



## COMPULSORY USE OF ONLINE TAX SERVICES FOR EMPLOYERS & PENALTIES FOR LATE COMPLIANCE

### Introduction

In the 2012 Manx Budget, the compulsory use of Online Tax Services for employers was introduced.

### Phased introduction

Employers who had more than 100 employees during the period 1 January 2011 to 31 December 2011 have been required to use Online Tax Services from 6 April 2012.

Employers who had 10 or more employees during the period 1 January 2012 to 31 December 2012 have been required to use Online Tax Services from 6 April 2013.

**All other employers will be required to use Online Tax Services from 6 April 2014.**

### Transactions to be completed using Online Tax Services

An employer's annual return must be submitted using Online Tax Services. Details of each employee's annual income and ITIP and NIC Deductions Form (T14) must be completed online or submitted as an attachment to the return in the prescribed electronic format. The return includes the submission of Benefit in Kind form T9 where appropriate. **PAPER RETURNS WILL NOT BE ACCEPTED.**

Employee links to the employer (i.e. previously paper forms T20/T21) must be maintained using Online Tax Services.

Monthly remittances (including nil returns) must be submitted using Online Tax Services, with payments made using Online Tax Services, by BACS transfer or by standing order. **MANUAL REMITTANCE CARDS WILL NOT BE ACCEPTED AND PAYMENTS CANNOT BE MADE BY CHEQUE OR CASH.**

### Benefits of using Online Tax Services

Online Tax Services are a secure and convenient way to maintain employer records.

The services allow users to interact with, and submit information to, the Income Tax Division both during and outside of normal working hours. The services also allow access to employer records at any time.

### Grounds for Exemption

The following criteria would be considered as automatic grounds for exemption from the compulsory use of Online Tax Services:

- employers with fewer than five employees
- employers who do not have access to a computer or the internet.

The Assessor will consider a request from an employer who considers that he should be exempt from the compulsory use of Online Tax Services due to a reasonable excuse. Requests should be made in writing to the Assessor stating the reasons why the employer should be exempt and must be received prior to the commencement of the tax year in which the employer is required to use Online Tax Services.

A reasonable excuse will not include:

- insufficient funds to pay income tax; or
- reliance on a third party to manage income tax affairs



If you would like us to act for you in dealing with your online payroll obligations please contact us for a quote.

The Income Tax Division would like to encourage employers who may be exempt from the compulsory use of Online Tax Services to consider using the services as they are a cost-effective manner of maintaining records and interacting with the Division.

### **Failure to comply**

An employer who fails to comply with the compulsory use of Online Tax Services will be considered to have committed an offence and is liable on summary conviction to a fine not exceeding £5,000.

### **Measures to address non-compliance**

It is important to remember that new measures to address non-compliance were introduced by the Income Tax (Instalment Payments) (Temporary Taxation) Order 2010.

The new measures took effect from 6 April 2010 and enable the Income Tax Division to issue penalties in cases of non-compliance as follows:

- failure to notify the Assessor within 14 days of becoming an employer and making the very first payment as an employer to an employee will result in the issue of a £250 penalty;
- failure to remit the correct amount of ITIP deductions by the due date will result in the issue of a penalty equal to 5% of the amount due; if all or part of the amount due remains outstanding after six months, an additional penalty equal to 5% of the amount outstanding will be issued;
- failure to submit a full and accurate employer's annual return within 30 days of the end of the tax year will result in the issue of a £250 penalty, with a further £50 penalty being due for each day that the return remains outstanding;
- the T9 Benefit in Kind form is an integral part of the employer's annual return. Where Benefits in Kind have been provided to employees, but T9s are not submitted with the annual return, the annual return may be deemed to be incomplete and therefore returned to the employer. The Income Tax Division will treat such returns in the same manner as other outstanding employer returns;
- failure to notify the Assessor within 14 days of engaging a new employee or of ceasing to engage an existing employee could be deemed to be a failure to comply with the regulations and could result in the issue of a £250 penalty;
- failure to retain all records and documents needed to support an employer's annual return and return of benefits in kind for three years following the end of the year to which the return relates will result in the issue of a £250 penalty; similarly, the failure to keep every book, record and document needed to comply with the regulations for a period of three years following the end of the year to which they relate will result in a £250 penalty;
- failure to submit a full and accurate employer's annual return within 30 days of the date of ceasing to be an employer will result in the issue of a £250 penalty, with a further £50 penalty being due for each day that the return remains outstanding;



- failure to comply with any other obligation contained within the Income Tax (Instalment Payments) Act 1974 and Income Tax (Modified ITIP) Regulations 1987 will result in the issue of a £250 penalty if a penalty for non-compliance does not already apply (for example, the failure to supply the employee with a payslip with each payment of remuneration).

**If you would like to know more then please contact**  
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