

JTC NEWSLINE

Issue 118

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Reverse Charge VAT

This will start in October 2019 but well informed firms will start some quiet preparations now. They will not start reverse charging!! They will just start collecting information about customers that will make the changes easier when they happen.

Suggestions

(1) When preparing a draft contract which may be in place after 1 October 2019 think about inserting the following wording:

For sub-contractor contracts which will involve construction services not just materials

It is anticipated that payments under this contract will become subject to the VAT reverse charge for construction services once the VAT reverse charge for construction services comes into effect in October 2019. At that date no VAT will be paid to you because the supply will be reverse charged.

For contracts with customers

If the VAT reverse charge for construction services comes into effect during the duration of this contract then the Employer shall provide written confirmation to the Contractor if they believe that supplies and payments under this contract should be exempted from the reverse charge.

(2) Collect the VAT numbers of all customers who have contracts likely to cross the 1 October 2019 threshold, and any customers who place repeat work with your firm.

(3) Ask all customers who have contracts likely to cross the 1 October 2019 threshold, and any customers who place repeat work with your firm if they use the supplies you provide to them to on supply construction services to others. (This may not need asking, it may be obvious to you). Collect the UTR of any customer who you believe will on supply construction services.

(4) Make a database which shows the VAT number of customers, or that they are not VAT registered.

(5) Make a database of the UTR number and name of regular customers. Once the VAT reverse charge legislation is running you will need to see if customers can be verified within the CIS system. It will be useful to have the necessary details collected and to hand.

(6) Check to make sure that you understand – from October 2019 you will need to know the VAT registration details of customers as well as suppliers so prepare a database of customers' VAT numbers.

(7) From October 2019 you will need to know whether the CIS scheme applies to the goods and services you are supplying to a customer. They will probably make it obvious to you by asking for your CIS details, but you may need to have a database of their CIS verification details too.

This is opposite to the way we are used to thinking of verification and takes some getting used to. After October 2019 you will be verifying subcontractors for CIS purposes, but also verifying customers as part of VAT procedures. ■

HMRC announce advisory rates for all electric company cars

HMRC have published advisory rates for all electric company cars and now accept that if you pay up to 4p per mile when reimbursing your employees for business travel in a fully electric company car there is no profit for income tax or earnings for NI purposes.

The announcement marks a U-turn in policy; in December 2017 as part of the Taxation of employee expenses: response to the call for evidence, the Government announced it had no plans to change the current system and in particular it would not introduce specific rates for hybrid and electric cars.

- From 1 September 2018, employers can pay up to 4p per mile for business travel in an electric company car or can use their own rate if it better reflects circumstances, for example if their cars are more efficient, or if the cost of business travel is higher than the guideline rate.
- If employers pay a rate that is higher than the advisory rate and cannot demonstrate the electricity cost per mile is higher, they must treat any excess as taxable profit and as earnings for Class 1 National Insurance purposes.
- Hybrid cars will continue to be treated as petrol or diesel models. ■

Advisory fuel rates (company car drivers)

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

The new rates are:

| Engine size | Petrol | Diesel | LPG | Electric* |
|-------------------|--------|--------|-----|-----------|
| 1,400cc or less | 12p | | 7p | 4p |
| 1,600cc or less | | 10p | | 4p |
| 1,401cc - 2,000cc | 15p | | 9p | 4p |
| 1,601cc - 2,000cc | | 12p | | 4p |
| Over 2,000cc | 22p | 13p | 13p | 4p |

* Fully electric cars only

You can continue to use the old rates up to 30 September 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. Employers can only reclaim input VAT if the employee supplies a receipt. ■

Criminal Finances Act 2017

Members are being asked whether they have a policy and procedures in place to protect themselves against the Criminal Finances Act 2017. I am curious about this as it seems an unnecessary precaution.

- Has your firm been asked for such a policy?
- Will you share any policy that has been drawn up on your behalf to fill this role?

Please email your policy to Liz@thetaxbridge.com (I am curious to see what could go into such a policy for a construction business). ■

Check your P800: Errors reported in HMRC's annual PAYE reconciliations

There are reports that errors are being found in HMRC's annual reconciliation of taxpayers' PAYE records for 2017/18.

HMRC has commenced issuing P800 tax calculations and PA302 simple assessments for 2017/18 as part of its annual reconciliation process for individuals who receive income under PAYE. The reports are that incorrect calculations are being issued. These involve the use of estimated figures, and data from employer RTI submissions not feeding through correctly to the employee record.

There are also reports of duplicate calculations being issued by the self-assessment and NPS (the National Insurance and PAYE Service who issue PA302 simple assessments) systems to individuals who file self-assessment returns voluntarily.

HMRC has asked taxpayers and their agents to check that registration for self-assessment is in place before filing a tax return, advising that this type of error can be avoided by re-registering where it is not.

It seems that where a taxpayer in self-assessment (because they are

self-employed or have income from property) who has not had a PAYE source of income for several years starts receiving PAYE income, such as an employment income or a pension, HMRC's systems are not linking the new PAYE record to the self-assessment record and duplicate calculations are being issued.

It appears to be standard HMRC practice to use estimated figures for P800/PA302 calculations where actual figures are not available.

These estimates may be based on the last self-assessment tax return submitted to HMRC, or a figure provided to HMRC by the taxpayer or their agent. Either way the figures may well be out of date.

Estimates are being used for items such as:

- Interest or dividend income of less than £10,000
- Rental or other income of less than £2,500
- Pension contributions
- Employment expenses of less than £2,500. ■

Welsh income tax rates to be introduced in 2019

HM Treasury have now issued a commencement order to allow the Welsh Government to introduce income tax rates for Welsh taxpayers with effect from 6 April 2019.

Under the devolution of Welsh tax rates, the current basic, higher and additional rate tax bands will be reduced by 10% and replaced with a rate to be decided by the Welsh Government in its draft budget in the autumn.

The new rates will be payable by Welsh taxpayers and apply to non-savings income, including employment, self-employment, pension and rental income.

HMRC will be responsible for determining who is a Welsh taxpayer; this will be based on their address and employers are being urged to encourage their employees to ensure that the address in their personal tax account is correct ahead of the changes. ■

**If you have any queries on any of the items in this newslines or a tax query please contact
Tel: 020 8874 4335 liz@thetaxbridge.com**

HMRC Employer Bulletin: August 2018

HMRC have published their Employer Bulletin for August 2018. These are some of the useful points made.

Payroll reporting

- HMRC have confirmed PAYE late-filing penalties will continue to be reviewed on a risk-assessed basis for the 2018/19 tax year rather than be issued automatically:
 - This will include continuing to not charge penalties automatically if a Full Payment Submission (FPS) is filed late but within 3 days of the payment date and there is no pattern of persistent late-filing.
 - The first penalties for the tax year beginning 6 April 2018 will be issued in September 2018.
 - HMRC will continue to review this approach after 5 April 2019.
- Generic Notification Service (GNS) electronic warning messages should not be ignored as they give you a chance to review your submission process to ensure that things are correct in the future bearing in mind the risk based approach to penalties.
- Where an employee works intermittently and is not paid on a regular basis but their contract continues, the Irregular Employment Payment Pattern indicator should be selected on each FPS completed for that individual.
 - If you have to make a one off payment to an employee you should enter 'IO' in the 'Pay Frequency' field.
 - If your employees are normally paid on a regular payment pattern eg. weekly, monthly, annually you should treat these as regular payment patterns and the appropriate code (see the HMRC bulletin for the codes) should be recorded in the 'Pay Frequency' field.
 - You should only enter irregular (IR) in the 'Pay Frequency' field if your normal payment pattern is not one which fits into a regular payment pattern.
- When completing the new starter declaration on your payroll it is important that if you enter your employee's post code, you

ensure that it is correct. An incorrect post code could result in correspondence being issued to the wrong address and may also affect the DWPs ability to issue any Universal Credits due and any correspondence to claimants.

- The PSA1 form that employers complete to submit PAYE Settlement Agreements (PSAs) will be changing for the 2018 to 2019 tax year to incorporate the rates and threshold changes for Scottish Income Tax. When completing a PSA1 form for the 2018 to 2019 tax year you will be asked whether the Expense or Benefit is for a Rest of the UK (rUK) taxpayer or a Scottish taxpayer. ■

Construction Industry Scheme (CIS) webinars

- HMRC are hosting a "CIS for contractors" webinar on Thursday 27 September. For further support and advice about working as a contractor, you can register online to join a live broadcast of webinar.
- Sub-contractors under CIS can register for a "CIS for sub-contractors" webinar which will take place Friday 28 September.
- If you listen to either of these webinars please email liz@taxbridge.com your thoughts and comments. I am not satisfied that the webinars are helpful and I would like to take the comments of individual participants back to HMRC to argue for an improvement. ■

Benefits and Expenses: Company cars

- You need to send a P46 (Car) form to HMRC (online, via payroll software) or printed to the address on the form) if you:
 - provide company cars to your employees
 - stop providing a company car
 - provide someone with an additional car.

HMRC Employer Bulletin: August 2018 continued

Benefits and Expenses: Company cars continued

- If your employee changes their company car, you can no longer report this online or by paper; you must tell your employee to contact HMRC to tell them of the change by logging onto their Personal Tax Account or by calling the taxes helpline.
- You will still report this change with your end-of-year forms.

Completing an Earlier Year Update (EYU) in respect of Employee's National Insurance Contributions

- HMRC have recently amended their guidance on GOV.UK in relation to fixing problems with running payroll to make it easier to understand when completing an Earlier Year Update (EYU) - this includes a negative amount of Employee National Insurance.
www.gov.uk/payroll-errors/correcting-pay-or-deductions
- If the difference is negative (because you deducted or reported too much National Insurance), you also need to set the 'NIC refund indicator' to:
 - 'Yes' if you've refunded your employee or no refund was due
 - 'No' if you still owe your employee a refund (for example because they have left your employment).

Employment Income: Changes ahead for OpRA

- Income Tax: Clarifying effect of the Optional Remuneration Arrangements (OpRA) legislation in respect of taxable cars and vans. It is intended to address two anomalies by:
 - ensuring when a taxable car or van is provided through OpRA, the amount foregone, which is taken into account in working out the amount reportable for tax and NICs purposes, includes costs connected with the car or van (such as insurance), which are regarded as part of the benefit in kind under normal rules.
 - adjusting the value of any capital contribution towards a taxable car when the car is made available for only part of the tax year.

Deadline for post-16 Child Benefit

- Employees who receive Child Benefit and have a child who is 16 years old but staying in education or training, need to let HMRC know so their payments for that child don't stop.
- HMRC have sent a Child Benefit form to all parents who are in this situation, they simply need to complete the form and post it back or they can let HMRC know via the Child Benefit form in their Personal Tax Account or call the Child Benefit office on 0300 200 3100.
- All forms should have been sent and processed by 30th August 2018 but many are still outstanding – better a month late than forgotten. ■