

JTC NEWSLINE

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Making Tax Digital (MTD)

Companies should be well on track with arranging accounting software that is MTD compliant and will submit online without any manual intervention.

Bridging software may be the answer if you account using spreadsheets of your own. There is a description of some of the software available that has been approved by HMRC at www.aat.org.uk/system/files/assets/Making-Tax-Digital-VAT-software-guide.pdf

HMRC are currently working on producing lists of approved products by trade groups. Liz Bridge will send this information once it is available.

If this subject is new to you **must** talk to an accountant now about what you should do to comply with the 'Making Tax Digital' changes that come into force on 1 April 2019. ■

Workplace pension - pensioner records

Millions of savers need to check the information their workplace pensions hold on them, and companies must "cleanse" their records for accuracy, ahead of the pensions dashboard target launch next year.

Around 10 million savers who have been auto-enrolled into a pension by their employer will be the first to benefit from a "basic" version of the dashboard. The online tool will show individuals their retirement savings and state pension all in one place.

Experts have warned, however, that pension records are rife with errors. If these are not fixed, the long-awaited project will leave savers building retirement plans based on wildly unreliable data. ■

HMRC agree not all directors have to file a tax return

After several recent tribunal cases on the subject, HMRC has amended its guidance about whether a director has to file a tax return.

The guidance now states that where all of a director's income is taxed at source and there is no further tax to pay, they do not have to register for and file a self-assessment return.

As many company directors are taxed under PAYE they will not need to give notice of liability to tax. If they have received a notice to file a return and have no other taxable income to report, they can ask for the notice to file to be withdrawn. However HMRC may decide that they still require a return. One must be submitted or late filing penalties may be due. ■

HMRC Taxes Helpline

The Employer Helpline is no longer able to check that tax codes are correct or reissue tax codes due to in-year PAYE triggers. Calls to check tax codes or reissue tax codes should be made to the Taxes Helpline on 0300 200 3300. ■

Staff Christmas parties: can you obtain tax relief on your office Christmas party?

Accounting by businesses

- Money expended on the cost of the staff party can be posted to 'staff welfare', as if it forms part of staff costs.
- If you are combining your party with customer entertainment, you will need to split the cost between entertaining and staff welfare. A party must be predominantly intended for the staff and not for customer/client entertainment if it is to be tax deductible.
- The cost of the party will include transport costs to and from the party, room hire, food, decorations etc.

Record keeping for tax

You must take reasonable care to ensure that you are able to calculate the annual cost per head of events. You need to reliably estimate and record the numbers attending any event so that the cost per head can be calculated.

Tax and staff parties

A staff party or an annual function qualifies as a tax-free benefit for your employees providing that you meet the following conditions:

- The total cost on parties must not exceed £150 per head, per year.
- £150 includes VAT together with any extra costs such as transport and accommodation.
- The £150 is a limit and not an allowance: if the cost is £151, the whole benefit is taxable on the employee.
- The event must be primarily for entertaining staff. Other guests may be invited too, but the primary purpose of the event must be that of entertainment for all the staff.

- The event must be open to all staff (in that location).
- The event is not just to be for directors, unless all your staff are directors.
- The cost of the whole event is an allowable expense for your business.
- You can claim back input VAT but this will be restricted where you are also entertaining customers, or if you are an owner manager and having a one man party!!

Provided the £150 limit is not exceeded, there can be any number of parties, for instance 3 parties at a cost of £50 each – at various times of the year.

Parties covered by the £150 exemption do not have to be reported on form P11Ds. If you do exceed the limit, and have created a taxable benefit in kind, you might consider settling it using a PAYE settlement agreement (you then pay your employees' tax and NICs). ■

If you have a query on any item in JTC newsline contact

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Off-payroll working in the private sector

IR35 changes proposed, workers working through their own limited companies must consider the implications.

- At Budget 2018, following consultation, the government announced reforms to address non-compliance with the off-payroll working rules (IR35) in the private sector. In construction 'speak' this is the taxation of workers working through their own limited companies where the employer really wants the service of one particular person but PAYE is avoided.

- The reform does not introduce a new tax; it tackles non-compliance with the off-payroll working rules.

From April 2020, where an individual is engaged by a medium or large-sized business and works through a company, the business will become responsible for assessing the individual's employment status.

- If the rules apply, the business, agency or third party paying the individual's company will be responsible for deducting income tax and NICs through PAYE as for employees, and paying employer NICs.

- Existing rules will continue to apply for engagements with small businesses. The definition of a 'small business' will be based on the Companies Act 2006 definition of a small company, that is to say that the changes will only apply when the paying business has a turnover of more than £10.2 million, or a balance sheet showing assets of more than £5.1million, or has more than 50 employees.

- The Check Employment Status for Tax (CEST) service is available to help businesses determine whether the off-payroll working rules apply. HMRC will continue to work with stakeholders to improve CEST and associated guidance before the reforms come into effect.

HMRC will be publishing a further consultation in early 2019 to seek views on the detailed operation of rules in the private sector.

For most businesses in construction there is no change imminent under the off-payroll changes **but** these changes are likely to be extended over time to all business. The failure of the current IR35 legislation and the success of the off-payroll legislation in the public sector mean that the avoidance of PAYE by the use of small limited companies is being targeted on a step by step basis.

For those companies who do fall within the Companies Act 2006 definition of large or medium there will be changes ahead in assessing the status of payments made to the owner/workers in small limited companies. ■

Employer bulletin: December 2018

HMRC have published their Employer Bulletin for December 2018. This is a summary of the major items for construction businesses.

Company cars and vans: from 6 April 2019

- The car fuel benefit charge and flat rate van fuel benefit charge multipliers will increase to £24,100 and £655.

- The flat rate van benefit charge will be increased to £3,430. ■

Changes to Optional Remuneration Arrangements (OpRA) rules for taxable cars and vans

New legislation applying from 6 April 2019 will:

- Ensure that when a taxable car or van is provided through OpRA, the amount foregone, which is taken into account in working out the taxable benefit in kind, includes any amount foregone in connection with associated costs (such as insurance and servicing).

- Adjust the value of any capital contribution towards a taxable car when the car is made available for only part of the tax year. ■

Company car tax emission regime

- Finance Bill 2019-20 will include legislation to confirm

that for company car tax the applicable carbon dioxide figure for cars will be based on the new Worldwide harmonised Light-vehicles Test Procedure (WLTP).

- The government will publish a review into the impacts of adopting WLTP on the company car tax system, reporting at Spring Statement 2019.

- For cars registered pre 6 April 2020, HMRC will continue to use the current New European Driving Cycle (NEDC) test procedure for collecting company car tax.

Employer-provided charging for electric vehicles: backdated to 6 April 2018

- Charging for batteries of employee owned electric vehicles at or near the workplace will be exempt from tax where an employer provides a charging point as a Benefit in Kind (BIK).

- Employers will not need to include the provision of an electric charging point on form P11D. ■

Abolishing receipt checking requirement for benchmark scale rates from 6 April 2019

- Employers will no longer be required by HMRC to check details of employee

expenditure (receipts) when paying or reimbursing expenses at or below the published benchmark scale rates for allowable travel expenses.

- Employers will only be required to ensure that employees are undertaking qualifying business travel on the occasions on which payments or reimbursements are made.

- This does not apply to payments or reimbursements made under bespoke scale rate payments or industry wide rates like National Working Rule agreements. ■

Employers choosing to reimburse their staff for the cost of the EU Settled Status scheme

- From 30 March 2019 EU citizens and their family will be able to apply to get either settled or pre-settled status.

- Where an employer pays or reimburses their employees' application, this will be taxable as employment income as the payment is of direct monetary value to the employee.

- Employers can choose to pay the tax charge for their employees. This can be managed via the employer's existing PAYE settlement agreement (PSA) time worked such as time spent travelling, training or downtime at the employer's disposal. ■

Employer bulletin: December 2018 contd

Welsh rates of income tax (WRIT)

- In November 2018 HMRC wrote to over 2 million customers with a main residence in Wales telling them about Welsh rates of income tax. This includes people living in Wales with an active record of employment (regardless of where they work).
- In February/March employers will receive 'C' PAYE codes for all employees where HMRC records show they are Welsh resident. Employers should ensure that the correct tax code is used with effect from 6 April 2019.
- HMRC will continue to administer WRIT as part of UK Income Tax system.
- Employees do not need to do anything unless they move home. HMRC asks employers to remind employees to notify HMRC if they do. ■

New entitlement to Parental Bereavement Leave and Pay

The Government is introducing a new workplace right to Parental Bereavement Leave and Pay for parents who lose a child under the age of 18, including those who suffer a stillbirth from 24 weeks of pregnancy. The commencement date will be 6 April 2020. Those who qualify will be entitled to:

- 2 weeks of Parental Bereavement Leave
- Parental Bereavement Pay, paid at the statutory flat weekly rate of £145.18 (or 90% of average earnings, where this is lower) where the parent has at least 26 weeks continuous service at the date of their child's death and earnings above the Lower Earnings Limit.
- In all cases, eligibility will be based on facts that will be clear to both the employee and their employer in order to minimise confusion. ■

Real Time Information (RTI) payroll submissions

Incorrect and late RTI payroll submissions can lead to increased and unnecessary contact for employers from employees.

This can be avoided by:

- Submitting payroll on or before your employees' pay day with accurate and up to date employee information.
- Using the starter checklist on GOV.UK if the employee does not give you a recent P45.
- Providing correct start dates and starter declarations for new employees.
- Ensuring that leaving dates are included for leaving employees and are consistent

where the final FPS submission for a period of employment has to be amended.

- When changing employees' payroll ID, ensure that the old payroll ID is provided and the change of payroll ID field is completed.
- Where changing payroll software don't include starter information and ensure that the year to date figures are correct. If your new software automatically assigns new payroll IDs ensure that the old payroll ID is provided and the change of payroll ID field is completed. ■

Changes to Student Loans

From 6 April 2019 the thresholds for Student Loan Plan 1 and Plan 2 will increase to:

- Plan 1: £18,935
- Plan 2: £25,725.

Deductions will remain the same at 9% for Plan 1 and Plan 2 loans.

Starter checklist:

- The starter checklist will be updated to ask your employee if they have both Plan 1 and Plan 2 student loans.
- If your employee ticks both, continue to deduct using only one Plan type at a time. If you do not know which Plan type to use, default to Plan 1 and check the student loan start notice (SL1) from HMRC. ■

Employer bulletin: December 2018 contd

National Minimum Wage: Top 10 mistakes

HMRC have listed the top ten mistakes employers make when paying the National Minimum Wage.

- 1.** Failure to apply the annual minimum wage rate increase as they go up each year on 1 April.
- 2.** Missed birthdays as employees turn 18, 21 or 25 years old and move from one NMW rate to another.
- 3.** Paying the apprentice rate to somebody who isn't actually an apprentice. Recognised apprentices must have an apprenticeship contract and undergo an element of structured training.
- 4.** Continuing to pay the apprentice rate for too long. The apprentice rate only applies to apprentices who are under the age of 19, or if aged 19 or over within the first year of their apprenticeship.
- 5.** Making wage deductions for items or expenses that are connected with the job. This could include, for example, safety clothing, uniforms, tools etc.
- 6.** Making wage deductions that are deemed to be for the employer's "own use or benefit". For example a Christmas club saving scheme. It doesn't matter that the worker can choose to buy into the scheme and the employer doesn't have to make a profit from it.
- 7.** Charging a worker more than the stated offset rate for living accommodation, currently £49 a week.
- 8.** Not paying for all the time worked such as time spent travelling, training or downtime at the employer's disposal.
- 9.** Not paying for additional time worked such as time spent clearing security checks once a worker's shift has finished.
- 10.** Including elements of pay that don't count towards minimum wage such as tips and the premium element of pay associated with shift premium. ■