



The new regime will affect all employers from 6 April 2010. Please read this advice note carefully, particularly if you do not always pay your PAYE over on time. Payments affected by the new rules are:

1. Income tax and Class 1 NICs collected via PAYE
2. Student loan deductions
3. Construction Industry Scheme deductions
4. Class 1A NICs on benefits
5. Class 1B NICs (on PAYE Settlement Agreements)

PAYE, CIS and STUDENT LOANS
 (Collectively 'PAYE')

- PAYE payments due from May 2010, for tax years 2010/11 onwards
- The penalty will be a percentage of between 1% and 4% of the amount paid late, depending on the number of late payments in a year
- Even payments one day late could result in a penalty!
- Additional 5% penalty if any PAYE is still not paid after 6 months; and again after 12 months

- Unless you are over 6 months late, the penalty depends on:
 1. How much is late, and
 2. How many times payments are late in a tax year

CLASS 1A AND 1B NICs

- Affects Class 1A and 1B NIC payments due from July 2011
- 5% penalty if not paid within 30 days of the due date, additional 5% if still outstanding after 6 months and a further 5% if still outstanding after 12 months

No of times payments are late in a tax year	Penalty Percentage	Amount to which penalty percentages apply
1	No penalty	Total amount that is late in the tax year (ignoring the first late payment in that tax year)
2 – 4	1%	
5 – 7	2%	
8 – 10	3%	
11 or more	4%	

PAYE & NIC - New Penalties for Late Payment



EXCEPTIONS

- No penalty will be charged if:
 1. PAYE is late only one month in the tax year (unless you are more than 6 months late), or
 2. You have a reasonable excuse for the late payment, or
 3. You have already arranged for time to pay through the Business Payment Support Service (Tel: 0845 302 1435)
- A reasonable excuse will depend on particular circumstances. It is likely to be something:
 1. Unusual
 2. That you could not reasonably have known would happen, and which
 3. You could not do anything to prevent
- The law says that some things do not count as a reasonable excuse:
 1. Inability to pay (unless this is attributable to events outside your control)
 2. You have deliberately not paid; or you rely on someone else to make the payment for you (unless you took reasonable care to make sure the payment was made)

If you need any further information please contact us.

Advice that stands the test of time

This is intended to provide a guide to current tax issues. It is not a substitute for technical advice. If you have any queries, please do not hesitate to contact us.