

## FACTSHEET 18

### Paye & Nic Compliance Visits: A Problem ?

Every five or six years it is probable that an employer will be notified that the Inland Revenue intend to visit the business premises and perform a compliance check on whether Paye & Nic rules are being operated properly .

During the course of the visit the compliance officers are likely to look at the following:

- Paye deduction worksheets for completeness and accuracy
- Correct use of employee codes
- Correct treatment of new employees and leavers
- Correct use of P46 procedures
- Reconciliation of the records with the P35 Employers Annual Return form
- Compliance with Nic regulations
- Compliance with the terms of any dispensations previously granted by the Inland Revenue
- Compliance with the construction industry rules for payments to subcontractors
- Correct identification of expense payments and employee benefits for disclosure on the P11D or P9D benefits forms
- Have cash payments been made to employees on which Paye has not been operated?

The type of areas where problems can occur are:

- Payments to so called 'casual' employees
- Round sum expense payments
- Misunderstanding of 'self employed' status
- Home telephone
- Entertaining
- Travel to work from home
- Accommodation
- Home office use
- Personal subscriptions
- Private petrol
- Private medical expenses
- Insufficient documentation for dividend payments to shareholders.

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### The Conclusion of a Visit

Most Paye compliance visits result in discrepancies being identified. The Inland Revenue will calculate the lost tax and go back six years if necessary to correct any backlog errors. Penalties will be applied depending on the degree of cooperation and disclosure afforded to the Inland Revenue and on the seriousness of the error.

**For further advice and before taking any action please give me a call.**

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