

Penalties for late payment of PAYE from tax year 2010-11

From tax year 2010-11 we may charge penalties if PAYE is paid late.

This includes:

- tax
- National Insurance contributions (NICs)
- Construction Industry Scheme deductions
- Student Loan deductions.

This means you may have to pay a penalty if you do not make PAYE payments on time and in full from May 2010.

Who will the penalties apply to?

The new late payment penalties will apply to all employers and contractors that do not pay on time. Large employers and contractors will still have to pay electronically, but the new penalties will replace the mandatory electronic payment surcharge.

How much will the penalties be and when will they be issued?

We will start to send out the new penalties for tax year 2010-11 from April 2011.

The amount of penalty depends on whether payment is due on a monthly or quarterly basis, or annually.

Monthly and quarterly payments

For late monthly and quarterly payments the penalty will start at 1% of the late amount and will increase to 4% depending on how many times you pay late. You will not have to pay a penalty if only one payment is late in any tax year, unless the payment is more than six months late.

Monthly and quarterly amounts more than six months late

We may charge penalties of 5% of the amount that is late on any monthly or quarterly payments more than six months late. We may also charge further penalties of 5% if you have still not paid after 12 months.

Annual payments (for example Class 1A NICs and PAYE Settlement Agreements)

We may charge up to three penalties of 5% of the amount that is late, depending on the length of time that the amount is not paid in full.

What if I can't pay?

Please ring the Business Payment Support Service on **0845 302 1435** as soon as possible. In certain circumstances, we may allow extra time to pay. If we agree extra time to pay, we will not charge further penalties on amounts included within the agreement from the date you approach us - provided you stick to the agreement. You may still have to pay penalties for earlier late payments. Any penalties you do have to pay may be included within the agreement.

What if I disagree?

You will be able to appeal against the liability to the penalty, for example because:

- the payment was not late, or
- there is a 'reasonable excuse' for being late.

You will also be able to appeal against the amount of the penalty.

Further information

Further information is on the HMRC website. Go to

www.hmrc.gov.uk/employers/payee-penalties-faq.htm or from the home page use the quick link *Paying HMRC* and see the update in the PAYE/Class 1 National Insurance area.

These notes are for guidance only and reflect the position at the time of writing. They do not affect any right of appeal.

Issued by

HM Revenue & Customs

Customer Information Team

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