



Recording Tax and National Insurance for former employees on an insolvent entity

What do you need to know?

There may be times when you need to record Tax and National Insurance due on a dividend paid to the former employees of an insolvent entity.

For example:

- Holiday Pay
- Arrears of Pay arising before the date of Insolvency
- Pay in lieu of notice claims
- Redundancy pay

What we need you to do

Please help us ensure these payments are allocated correctly by setting up a new Employment Protection Act (EPA) PAYE Scheme. Contact us to set up the Scheme only when you are ready to make the dividend payments.

Please ensure when making payment that the Accounts Office reference number for the EPA scheme is used to ensure correct allocation of funds. Once you have completed the employee dividend payment, please ensure HMRC receives a final Full Payment

Submission (FPS) with a cessation date for the Scheme. This will prevent any reminder or late penalty notices being issued, should the Scheme remain open.

How do I set up an Employment Protection Act (EPA) PAYE Scheme?

Contact HMRC's Employer Helpline on 0300 200 3200. It is essential that you tell the advisor you need to set up an **Employment Protection Act (EPA) Scheme**. You must state 'Employment Protection Act Scheme' in your request, otherwise the scheme will be set up as a standard PAYE scheme and will not operate properly in respect of employee dividend payments. The advisor will ask you for the following information:

- the name and National Insurance number (NINO) of directors (if available)
- the phone number and email details of the appointed Insolvency Practitioner
- the registered office address of the appointed Insolvency Practitioner
- any other correspondence addresses HMRC may need to note for you
- the date of the first pay day
- the EIS Reference Number (this is essential for security identification purposes).

Our advisor will then ask some more questions and tell you what you'll receive and when.

Once the EPA Scheme is set up, see [PAYE and payroll for employers - GOV.UK](#) for guidance on operating PAYE.

Making Additional Payments

If you need to make additional payments after the final FPS has been submitted, please submit another FPS with the revised date of cessation. This can only be done:

- in the same tax year as the date of cessation or cancellation, or
- the next tax year after the date of cessation or cancellation.

For any other year a further scheme will need to be set up.

Additional Information

We are still receiving some payments of tax and NICs due on dividend payments to employees where an EPA PAYE Scheme has not been set up. This means we've been unable to allocate the payment(s) and update the employee's PAYE tax and NICs records.

If you set up an EPA PAYE Scheme you must submit an FPS once you have completed the employee dividend payment. Failure to do so means we'll be unable to allocate the payment(s) and update the employee's PAYE tax and NICs records accordingly. We **cannot** accept this information by letter.

Further questions

For more information on this process please see [PAYE and payroll for employers - GOV.UK](#). If you have any questions about this Insolvency Bulletin, please direct them to R3 or your representative group who will take them forward with HMRC.