay period ONLY, not to calculate penalties for late payment of in year taxes.   |
| 17 | Collation of information can be difficult, as CIS is processed by Finance, and PAYE/NIC etc are processed by Payroll.  |
| 18 | CIS is not processed by payroll and would require chasing up to obtain figures. It would be better if CIS had a separate tax reference.  |
| 19 | I keep records of each months totals anyway and reconcile each month. Part of the reconciliation of the P35 includes agreeing the 12 monthly figures to the annual figure. So not a lot of extra work involved.  |
| 20 | <p>We balance the Tax and NI accounts at an individual level every month (as it is easier than finding and correcting errors at tax year end). In addition, we also run the tax year data validation to resolve any missing data items.</p> <p>However, we do "carry" a number of adjustments over the year, i.e. repayment of salary from staff who went AWOL whilst waiting to see if we can get our money back. If we had to keep accounting each month for these "carry overs" it would be time consuming.</p> <p>As guidance during the year I have a Senior payroll person doing tax and NI balancing, checking and payments and at tax year. (Two days work over a month).</p> <p>At tax year end, the three payroll Seniors and I, do all the checking and adjustments, etc which is a weeks work in aggregate.</p>  |
| 21 | We currently reconcile each month the deductions made on the payroll and the amount then paid to Collector of Taxes. We therefore maintain a monthly breakdown of the deductions. This is then used to reconcile at the end of year and complete P35.  |

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|    | <p>As manager of a payroll bureau that maintains numerous payrolls and completes a large number of P35 submissions, the extra admin burden would be considerable. There are many genuine reasons why the monthly amount due will differ to the amount paid, including wages re-runs and CIS being run outside the payroll, (i.e. paid monthly by a manual adjustment, but only adjusted on the payroll software annually). These items would need to be checked monthly, rather than annually and adjustments such as CIS entered monthly rather than annually.</p> <p>Our P35 procedure is that it is drafted by the payroll clerk, who has checked that all necessary adjustments have been input into the system and all payments have been made. Checks are done to manual summaries maintained outside the payroll software and to book keeping records when available. The P35 is then passed to the payroll bureau manager, who reviews the above prior to sending details to the employers for their authorisation.</p> <p>I would comment that there are those employers that habitually pay late, but HMRC are already aware of these. Those employers that are willing to go to the lengths of paying on time, but underpaying will presumably be willing to manipulate the P35 entries to agree to payments made.</p> |
| 22 |   |
| 23 | <p>For Bureaus like mine, we have enough work on our hands dealing with the volume of P35 to be produced let alone having to sit down and create schedules of monthly liabilities for each and every client.</p>  |
| 24 | <p>This would not be an administrative burden as we already have documentation to support our monthly amounts to HMRC. P35s are completed and controlled by the Payroll Manager and the Senior Payroll Officer.</p>   |
| 25 | <p>To complete the P35 - all figures are checked - figures are balanced with the totals kept every month and the totals held in the ledger - which are not always the same. Once figures to declare are agreed by pay manager - these need to be authorised at a more senior level before can be declared - this final authorisation can take days - depends on availability. We have many casual / temp staff so actual mthly returns can vary widely - and differences above 10% from previous period are all investigated and agreed.</p> <p>To provide an aggregated breakdown for the coming year would mean that the staff budgets for the coming year would have to be completed up to 2 months earlier than normal - these are completed by the finance and HR depts - and again have to be agreed and authorised.</p>  |
| 26 | <p>We produce a monthly schedule at the moment and I also keep a spreadsheet of the amounts due per month and reconcile this to the payroll and the Finance ledgers each month. Surely every payroll must keep a breakdown of what should be paid and what is paid in order to reconcile?</p>   |
| 27 | <p>As a payroll bureau we often submit P35's on behalf of clients for whom we do not actually process the payroll on a regular basis. Often it is difficult enough to get the payroll details required for the P35 from the clients without asking them to break down the monthly liability (sometimes this is not calculated or processed until we have checked the payroll at year end). With some clients their payroll is processed annually at year end therefore HMRC could say that they should have paid monthly and charge penalties which are unfairly due and how would HMRC treat the clients who regularly pay on a quarterly basis rather than monthly.</p>   |

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| 28 | Sometimes the amount owed is the odd £2 etc in which case I report NIL PAYE for the month and add it to the next month. Will I receive a penalty for not paying the £2? Sometimes we reverse a month to make an amendment which affects tax and NIC after the initial amount has been paid. If that is a negative adjustment do we reclaim the adjustment each month it happens? If is a positive adjustment we add it to the next month to make it right? Will we now be due penalties for not paying the correct amount? If the PAYE falls negative as a result of SMP refunds for example, does it mean HMRC will now be refunding on a monthly basis? If not, why not? Surely if we are now required to make sure the monthly payments are accurate it means they will have to. Otherwise we would deduct the refund from the next month making the next month PAYE incorrect and potentially creating a penalty.  |
| 29 | The QTAC payroll software currently in use already has an on screen monthly aggregate breakdown, which is used to reconcile the year to date PAYE liability. At the moment these figures are then broken down to produce the monthly PAYE, NIC, Student Loans, Statutory payments or CIS payment totals that make up the monthly PAYE liability payment. As a reconciliation exercise these figures are also produced in spreadsheet format and agreed quarterly for each client for whom a weekly/monthly payroll service is provided (currently 49), with a final reconciliation before the P35 is produced. All the clients receive the monthly/quarterly breakdown of the amount of PAYE due but more than half of the clients make the payment direct to HMRC so I have no means of monitoring if the payment is made on time. The weekly/monthly figures are verified by a senior manager following processing and the PAYE liability figures are again verified when the client's annual accounts are produced, at which point the payment timing can be verified, but can be at least 12 months after the end of the tax year in question. |
| 30 | Each P35 is reconciled back to payments made. This is normally carried out by Payroll Manager or Assistant Payroll Manager. This change would add two days work costing approx £500. Not taking into account any additional charges a payroll bureau may add onto their cost.  |
| 31 | Users of externally provided payroll software would expect the software to record the details and transfer these on to the EDI (etc.) file for transmission to HMRC. Any anomalies would form part of the validation process before sending. For manual operations, a copy of the remittance booklet could be attached to the P35, and then compared to the manual payroll records in a compliance visit.  |
| 32 | I don't believe that the majority of employers who reconcile PAYE on a monthly/quarterly basis will see any significant administrative burden, as the information should be readily available. However there are some circumstances that I can see this causing problems i.e. Where Payroll departments don't have full control over the reconciliation process.   |
| 33 | As a payroll bureau, the following situations would affect the provision of the monthly breakdown - we process the monthly payroll but not CIS tax (this is done by client) with final figure given for insertion at year end; for another client we process a supplementary P35 in respect of bonuses but do not process monthly payroll.   |
| 34 | We reconcile fully every month and keep a spreadsheet of all payments made to the Revenue each month and tie these up periodically with the P35 from our payroll system so providing a monthly breakdown will not be much of an extra burden.  |
| 35 | It is an administrative burden time wise and it would delay the reconciliation of payroll year to date figures to accounts records and sending of the P35 when time is of the essence to finalise the old financial year.  |
| 36 | I reconcile the P35 using a spreadsheet to the monthly payments we make to ensure all payment we have made agree to the P32 & P35.   |

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| 37 | I operate a payroll bureau for approx 550 clients; it takes me nearly the full 2 months to file all the year end returns as it is. Providing a breakdown of the payments already sent will add a tremendous burden to this already time consuming task.   |
| 38 | Again this is difficult to quantify because there is such a wide variety of ways payrolls are produced and reconciled. My own experience would indicate that it would not be too much of an additional burden for me as I have reports that do that already but I can see that it could be a much more onerous task for others.   |
| 39 | We already reconcile our monthly tax and NI prior to making the payments so we would be able to include the monthly figures on our annual P35.<br><br>The P35 figures are reconciled prior, checked and authorised prior to the P35 being completed. The P35 is authorised by the payroll manager.  |
| 40 | I cannot see the point of this. We pay over every month the right amount so why spell it out again at the end of the tax year when the P35 agrees with what has been paid over. "If" we were holding back payments we would still report the "wrong figures" to avoid penalties. Surely the Inland Revenue knows if a payment is late by the date the money is received in their bank account!  |
| 41 | Most payroll systems provide a month by month breakdown of the figures due to the HMRC, it does not seem to difficult an idea to include these on the P35.  |
| 42 | Whilst all Payroll departments should reconcile PAYE and NIC payments on a monthly basis, having to provide a breakdown annually on the P35 will provide additional work for payroll programmers.<br><br>I have always maintained a spreadsheet to log the monthly payments of PAYE and NIC. This has then been cross checked to the cumulative values to a monthly run P35 to ensure that the in year paid figures are correct. By doing this you can be sure that the payments made throughout the year will reconcile to the annual P35 return at the end of the Tax Year. |
| 43 | As a sole administrator looking after 2 'PAYE' companies (both based on same site) the actual calculation would just be an 'extra' thing to do based on information already to hand. I could set up a formula in excel to calculate the figure. This would not be all that difficult or take a lot of time but it is something else to do!  |
| 44 | We complete a yearly reconciliation where we detail monthly payments broken down into tax, NI, Student Loans and Maternity refunds. Reconciling on a yearly basis is quite time consuming I would have thought that a return to a monthly remittance would be more useful to the Inland Revenue as they would also be able to reconcile their bank accounts on a monthly basis.   |
| 45 | Construction industry is not done by our payroll team therefore would involve liaison between payroll and accounts on a monthly basis rather than a yearly basis.   |

### **Question 11**

11. This question is not in the consultation document; however the IPP Policy team feel this is required.

Question 11: Payroll is not always straight forward and more often than not requires adjustments to final payroll figures. Do you agree / disagree with the 13 box P35 proposal? Please indicate your choice by flagging one of the buttons below. Please provide a comment on your choice.

| Answer Options                       | Response Frequency   | Response Count |
|--------------------------------------|--|----------------|
| Agree                                | 0.0%   | 0              |
| Disagree                             | 100.0%   | 3              |
| Do you have any additional comments? |  | 2              |
| <i>answered question</i>             |  | <b>3</b>       |
| <i>skipped question</i>              |  | <b>1</b>       |
| Number                               | Do you have any additional comments?   |                |
| <b>1</b>                             | The number of changes that may need to be made during the course of a year would make this totally impractical. I am against interest and charges being made on a monthly basis even if it is in arrears and I do not think that the Revenue themselves would be able to cope with the increased burden that this would give them. |                |
| <b>2</b>                             | The listing of monthly totals for the previous year is unlikely to lessen the quantity of late payments in the current year, however it will present an extra admin burden for employers.  |                |

### Result from independent survey of 13 Box P35:

**This question is not in the consultation document; however the IPP Policy team feel this is required. Additional question 11: Payroll is not always straight forward and more often than not requires adjustments to final payroll figures. Having read the introduction do you agree / disagree with the 13 box P35 proposal? Please indicate your choice by flagging one of the buttons below. Please provide a comment on your choice.**

| Answer Options           | Response Frequency | Response Count |
|--------------------------|--------------------|----------------|
| Agree                    | 23.3%              | 14             |
| Disagree                 | 76.7%              | 46             |
| Other (please specify)   |                    | 31             |
| <i>answered question</i> |                    | <b>60</b>      |
| <i>skipped question</i>  |                    | <b>9</b>       |

| Number   | Response Date | Other (please specify)   |
|----------|---------------|--|
| <b>1</b> |               | If HMRC can quantify why they want to make the change and how it will benefit Employers and payrollers I might be willing to reconsider, but the current system works for me as it is so why change it?  |
| <b>2</b> |               | I believe that this is not going to achieve what HMRC hope to get out of it. The P35 is far too late and if they intend to leave the analysis of employers performance till then I feel they will fail to influence behaviour in any way.<br><br>Some employers will simply match the information on the P35 with the payments they have made.<br><br>Late payers can and should be dealt with immediately and HMRC already has the information and ability to do so. Underpayments are also easy to detect by comparing the final payments with the |

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|           |  | average throughout the year. Variations will either be explained by seasonal variations, final adjustments or by unlawful manipulation of the values, I cannot see that the position can be any simpler than that.   |
| <b>3</b>  |  | If it purely a matter of form filling it may be OK, but if it is online then system changes would have to be programmed and be capable of being amended manually.  |
| <b>4</b>  |  | I think it will burden and penalise those that are trying to be compliant and not address the issues caused by those who are not.  |
| <b>5</b>  |  | As many employers already struggle to complete end of year returns on time this will just increase the burden. As majority of employers pay properly and promptly it is a minority that flout the correct procedure, I believe such activity would continue.   |
| <b>6</b>  |  | The bad payers are generally either those with cash flow difficulties or the badly organized - the proposals will not change this and will not ensure payments are made any quicker. Nor will it highlight or identify any better those companies which do not pay on time any better than the avenues already open  |
| <b>7</b>  |  | If the proposal is for the year just completed then there is no additional burden to our current reconciliation process. It should also enable HMRC to establish if funds have been misallocated.  |
| <b>8</b>  |  | From my experience there is always at least one payroll adjustment to be made during the year which I can see causing further problems if an additional box is added.<br>I can see a whole host of queries arising from monthly figures being provided which would cause an additional unnecessary administration burden to the payroll function. I find it tiresome communicating with the HMRC on simple issues with the current level of service provided, I do not see how this will help matters. |
| <b>9</b>  |  | The administrative burden on small employers is unwarranted. Perhaps the Revenue should consider targeting employers who do not qualify for paying PAYE quarterly.   |
| <b>10</b> |  | This will create extra work at a time which is already very busy, particularly for large organisations. Also, there is no evidence that HMRC would be in a better position to confirm that the figures provided are correct without carrying out an audit. Just because the monthly values match what was sent off each month does not mean that they were correct in the first place.   |
| <b>11</b> |  | Most systems these days are electronic and corrections made for a previous month are reflected in the current month's figures. HMRC often has queries regarding the amounts paid over to them, this way they have an instant record of monthly payments made from the company, they can check individual months against their own figures without the need for excessive paperwork and over/under payment notices.   |

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| <b>12</b> |  | It would not help the situation. HMRC need to get their own act together.<br>Recent example: a demand for 2002/3 year end for small amount with no explanation when we thought that had cleared. Payments often put in to wrong accounts   |
| <b>13</b> |  | I couldn't find what you are referring to.   |
| <b>14</b> |  | I do not understand why this is necessary.   |
| <b>15</b> |  | Payroll rely on information from other areas coming in on time. So leaver adjustments have to be made before P35 is produced. Early returnees from maternity etc - and other late notifications. Completing the P35 is stressful enough - when Payroll are in control - it would be awful having to get info from other depts and to meet the deadline.  |
| <b>16</b> |  | If we could provide a breakdown of the adjustments it might actually help HMRC to reconcile the PAYE reference to the adjustments.   |
| <b>17</b> |  | It just gives HMRC another weapon to hit the employer with additional penalties, as a bureau we often have to dispute the current penalties applied by HMRC (often with the penalty being cancelled as they are frequently applied incorrectly) - this obviously costs our clients time, money and stress and in the current economic climate employers have got enough worries already. Why should the vast majority of employers who pay their taxes on time suffer the additional administrative and financial burden because of the minority - what proportion of employers are late payers - would it not be better for HMRC to target the few!   |
| <b>18</b> |  | But I am concerned, at present in order to adjust the PAYE liability due for a previous month the software requires the month that requires correction to be back processed. This action over writes the previous information and replaces with the correct. This would give a distorted view of the monthly payment breakdown due at the end of the year if this action was required more than once during the year and potentially cause the Employer to be liable to a penalty as the amount reported would differ from the amount paid. This would significantly affect large Employers who could potentially have at least one correction/adjustment occurring every month. What would happen if the PAYE liability had been overpaid as a result of the correcting action, would the Employer receive interest on the overpaid liability if there was more than one overpayment during the year? |
| <b>19</b> |  | The amount of work this would entail. Currently deal with 23 tax references. Any good payroller would ensure the P35 reconciles with payments made. Is this another method for HMRC to monitor whether correct payments are made each month?   |
| <b>20</b> |  | Agree - as long as the automation / copy proposals above are workable. This would then cause very little additional administrative burden.   |
| <b>21</b> |  | I am at a loss as to why employers are being asked for this information on the P35 when the collector already has these figures on their system (for the majority of compliant employers). I believe this is a case of using a sledge-hammer to crack a nut. For the majority of employers payments/returns there are no significant issues. This approach seems to be aimed at capturing the minority with the majority needing to comply.  |

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| 22 |  | I disagree with the above due to in year adjustments which commonly occur. This is not an attempt to pay a reduced/increased amount to HMRC, it is purely an administrative adjustment. Has HMRC considered the amount of adjustments that employers would have to forward to them to rectify for any discrepancies throughout the year - would they be willing to return monies overpaid in any month!!!  |
| 23 |  | we have a large volume of manual payments for commission only staff that are paid on delivery which we would have to place into the appropriate month. we are also a seasonal organisation which can give a distorted view on data without further explanation.  |
| 24 |  | We pay over each month quoting our reference/period our payment is for. Can HMRC not tell from this how much to expect? As I keep a spreadsheet of all the payments we make as they are reconciled first, if we had to complete a memo on the P35 it should not be too much of a burden.   |
| 25 |  | Seems to me that for the few who abuse the employer/HMRC trust, the majority who play by the rules will now pay the price in this proposed burden. Surely HMRC must be able to spot for themselves who doesn't play fair?  |
| 26 |  | Although I tend to agree, I would say at what cost in time to organisations to do this additional task and the goodwill between employers (Payroll departments) and the HMRC. We already do a lot of work to make their job easier.  |
| 27 |  | We currently have issues with HMRC not agreeing with the amounts we pay over and tend to question the amounts paid months after tax year end. If this proposal helps them to reconcile more accurately and quickly then I would support the proposal.  |
| 28 |  | Totally agree with the first sentence of this question above.  |
| 29 |  | As above.  |
| 30 |  | It could create more paperwork and more time could be spent answering queries from HMRC if the amounts sent do not tally with the amount given on the P35. The figures could vary depending on any number of reasons - bonus payments, redundancies or reduced working hours etc. The differences could mount up on large payrolls.  |
| 31 |  | With experience of the Revenue not being able to reconcile their bank accounts I can see that it is because they try to reconcile all payments received from our company not just looking at PAYE. I would recommend that they treat each payment separately and reconcile on a monthly basis by the employer completing a monthly return either by paper or on-line for each payment i.e. PAYE, CIS, and Class 1A NICS. I have never understood why include CIS deductions on a PAYE return as they are separate issues with their own rules. |

## **Section 2. Interest – Working Towards a Harmonised Regime**

### **Survey Introduction**

Following the creation of HM Revenue and Customs (HMRC) from the merger of the Inland Revenue and HM Customs and Excise, HMRC has been taking forward consultation on a programme of legislative changes to provide a modern and effective framework of law and practice for the new Department. The changes resulting from this work will help HMRC deliver the O'Donnell Review aims of better customer service, greater effectiveness and improved efficiency. This strand of consultation seeks views on a number of areas where greater alignment of the interest charging and paying rules could bring benefits to taxpayers, their advisors and HMRC.

### **Question 1**

1. Chapter 3: Harmonising interest: the next phase – Narrative to Q1:

Based on sections 3.1-3.5. The current differences in the application of interest generate complexity and so fail to provide a simple system. Taxpayers are not treated equally across all taxes; the differences in the rules are difficult for taxpayers to understand and the system does not always deliver a degree of recompense as described in paragraph 1.4. An effective interest regime should be based on the principle of recompense. It should be fair to those who pay on time and have consistent, clear and simple rules.

Based on member feedback, in June 2008 the IPP responded to the first stage consultation regarding interest and penalties. Responses were in favour of a simple interest regime across all taxes.

Q1: HMRC welcomes views on the proposal to charge and pay simple interest across all taxes. Are you still in favour / not in favour?

| <b>Answer Options</b>               | <b>Response Frequency</b> | <b>Response Count</b> |
|-------------------------------------|---------------------------|-----------------------|
| In favour                           | 100.0%                    | 3                     |
| Not in favour                       | 0.0%                      | 0                     |
| Do you have any additional comments |                           | 0                     |
| <i>answered question</i>            |                           | <b>3</b>              |
| <i>skipped question</i>             |                           | <b>1</b>              |

### **Question 2**

2. Narrative to Question 2:

Based on sections 3.6-3.10. In light of the responses in favour of the Bank of England base rate and the evidence on transparency and stability, this document proposes adopting this as the rate on which to base interest, and tracking the changes in the Bank of England base rate as outlined in paragraph 3.9. This is consistent with the principles of fairness and simplicity and offers recompense that is responsive to market rates.

Q2: HMRC welcomes views on the proposal to adopt the Bank of England base rate as the starting point for calculating interest and on the proposal that changes to the HMRC interest rates are timed to follow any changes to the Bank of England base rate. Are you still in favour / not in favour?

| Answer Options                       | Response Frequency | Response Count |
|--------------------------------------|--------------------|----------------|
| In favour                            | 100.0%             | 3              |
| Not in favour                        | 0.0%               | 0              |
| Do you have any additional comments? |                    | 0              |
| <i>answered question</i>             |                    | <b>3</b>       |
| <i>skipped question</i>              |                    | <b>1</b>       |

### Question 3

3. Narrative to question 3:

Based on sections 3.11-3.20. Feedback from those interviewed as part of the Ipsos MORI research supported the view that interest rates should be comparable with bank rates to discourage late payment of taxes to gain a financial advantage.

It is recognised that the extent of the differential between the interest rate charged and paid will be important in ensuring overall fairness and that this needs to be considered in the light of proposals for late payment penalties also being consulted on in parallel.

Draft legislation will be produced to take forward the proposal of one rate for late payment interest and a different rate for repayment interest.

Q3: In June 2007 member's responses supported one rate of interest for all taxes as opposed to differentials for different taxes. Based on this HMRC welcomes views on the proposal to have differential rates for charging and paying interest. Please make your choice below:

| Answer Options                           | Response Frequency | Response Count |
|--|--------------------|----------------|
| In favour of one rate across all taxes   | 100.0%             | 3              |
| In favour of different rates of interest | 0.0%               | 0              |
| Do you have any additional comments?     |                    | 0              |
| <i>answered question</i>                 |                    | <b>3</b>       |
| <i>skipped question</i>                  |                    | <b>1</b>       |