

New PAYE penalty regime

- A new PAYE penalty regime applies to all PAYE periods starting on or after 6 April 2010.
- Late payment penalties could be charged on any payment that is not paid on time. Such payments include:
 - Quarterly or monthly Pay As You Earn
 - Student loan deductions
 - Construction Industry Payments
 - Class 1 National Insurance
 - Class 1A National Insurance
 - PAYE Settlement Agreement payments
 - PAYE determinations or charges
- The penalty is a percentage of the total amount that is paid late in the tax year (excluding the first late payment). The percentage depends on the number of late payments in the tax year as follows:

No. of late payments in the tax year	Penalty percentage
1	No penalty (unless more than 6 months late)
2-4	1%
5-7	2%
8-10	3%
11 or more	4%

See overleaf for a reminder of payment dates.

- If a quarterly or monthly payment is more than 6 months late a 5% penalty may be charged. A further penalty of 5% may be charged if the payment is still unpaid after 12 months. These penalty rates will apply even if only one payment in the tax year is late.
- HM Revenue & Customs will issue letters notifying employers of penalties incurred however the notification letters will not be sent until after the end of the tax year. HM Revenue & Customs has up to two years after the penalty is incurred to issue a notification letter.
- For amounts which are due annually or occasionally a penalty of 5% may be charged if the payment is not paid by the penalty date (see overleaf). A further 5% penalty may be charged if the payment is not paid by 5 months after the penalty date and a further 5% if it is still not paid by 11 months after the penalty date.
- Penalties apply to each PAYE scheme independently therefore if you operate more than one scheme you will need to ensure all payments are paid on time.

Example:

Every month PAYE/NIC of £1,000 is payable. Every month the payment is made 1 day late.

During tax year there are 11 late payments (first one is ignored). Penalty is therefore:

$$11 \times £1,000 = £11,000 @ 4\% = £440$$

Payment dates

Tax type	Payment method	Payment date
Monthly PAYE/NIC	Electronic	22 nd of each month
	Post	19 th of each month
Quarterly PAYE/NIC	Electronic	22 nd after the end of the quarter
	Post	19 th after the end of the quarter
Class 1A NIC	Electronic	22 July after end of tax year
	Post	19 July after end of tax year
PAYE Settlement Agreement	Electronic	22 October after end of tax year
	Post	19 October after end of tax year

NB: For electronic payments the cleared payment must be in HMRC's bank account by the stated date; for post payments the cheque must be received by HMRC by the stated date. If the stated date is not a working day the payment must be cleared/received by the last working day before the date.

Penalty dates

Tax type	Penalty date
Class 1A and 1B NIC; HMRC determinations and assessments; amendments/corrections	30 days after the due date
Other cases	Day after the due date

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