

JTC NEWSLINE

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CIS repayments: top 10 tips

HMRC published "top 10 tips" in 2013 for companies who make repayment claims under the Construction Industry Scheme (CIS). The list is no longer available on their website but still provides a useful checklist.

Top tips

1. If an agent is making the claim ensure the company's agent is authorised specifically to act on its behalf for CIS repayments. Form 64-8 is used for this purpose and this can be downloaded from the HMRC website and sent to the National Insurance Contributions and Employer Office, HM Revenue and Customs, BX9 1AN. You can also use the online authorisation service.
2. Double-check that the Unique Taxpayer Reference (UTR) and the company subcontractor's name are correct on all documents.
3. Check that all the company's Payment and Deduction Statements that HMRC have requested in order to process the claim are sent, and that they are for the correct period. (The tax year runs from 6 April in one year to 5 April the following year).
4. If the company was incorporated during the year, ensure that its claim for repayment is only for deductions taken from the company's payments and not any trading as a sole trader or for periods before incorporation.

5. Check that the CIS deductions taken from the company's subcontractors are correct and have been reported correctly on the monthly returns.

6. Check that the company has no outstanding returns (old paper CIS300) in its capacity as a contractor within CIS.

7. Ensure that the final Employer Payment Summary (EPS) showing CIS deductions taken from the company's payments, as well as all Full Payment Submissions have already been submitted.

8. Submit any information requested within the timescale specified by HMRC, such as following receipt of a 'CIS suffered letter' and that you have included everything that HMRC has requested.

9. Where there are overpayments that do not relate to CIS, please verify how these have arisen by providing supporting documentary evidence to HMRC along with the company's claim for repayment.

10. Where the company has ceased trading, please remember to send in all outstanding returns for the subcontractors. ■

Claiming online

HMRC introduced the CIS Repayment i-form in 2017, which can be used by limited companies to reclaim a repayment of CIS deductions where too much tax or NIC has been paid.

A government gateway ID is required to use the form.

Other points to note:

- If claiming in writing, send to National Insurance Contributions and Employer Office, HM Revenue and Customs, BX9 1BX. To ensure your letter gets to the right section include your PAYE reference and the word "CIS" in your letter.
- HMRC can make repayments through BACS and if this is preferred the company should send bank account details with the claim.
- Repayments can be set off against a corporation tax or VAT liability if you ask HMRC to do so. ■

Quick facts about Self-Assessment Tax returns

- Paper returns will be posted by 30 April 2018 and must be submitted by 31 October 2018.
- Notices to file will be sent by the end of May 2018 and online returns must be submitted by 31 January 2019.
- Outstanding tax can be settled through the PAYE code if return is filed by 31 October 2018 or online return by 31 December 2018, and
 - o The tax due is less than £3,000, and
 - o The individual already pays tax through PAYE. ■

Error in March 2018 Newsline

What is the "emergency" tax code for 2018/19?
1185L is the default code in use.

My thanks to the many careful readers who have picked up this error and told me so amiably. It is reassuring to find that the Construction tax community is so diligent and so friendly. ■

MTD: Income Tax soft pilot

Taxpayers and their agents can sign up and participate in a voluntary Making Tax Digital (MTD) for Business, Income Tax pilot scheme. This will allow your software to transmit your accounting data to HMRC every three months. There is a lot of publicity about the income tax pilot. You can sign up now and live data is sent from April 2018.

This is entirely voluntary.

It is a quite separate pilot for the MTD VAT scheme which will be compulsory from April 2019. (Any firm which is VAT registered should be talking to their accountant about software necessary to comply with MTD for VAT and how to introduce it in the next year. See below)

What does MTD mean?

The idea is that you will file five tax returns per year instead of one.

- Your accounting data will be used to access your income.
- You will not need to provide further information unless of course you need to correct errors.
- There will still be a final tax return at the year end.

This is very much a test pilot and it may well be that aspects of the service will change.

There are only two software companies that so far make useable software for the pilot. HMRC will not provide any free software.

You can also choose to:

- Send an update to HMRC more often.
- Pay your bill as you go, if it makes it easier for you to manage your budget.
- Ask your accountant to send you updates.

A pilot is also being undertaken for Making VAT Digital (MVD). MVD is due to become mandatory from April 2019, although there are doubts about this timetable due to lack of compliant software, Brexit and general technological issues.

Volunteering for the IT pilot is not recommended for

- Taxpayers with a poor understanding of IT.
- Taxpayers with a poor understanding of bookkeeping.
- Those who do not have a reliable broadband connection.
- Those who will not be available on a quarterly basis to send in data.
- VAT registered traders.
- Traders and landlords with a low income. ■

Advisory fuel rates from 1 March 2018

HMRC have published new advisory fuel rates for company car drivers which will apply from 1 March 2018.

The new rates will be:

Engine Size	Petrol	Diesel	LPG
1400cc or less	11p		7p
1600cc or less		9p	
1401cc - 2000cc	14p		8p
1601cc - 2000cc		11p	
Over 2000cc	22p	13p	13p

The old rates can continue to be used until 31 March 2018.

Advisory fuel rates are set by HMRC

- Employers can use these rates to reimburse company car drivers for business fuel.
- These rates can also be used if employees are required to repay the cost of fuel used for private travel.
- These rates should not be used in relation to vans.
- Hybrid cars can be treated as either petrol or diesel cars for this purpose.
- These amounts also apply for VAT purposes, but employers can only reclaim input VAT if the employee supplies a receipt. ■

More IR35: HMRC win a high profile case and the BBC lose

In *Christa Ackroyd Media Limited v HMRC* [2018] TC06334, the First Tier Tribunal (FTT) held that a BBC television presenter was caught by the IR35 regulations. Under the tax rules, commonly known as 'IR35' where an individual is engaged via an intermediary (e.g. their own personal service company), under terms that would constitute employment by the end user if engaged directly, the intermediary must treat the fees received as income of the individual and operate PAYE.

Christa Ackroyd, presenter of BBC1's "Look North" until 2013, was engaged by the BBC via her Personal Service Company, Christa Ackroyd Media Limited (CAM). She was required to operate through a company by the BBC.

The dispute was whether, if Ackroyd had been engaged directly by the BBC on the same terms, would she have been an employee? The FTT decided that she would have been an employee and the settlement will be large. She will have to pay but says the arrangements were made at the insistence of the BBC. Will she take action against the BBC? ■

Managed Service Companies

HMRC have updated Spotlight 32 on Managed Service Companies (MSC) Tax Avoidance. For the innocent and ignorant these are companies set up to provide labour to construction businesses and avoid a charge to PAYE.

An accountant of some sort 'manages' the book keeping and billing, and the worker is paid minimal wages, but also in dividends and loans.

The owners of such companies should check whether they own a MSC. If a MSC, the business may be required to treat some payments such as dividends and loans as earnings and deduct PAYE and NIC. ■

Employer Bulletin: February 2018

HMRC have published their Employer Bulletin for February 2018 giving their bi-monthly update information on payroll topics. A review of the topics is detailed below

End of year reporting

- Final Full Payment Submissions (FPS) and Employer Payment Summaries (EPS) for the tax year ending 5 April 2018 will soon be due under Real Time Information.
- FPS are due on or before the payday and EPS are due by 19th of the month following the payroll month.
- FPS can be corrected by 19 April by sending another FPS and ticking reason code H. If the error is noticed after 19 April, an Earlier Year Update should be used.
- P60s will need to be given to employees, who were in your employment on 5 April 2018, by 31 May 2018 at the latest.

P11Ds

- If you registered online on or before 5 April 2017 for Payrolling of benefits:
 - P11Ds are required for benefits not payrolled and
 - A P11(b) is required for all benefits including payrolled.
- If you registered after 5 April 2017 (or have not registered) for payrolling of benefits
 - P11Ds are required for all benefits.
 - P11D(b) is required for all benefits.
- If you want to payroll benefits for 2018/19, you need to register online by 5 April 2018.
- If you have had a reminder for P11Ds or P11D(b) but have no benefits to declare:
 - Submit a P11D(b) showing nothing is due, or
 - Submit the 2017-18 Employer – No return of Class 1A form.
- P11D and P11D(b) forms must be submitted by 6 July 2018.

Basic PAYE tools

- The latest version of Basic PAYE Tools was released in December 2017.
- The old versions will cease to submit information this month.
- CD ROM versions of the Basic PAYE Tools will not be issued next year.

PAYE coding

- Email notifications regarding the 2018/19 tax year P9 coding notices have now been sent out. The coding notices can be accessed online.
- Paper P9s were sent out on or around 23 March 2018.
- Duplicates can be requested from the Employer Helpline 0300 200 3200.
- Improvements to the new real time Dynamic Coding is ongoing.

Employer overpayments

- If you have overpayments you should offset this against the future PAYE liabilities during the tax year.
- Alternatively you can request a repayment from HMRC.

Apprenticeship Levy

- From April 2018, the Department of Education plans to allow Apprenticeship Levy paying employers to pass the funds to any other employer.
 - Up to 10% of the annual value of the levy paying employer's funds will be able to be transferred.
 - The funds will have to be used for apprentices.

CIS credits

- For limited companies CIS credits can be offset against PAYE liabilities in the same year.
- Overpayments of CIS credits from an earlier year cannot be offset against the current year PAYE liabilities. The CIS Repayment iForm should be used to claim a refund.

Tax-Free Childcare –Voucher scheme extended

- Parents can save up to £2,000 per child per year (£4,000 for disabled children), of childcare costs, where the scheme is used.
- Following the introduction of tax-free childcare for all from February 2018 the childcare voucher scheme was due to close to new entrants in April 2018; this has now been extended by six months. If the first voucher is received prior to this date, then it can continue to be used whilst the employer offers it.
- The new Tax-free Childcare scheme began in 2017 and was opened to children of all ages on 14 February 2018. The new scheme is available to the employed and self-employed where both parents are in paid work for more than 16 hours per week, regardless of whether the employer contributes. It replaces employer childcare voucher schemes which remain open to new entrants for an extra six months until October 2018. Parents already registered at that time can continue to receive vouchers for as long as their employer offers them, or switch to tax-free childcare instead.

National Minimum and National Living Wage

- The NMW and NLW rates are changing with effect from 1 April 2018.

Student Loans

- From 6 April 2018, the FPS will include a new box for specifying the student loan plan type. This will ensure the correct amount is taxed.
- Where the wrong plan type is used, a Generic Notification message (GNS) will be issued going forward.
- The plan type will be included on the SL1 form. Repayments by BACS.
- Where claiming a repayment, ensure that bank details are included on the EPS so that the BACS payment can be made direct to the bank account.

Pension auto-enrolment

The minimum Auto-enrolment pension contributions for employers and their staff will increase from 2% to 5% from April 2018, and then to 8% from April 2019.

item continued overleaf

Employer Bulletin: February 2018 cont'd

A review of the topics is detailed below

Corporation Tax

- Companies must notify HMRC within three months of becoming active. Agents can send information about active companies through the online services for agents.
- Corporation Tax (CT) must be paid electronically.
- HMRC are phasing out repayments by payable order and replacing these with BACS Direct Credit. Bank accounts and sort codes must be provided each time a CT Return is submitted.
- HMRC have published a number of draft guidance documents relating to the reformed Corporation Tax loss relief which took effect from 1 April 2017.
- Most losses arising post 1 April 2017 can be carried forwards and set against future total profits of the company or group relieved.
- The amount of losses carried forwards that can be offset will be limited to 50%.
- The deadline for R&D Tax relief claims for reimbursed employee expenses has been extended to 30 April 2018.

Termination payments

New rules affect termination payments made on, or after 6 April 2018.

- Payment in lieu of notice (PILONs) will be taxable in all cases.
- If not specifically split, the payment will be separated into:
 - Post-employment notice pay (PENP), based on basic pay that would have been received had proper notice been given, which is subject to PAYE. This is calculated by applying a formula specified in legislation.
 - The remaining balance, is taxable to the extent it exceeds £30,000. None of this balance is subject to employee's NIC but the balance is subject to employer's NIC.

Scottish Income Tax

The Scottish Budget announced changes to Scottish Income Tax for 2018/19:

- New starter rate of 19% on first £2,000 over the Personal Allowance.
- The Scottish basic rate threshold will be from £13,851 to £24,000 and the rate will be 20%.
- A new intermediate tax band of £24,001 to £43,430 will be introduced and the rate will be 21%.
- The Scottish higher and top rates will be 41% and 46% respectively.

Simplifying PAYE Settlement Agreements (PSA)

- HMRC proposed to digitise PSAs from 6 April 2018. They have effectively postponed this and instead looked for other ways to simplify PSAs.
- A consultation recently concluded and is awaiting HMRC's response, about changes in legislation which simplify the PSA process:
 - o PSAs will not need to be renewed annually.
 - o The regulations would be 'future proofed' to enable digitisation. ■

If you have a query relating to any of the items featured contact Liz Bridge.

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