

HMRC Consultation on Simplifying the PAYE Settlement Agreement Process (PSA)

The government is consulting on proposals to simplify the process used for agreeing and reporting items in a PSA. The link to the consultation is:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/544639/Simplifying_PAYE_Settlement_Agreement_PSA_process.pdf

Summary

The Office of Tax Simplification (OTS) second review of employee benefits and expenses in January 2014, recommended the streamlining of the PSA process. HMRC is therefore consulting on proposed changes to simplify the process for employers. The intention is that proposed changes however, will not widen the scope of PSAs.

The government's proposed changes to the process are as follows:

- To remove the annual requirement for employers to agree in advance with HMRC which items can be accounted for in a PAYE settlement agreement;
- To remove the 'minor' criterion – because there is now a statutory 'trivial' exemption available, see below, and redefining the 'irregular' and 'impracticable' criteria;
- To issue a warning where an item is included in the PSA which does not meet the criteria, and only take action where such an item is included in subsequent years;
- To align the PSA calculation and payment dates with the P11D/P11D(b) deadlines, this means the calculation return would be due by 6 July XX and payment due to HMRC by 19/22 July XX;
- To consider a digital solution to explore whether, and to what extent it would be cost effective, to digitalise the PSA return; and
- Introducing an exemption or cap in respect of office holders.

From April 2016 an exemption removes liability to tax on low value benefits in kind ('Trivial' benefits). To qualify as a trivial benefit in kind all of the following conditions must be met.

- must not be a cash voucher;
- must be £50 or less;
- must not be provided as part of a salary sacrifice, or other contractual agreement; and
- the BiK must not be provided in recognition of service performed by the employee as part of their employment, or in anticipation of such service.

Next Steps

The Consultation has now closed and the Tax CoE has responded to the consultation.

Check back here again in the future for an update.