Broadcast

FACTSHEET: PAYROLL REPORTING DECEMBER 2024

SPECIAL ISSUE

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As the festive season approaches, many businesses consider adjusting payroll schedules to accommodate holiday closures or to provide employees with early payments. While this gesture is thoughtful, it's crucial to adhere to HM Revenue and Customs (HMRC) guidelines on Real Time Information (RTI) reporting to prevent unintended consequences for your employees, particularly concerning their eligibility for income-based benefits like Universal Credit.

Understanding RTI reporting obligations

Under the UK's RTI system, employers are required to submit a Full Payment Submission (FPS) to HMRC on or before the date employees are paid. This submission includes details such as the payment date, amounts paid, and deductions made. Accurate reporting ensures that HMRC has up-to-date information, which is essential for the correct calculation of tax liabilities and the administration of benefits.

Impact of early December payroll payments

Paying employees earlier than usual in December can inadvertently affect their benefit entitlements. For instance, if an employee typically receives their wages on the 31st of each month but is paid on the 20th in December, reporting the actual payment date as the 20th could result in two payments being recorded within a single Universal Credit assessment period. This could reduce or eliminate the employee's benefit entitlement for that period, as the system may interpret it as increased income.

HMRC's reporting guidance for early payments

To mitigate such issues, HMRC has provided specific guidance:

- **Report the Regular Payment Date:** If you pay employees earlier than usual over the Christmas period, you must report the normal or contractual payment date on the FPS, not the actual early payment date. For example, if the regular payday is 31st December but payment is made on 20th December, you should still report the payment date as 31st December.
- **Timing of FPS Submission:** Ensure that the FPS is submitted on or before the reported payment date. In the example above, the FPS should be sent on or before 31st December, even though the actual payment was made on 20th December.

Adhering to this guidance helps protect your employees' eligibility for income-based benefits by ensuring that payments are recorded in the correct assessment periods.

Practical steps for employers

1. **Review Payroll Schedules:** Assess your planned payroll dates for December and determine if they differ from the usual schedule.
2. **Communicate with Payroll Providers:** If you use external payroll services, ensure they are aware of HMRC's guidance and will report the regular payment dates, not the early payment dates.
3. **Inform Employees:** Notify your staff about the reporting practices to alleviate any concerns regarding their benefit entitlements.
4. **Maintain Accurate Records:** Keep detailed records of actual payment dates and the corresponding reported dates to ensure compliance and for reference in case of any discrepancies.

Additional resources

For more detailed information, refer to the October 2024 issue of the Employer Bulletin, which provides comprehensive guidance on RTI reporting obligations for early payments during the Christmas period.

By diligently following HMRC's guidance, you can ensure that your employees receive their wages promptly without jeopardising their benefit entitlements, thereby fostering goodwill and financial stability during the festive season.

We can help

Please call us on **01753 888 211** or email **info@nhllp.com** if you would like to discuss any of the issues raised in this Broadcast, we would be happy to help.