

PAYROLL INCENTIVES

As you may be aware HMRC offer "incentives" - bribes may be a better term - for electronic filing of payroll.

For small businesses (less than 50 staff members) these are:

Tax year	Total £
2004-05	£250
2005-06	£250
2006-07	£150
2007-08	£100
2008-09	£75
Total over 5 years	£825

The qualifying criteria are:

- (i) You have an existing obligation to file a employers P35 annual return plus at least one P35 (i.e. you have one staff member earning over £84 per week or over £1 per week and with another job);
- (ii) The return is filed online, to HMRCs data quality standard.

You will receive the incentive by either a reduction from the PAYE/NI you owe or by refund to you.

Garbetts will be able to file your return electronically for you; we will need you to complete a short authority form to allow us to do this for you, and we will forward this to you nearer the time.

The initial payments under this scheme are quite generous, but obviously this reflects the huge cost savings which the Government expects by having returns filed on-line and not having to have HMRC lackeys (mis)keying them in.

This leads to the question of if HMRC who is? Well, in part the computer, but for the main the employer, i.e. you, or more correctly us for you. This has obvious cost implications for us as a firm:

- our software licensing costs have increased sharply to reflect the technology needed;
- we will lose a lot of the flexibility which we currently have to manually override and correct your payroll if problems, anomalies or late adjustments occur - we will now have to get everything on the computer correctly by hook or by crook, with an attendant time overhead. In many cases the only way to get around problems we currently override manually, will be by restoring old payroll backups and re-working them.

In terms of addressing these costs for the first two years of the scheme we worked on a 50:50 split of the incentive with clients. From 2006-07 onwards, we have built the cost into our basic fee structures.

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