

# Global Insight

## Expatriates and UK payrolls

In April 2013, HM Revenue & Customs (“HMRC”) introduced a new way of reporting Pay As You Earn (“PAYE”): Real Time Information (“RTI”). These were the biggest changes to withholding tax for decades and apply equally to expats despite their added complexities. RTI place more pressure on employers to provide quick and efficient information flows for expats regardless of when and where they are paid. This Global Insight provides a high-level overview of the key aspects.

RTI means that all employers, including expatriate employers, will need to inform HMRC about PAYE payments at the time they are made as part of their payroll process.

Employers will submit information about PAYE payments throughout the year as part of their payroll process, rather than at the end of the year as they currently do. RTI only affects the submission of PAYE information – payment arrangements will remain unchanged.

### Expats who are paid overseas and are tax equalised – Modified Payrolls

Employers still have to provide HMRC with all of the information that is required for real time submissions, even if the individual concerned is not their employee, and operate PAYE/NIC as a host employer:

### General overview of procedures

#### Payroll Alignment (“PA”)

Every PAYE scheme must pass through a separate PA as the first step for RTI. An employer must show all the individuals employed in the PAYE scheme since the start of the tax year. HMRC will send each employer an invitation that contains an on-boarding date when the employer is requested to send their first RTI submission for a specific PAYE Scheme. There are two possible routes to complete a PA depending upon the employer’s circumstances.

#### First Full Payment Submission (“FPS”)

In most instances, HMRC will complete the PA using the information provided by the employer the first time they send an FPS. This is the electronic RTI submission that employers will complete and send each time that they pay their employees. The FPS will advise HMRC which employees have been paid and how much.

The key difference between the first FPS and a normal FPS is that, while the latter will normally only provide information for employees who have actually been paid in the period, the first FPS must show every individual employed since the start of the tax year (even if they have left at that point or have not been paid in that period).

#### Employer Alignment Submission (“EAS”)

In certain circumstances, HMRC will require the employer to complete a submission specifically designed for PA. This will typically be for PAYE scheme’s containing more than 250 employees. An EAS is needed before any FPS can be processed.

#### Form P46 (expat)/Form P45

These are no longer needed for RTI employers. An employer instead submits an FPS which confirms details for each employee including start/leave date, length of time the seconded employee intends to work and live in the UK and also if they are from the European Economic area.

### Year end forms P60

Forms P60 should be given to employees by 31 May after the end of each tax year.

### Penalties

Penalties for late and inaccurate submissions are likely.

## Estimated PAYE on tax equalised earnings (modified payrolls)

### Calculation of estimated PAYE

Employers should prepare a best estimate of all earnings including cash allowances and non-cash benefits with an in-year review during the period to take account of any material changes. Provisional relief for overseas pension contributions and for overseas workdays can be excluded from the estimated PAYE tax calculation where relevant relief is available.

### Payment of PAYE

Employers must pay 1/12th of the estimated PAYE for the tax year each month by the 19th or 22nd of the following month (depending upon the payment method). An employer can make quarterly payments where there are no more than five employees in the scheme (monthly in other cases).

### 'Normal' Full Payment Submissions ("FPS")

RTI must be submitted on an FPS on or before the day that an employee is paid if the regular earnings are made by a UK employer, even if the UK payroll runs on a different cycle to the overseas payroll. However, the FPS can be deferred and filed by the 19th of the following month if all earnings are paid by the overseas employer. The FPS must show the estimated earnings and income tax.

A complex situation may arise where the employee is paid partially in the UK and partially overseas. Also, where benefits in kind are put through the payroll and grossed up, RTI operates when the gross-up occurs.

## Modified arrangements for National Insurance contributions ("NICs")

National Insurance will not apply to most expats. However, when it does apply, NIC's are not due until the final payment is made in the earnings period. However, with RTI each payment must be reported at the time it is made.

Where NIC's are due, a Non Statutory Return ("NSR") should be filed at year end. NICs on estimated to be reported each month on the Full Payment Submissions on the Appendix 6 scheme for inbound assignees and on the PAYE scheme for local employees or outbound employees. The paper NSR should be sent to HMRC using the appropriate Appendix 7A or 7B reference.

## Blick Rothenberg: Global Insight

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Blick Rothenberg is a leading accountancy firm and supports over 900 international businesses. Our specialist Expatriate Tax Services team has considerable experience in helping organisations and individuals who work across international borders with tax and payroll compliance, tax planning and related policy issues.

Our Expatriate Tax Services team has considerable expat tax and payroll experience. We can assist with:

- Your modified payroll application
- Setting up your RTI process and helping your team understand the process
- Operate your modified RTI payroll

Blick Rothenberg was named winner of the Best International and Expatriate Tax Team at the Taxation Awards 2015. Recognised as a mark of excellence within the sector, the awards were judged by a panel of leading professionals and officers of major tax institutions.

We have also been highly commended by the Chartered Institute of Payroll Professionals (CIPP) as being a leading firm in the provision of international payroll services.

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