



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 consultation:

- Repayments and Debt: The Next Stage.

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 the condoc "Repayments and Debt: The Next Stage".

Reason for posing the Question

This particular document does not appear to cover any impact to the PAYE process apart from pages 22 – 23. The question within section 5.11 states:

"To what extent does the proposal strike the right balance between HMRC and debtor?"

Are there further safeguards that should be considered?"

The Policy team raises the concern that no consideration has been provided for the employer community in relation to payroll processing. However the Policy team feel it is necessary to highlight to Government that to use this practice will impact on employers. One example for an area of concern already highlighted to us is net pay arrangements. Contractually the employee may have agreed to a set net pay, this is a common practice regarding employment of a nanny. Changing an individual's tax code in this situation means more administration for the employer; not to mention the possible increase in tax code notifications generally.

As a result the Policy team feels it is necessary to inform Government of the impact on employers. We have put together a one question survey of which we received 41 responses.

- 56% had no real concern; however we do not feel that they understood the question posed or any possible impact on administration.
- 44% consider the proposal to be a burden.

We feel that although the percentage against is less than that of those with no concern, never the less there is concern.

Recently an IPP representative met with HMRC representatives to discuss this condoc. Examples of issues and concerns were posed by the IPP and we asked the question why were employers not considered? HMRC included consideration to employers within the supporting Regulatory Impact Assessment and we were informed that the result showed that any admin burden/cost would be minimal; hence the condoc was not aimed at

employers. The cost was described as 50p per tax coding and on the face of it this does not appear to be a huge impact on employers; however the IPP has concerns within certain scenarios, as mentioned above, those employers who operate net pay arrangements would be affected by an extra admin burden as the employer will need to perform a gross up calculation to compensate for the tax code change. There are a number of other issues to consider as evidenced within the survey result. For this reason the IPP would have been grateful for consideration to employers in order to cover all eventualities and would ask HMRC to consider this for future consultations. Employers are more likely to be more engaged and accepting of certain proposals if they feel they have been consulted.

Conclusion

The responses which highlight concern are highlighted in yellow below and there appears to be a common theme:

- One member mentions employee understanding should BIKs be involved. Normally the employee will receive a form P2 and a common theme is will this apply to each change in tax code?
- There is concern regarding the additional burden for those who still key in tax codings manually.
- Concern regarding the admin burden for changing the tax code in year. A suggestion is to keep this an annual event.
- Concern regarding split tax codes between more than one job. How will this work?
- Concern as with a reduction in tax code the employee will be worse off. Members show concern regarding related queries and having to justify this e.g. calculating a before and after picture.
- There is concern over consent of the individual meaning that should the employee not be notified in advance of application of the coding that any queries will fall with the payroll function.

Given that the condoc is not aimed at the employer this is a concern as it appears that HMRC perception for the proposal would not be of significant impact on the employer and the payroll department within.

As 44% of respondents have justified concerns we recommend that the condoc response does consider the impact on employers.

We now present feedback to a one question survey posed to the IPP members to include the survey introduction.

Introduction to the Survey Question

HMRC are proposing to further utilise this process in order to collect small underpayments of tax.

HMRC already uses legislation in section 684 Income Tax (Earnings and Pensions) Act 2003 (ITEPA) to collect small underpayments of income tax through adjustment to the employee's notice of coding. Section 29(5) Tax Credit Act 2002 (TCA) allows HMRC to recover overpayment of tax credits in the same way, but until now that legislation has not been used.

Considerations to the proposal:

- HMRC recognise it would be complex for all to allow debtors to change their mind once collection through PAYE has begun.
- A suggestion is for a six month collection period.
- HMRC now envisages that any scheme would not require consent as a prior condition.
- Any scheme would be simplest to implement if collection commenced from the beginning of a tax year, to allow the notice of coding to be correct from the start. But HMRC will continue to consider whether this could be extended to allow debts to be collected in this way throughout the year.

Question Posed

Given concerns already highlighted in NOL, would the coding of small underpayments of tax via PAYE create any other administration burdens?	
Answer Options	Response Count
	41
<i>answered question</i>	41
<i>skipped question</i>	0

Please note – In order to make it easier for you to distinguish between members concerned about the proposal and those who are not, those concerned are highlighted in yellow below.

Number	Response Text
1	Not unless there is an increase in the number of queries to payroll over a change in tax code.
2	it is an additional burden, and the areas that concern me are additional queries from employees about the volume of tax they are paying if they do not understand the scheme and also the fact the we tax our employees benefits at source.
3	No
4	No, this would not create any other administrative burdens.

5	This is going to be a lot easier for the public. However will cause additional work for Payroll departments. I don't have any issues.
6	No, if this is done via coding, there is no issue or burden for payroll.
7	If the coding was for the whole year, then no, but, if the tax code is due to change more than once through the year, it would get complicated i.e. if we were to use code A for 3 months then change to code B for the remainder.
8	Yes, It would not just involve changing payroll records; it would affect the accounting records as new nominal codes would have to be set up.
9	No
10	How would this be notified and how will HMRC keep track of employee's movements if they leave an employer. What will happen in the case of a split coding, how will it be apportioned on the notices of coding? What will happen if an employee is overpaid and repays the overpaid amount as this will affect the tax collected and paid over? If the tax deducted increased it could affect the protected earnings levels for some employees with court orders whom are always just about the point of the PE level which could mean extra admin on the administration on the arrears of the order.
11	No more than current arrangements
12	Depends on the volume
13	No
14	If changes of code happened in year then an employee could see a drop in wages/ salary in one week/month that would affect their ability to live that week/month.
15	The survey is not clear as to whether you are asking about the collection of overpaid tax credits or the underpayment of tax - as far as I can see from my own P2's, small underpayments of tax are currently being deducted from me via my tax code.
16	If an employer received notifications online through download direct into their payroll system no additional burden would be created. However if intervention by way of inputting was needed then the employer will have additional administration and payroll systems will require updates to allow for the recording of the tax credit collections.
17	NO
18	Not as long as the underpayments (or overpayments in the case of Tax Credits) are adjusted through the tax code and a separate deduction is not being envisaged. Any queries by individuals would then be directed to the Tax Office and no software changes would be required.
19	As tax code changes will be loaded by EDI for some large employers the extra burden will not be that large.
20	No real concern, other than HMRC regularly change codes by 1 or 2 points which seems an unfair burden on the payroll processors and could be done on an annual basis, not monthly.
21	Other than the fact that we will need to change employee tax codes more regularly in our payroll system, I do not foresee any other major burdens to my team. We do not deal with 'set net pay' very often in our industry. Thanks!

22	It depends on how many notice changes are involved and how frequently these are actioned. Also who would be responsible for any errors & would HMRC fix these or leave it to the employer to do so. Would HMRC contact the employee and explain what the new code means or would it be left to the employer to sort out employee queries. There could be an issue around coding changes because of BIKs, would the employee & the employer know that the new code related to BIKs or tax credit overpayments. Perhaps this is best left between the individual customer and HMRC and leaves the employer out of what is in fact a personal issue.
23	Taking the following into account: 1. Payroll have no knowledge of individuals personal circumstances when considering the make up of a tax code. 2. HMRC are notoriously difficult to deal with over the telephone (can't get through, given incorrect information) and because it's easier to visit the payroll office - I envisage a lot more annoyed people who somehow think any adverse change to a tax code is all payroll's fault coming into the office with requests for information and advice on tax codes. Even sending people away with tax office contact details is an administrative burden! (We've tried giving this information out up front, but discovered that they still want to talk to someone face-to face, even when we can't really help)
24	NO
25	No additional burden, but may generate employees queries (which we will of course direct to HMRC) which can be time consuming.
26	Use SAP payroll, so any changes to the legislative requirements will be developed, this should limit the administrative burden on us as an employer.
27	Yes. It would generate queries from employees who always start with payroll when they have any tax issues regardless of the fact that payroll cannot know why the tax code has changed!
28	Yes, at present we have problems with the timely issue of student loan stop and start notices. We have issues with courts issuing incorrect attachment of earnings orders and then sending correction notices after the collections and payments over have been made. This seems like another mine field of over and under payments waiting to happen and the employees are going to go straight to their employer with any queries and objections. The Revenue need to recognise that their in-house systems cannot cope with the timely issue of change notices and payroll instructions, therefore employers cannot be expected to pick up the pieces.
29	No
30	The collection through the issuing of Notice of Codings I don't envisage being a problem particularly with on-line notification and application of the codes through payroll software. Where I think there could be a problem is if HMRC do not provide sufficient explanation to the individual of what they are going to do and the individuals contact their payroll department questioning the impact of the change.
31	no

	<p>It does propose a lot of pitfalls i.e. what if the employee went on SMP/SPP, went onto part time, made redundant, took early retirement etc. would the employee or payroll have to notify the HMRC? Are there going to be rules/guide lines if this or that happens.</p> <p>Would payroll have to provide additional documentation/information for the employee/HMRC ~ if there was a dispute between HMRC and the employee i.e. employee is adamant they have made full repayment but HMRC says not payroll always seem to be requested to supply back up details etc. and I envisage the payrolls being asked to calculate 'what if' scenarios for the employee of what have I have paid against what would I have paid.</p> <p>Although this would and rightly so be nothing to do with payroll strictly but between HMRC and the employee, we all know that the employee will ask the payroll for help because either they feel wronged or they didn't understand exactly what HMRC had meant when the arrangement was made or they have gone to the HMRC with queries etc. but didn't understand the reply or what they actually meant.</p>
32	
33	As long as the employee has been correctly notified then I cannot see this increasing the administration burden by very much.
34	Yes another special net pay deduction for software company to set up and another legal obligation with possible repercussions/restrictions (what is small). Why can't they change the tax code?
35	For leavers who did not start a new job straight away, they would still owe money at the end of the tax year.
36	No, as long as they were small underpayments and the employees were not left on month one codes.
37	No
38	As far as I can see from the above, the only extra burden would be to ensure that the employee understands how it all works.
39	If HMRC will not require consent this will lead to increased employee queries regarding the change in coding and the change in their net pay, which will increase the burden on already busy payroll departments.
40	Only concern would be any time spent explaining to the tax payer that their net pay had decreased because we had received a revised coding notice, especially given that consent is not a prior condition. However this should be minimal and we would refer them to HMRC.
41	I think payroll people have enough things put back to them and underpayment of tax is for HMRC to deal with and the person concerned.