Employment Allowance reform: information requirements

Employment Tax

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HMRC have dropped plans which would have required businesses to quantify the amount of state aid they receive when claiming the employment allowance from April 2020.

As reported in October's technical newsdesk, the government have said that they will restrict eligibility for the employment allowance from April 2020, such that it will only be available to employers with a secondary NICs liability below £100,000 in the previous tax year. As a result of this restriction, the employment allowance will be reclassified as de minimis EU state aid.

One of the consequences of this reform is that all employers, regardless of size, will have to claim the employment allowance each year through their Employer Payment Summary (EPS). Claims will no longer be automatically carried forward from one tax year to the next. In addition, employers may be excluded from claiming the employment allowance if, were they to receive the full £3,000, they would exceed their relevant de minimis threshold for state aid.

To monitor compliance with the state aid rules, HMRC had originally indicated that, when claiming the employment allowance, businesses would have to provide additional information to show they had not exceeded their relevant de minimis limits.

Both the ATT and CIOT raised concerns about these information requirements in their submissions on the draft legislation, which was published on 25 July 2019. In particular, it was felt that the requirement to quantify the total amount of de minimis state aid received or allocated for that year, and the previous two years, was unduly onerous and difficult to comply with, and could ultimately result in smaller employers deciding not to claim the employment allowance at all.

We are therefore pleased to see that HMRC have relaxed the reporting requirements in relation to state aid. In an email from the Software Developers Support Team, it was announced that, following feedback, HMRC will no long require employers to quantify the amount of state aid that they receive.

It is important to note that employers will still have to claim the employment allowance each year through the Real Time Information system. In particular, they will have to confirm on the EPS that they are eligible to claim and identify the sector in which they operate for state aid purposes (or indicate that the state aid rules do not apply as they are not engaging in economic activity). However, the removal of the quantification requirement should make compliance much more straightforward.