

# JTC NEWSLINE

Issue 127

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## Reverse Charge VAT

HMRC have now published their public guidance at <https://www.gov.uk/guidance/vat-domestic-reverse-charge-for-building-and-construction-services>

I have produced a guidance document which is available, email [Liz@thetaxbridge.com](mailto:Liz@thetaxbridge.com) saying which trade federation you belong to. Also available is a word document which can be used as the basis of a letter to subcontractors warning of the changes due to

start on 1st October and reminding them that reverse charge invoices will be necessary.

There is a head of steam developing to demand a delayed start date because the guidance and notifications from HMRC have been so delayed that the levels of awareness of the change are poor to say the least. **Do not** rely on the rumours. Get ready and watch for announcements. ■

## Making Tax Digital (MTD)

The first period in Making Tax Digital began on 1 April 2019. So the first quarterly period in the new regime will end on 30 June 2019 must be filed with new software by 7th August 2019. If you are in this 'stagger' period ie. 1 April 2019 to 30 June 2019 you must work fast now to buy and install new software.

The sign up for MTD is traumatic for some taxpayers. I have members who are still not registered for MTD because the HMRC will not register them. Start to register for MTD now if you have submitted the last manual return that you are allowed because it can take some time.

HMRC have amended VAT notice 700/22 to provide further guidance on the use of supplier statements, petty cash transactions.

### Supplier statements

□ Where a supplier issues a statement for a period you may record the totals from the supplier statement (rather than the individual invoices) provided all supplies on the statement are to be included on the same return and the total VAT charged at each rate is shown.

### Petty cash

□ Where a business uses petty cash to pay for small value items, these do not need to be individually recorded in the digital records. The business can record the total value and the total input tax allowable where the individual purchase has a VAT-inclusive value below £50 and the total value of petty cash transactions recorded in this way does not exceed £500 including VAT per entry. ■

## Statutory Demands

If you ever receive a statutory demand you **must** act on it immediately. The Government guidance is at <https://www.gov.uk/statutory-demands/challenge-a-statutory-demand> ■

## Useful items from the Employer bulletin: April 2019

### Cash allowances, flexible benefit packages and salary sacrifice – a reminder

If during 2018/2019 you offered your employees any Benefit in Kind (BiK) with the option of a cash allowance, a flexible benefit package with a cash option or a salary sacrifice arrangement the rules changed in April 2017.

The value of all BiK is the higher of the original value, or the amount foregone in the year. You need to report the higher value on the P11D and P11D(b).

Some cars, accommodation and school fees are still subject to the old rules, if the arrangement:

- 1) Was entered into on or before 5 April 2017, and
- 2) has not been renewed, or renewed automatically, and
- 3) has not been varied.

Those remaining move into the current rules on 6 April 2021. ■

### Reporting payroll when your normal payday falls on a non-banking day

It is essential that you report when you pay your employees on time and use the right payment date when doing so.

When you pay your employees at a different time and not on the agreed day or date such as when the regular payment date falls on a non-banking day the date you enter on your Full Payment Submission (FPS) depends on when you actually pay your employees.

When a regular payday falls on a non-banking day, whether you pay early or late, you should report the regular payday date.

Where you are making payment after the regular payday date HMRC recommend you send your payroll submission early, If you do send your FPS on a later date than the regular payment dates you must select "Late reporting reason code G". ■

### Childcare vouchers & directly-contracted childcare

All childcare voucher and directly-contracted childcare schemes, whether part of an OpRA or provided in addition to salary, closed to new entrants in early October 2018. Employees who are already in schemes can continue to receive tax and NICs relief as long as:

- They have not changed employer and
- They have received a childcare voucher or directly-contracted childcare in the previous 52 weeks, and
- They have not provided you with a Childcare Account Notice (to enter the Tax-Free Childcare scheme). ■

### Unpaid work trials and the National Minimum Wage

Are you using unpaid work trials as part of your recruitment process? If so, you must consider whether the minimum wage should be paid for these trials:

- Is the work trial genuinely for the recruitment purpose?
- Do the tasks carried out have a value to your business beyond just testing the individual?
- Does the length of the trial exceed the time that an employer would reasonably need to test the individual's ability to carry out the job? ■

### Taking on new employees and confirming National Insurance numbers

Individuals can view and print proof, and share an image of their NI number via their online Personal Tax Account (PTA) or via the HMRC app.

It can take up to 15 working days to get confirmation of a NI Number if you request by phone or by submitting a form.

If a new employee cannot provide a NI number, leave the relevant field on the FPS submission form blank and HMRC can trace it. ■

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## Useful items from the Employer bulletin: April 2019 continued

### Reporting Expenses and Benefits in Kind for the tax year ending 5 April 2019

#### Reporting online

- The online service will not pre-populate the total amount liable to Class 1A NICs field from the P11D figures. You might need to calculate the figure manually if your other software doesn't do this for you.
- The deadline for reporting Expenses and Benefits in Kind for 2018/19 is 6 July 2019.

#### You need to submit a P11D(b) form if:

- You've submitted any P11D forms.
- You've paid any employees' expenses or benefits through your payroll.
- HMRC has asked you to file a P11D(b)
- If HMRC has asked you to submit a P11D(b) and you have nothing to declare, you can tell them you don't owe any employers Class 1A NICs by completing a declaration 'No return of Class 1A National Insurance contributions'.
- Send one P11D(b) for each PAYE reference. If you've batched your P11Ds you must still total the benefits from each batch and show the overall total on one P11D(b).
- If you send a paper P11D(b) you must sign it in ink. HMRC won't accept a copy, fax, photocopy or a stamped signature and HMRC will send it back and treat it as not having been received. If you then return it late you'll get a penalty.

#### P11D completion

If you send your P11D as a list you must use the following format:

- Use Arial font size 11 or larger (if printed)
- Sort it by employee, not benefit type
- Include your employer reference
- Include the employee's correct name and National Insurance Number (NINO). If you can't find the NINO give their correct date of birth and gender
- Put each employee's expenses and benefits on the same line
- Include the letter codes from the P11D next to each benefit, these are shown in the dark blue boxes to the left of each section on the P11D.

### Amending a P11D or P11D(b)

- If you make a mistake, send a new form and fill in all the boxes, not just the ones you want to correct.

#### Payrolled benefits


- If you payroll benefits you may still have a Class 1A NIC liability and you'll still need to send a P11D(b) plus a P11D to show any benefits you paid that you didn't payroll.
- Instead of giving your employees a P11D, you need to give them a letter explaining what you've payrolled.
- If you missed the deadline to register to payroll benefits, you must register with HMRC for 2020/2021 on or before April 2020. If you are still informally payrolling, you must complete form P11D for these benefits, marking each form 'PAYROLLED'.

#### Adjusting the figure of Class 1A NICs due

- If you've entered your Class 1A NICs liability in box A on question 1 on form P11D(b) but you need to adjust this figure, do not complete box C. Use question 4 to tell HMRC about the Paying Class 1A NICs
- There's a special reference for Class 1A payments; your normal Accounts Office reference plus the numerals 1913 at the end with no spaces.
- If you are paying at a bank or sending a cheque, you must use the correct pre-printed payment slip including the correct reference.

#### P11Ds and 'Section 336' claims

- Most business expenses can be paid without the need to report them on form P11D and must not be reported on the P11D.
- If you are still required to put non-taxable expenses onto the P11D, your employee might ask you to include a Section 336 claim with the P11D. If you're sending a paper P11D you can attach your employee's claim with it so that they don't end up with an incorrect tax code.

 Send to: P11D Support Team, BP1102, HM Revenue and Customs, Newcastle Upon Tyne, NE98 1ZZ. ■

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**Useful items from the Employer bulletin: April 2019 continued**

**Student Loans**

**Thresholds and rates:**

From 6 April 2019 student loan thresholds and rates are:

- Student Loan Plan 1 - £18,935
- Student Loan Plan 2 - £25,725.
- Postgraduate Loan (PGL) - £21,000
- Plan 1 and Plan 2 repayments are calculated at 9% of the income above the threshold.
- PGL repayments are calculated at 6% of the income above the threshold.

**Mandatory box for Student loan Plan 1, Plan 2 and PGL:**

- The payroll software should now be updated to include a new box for PGL on the Full Payment Submission (FPS) and these boxes are mandatory for all employees who are in repayment of Plan 1, Plan 2 and PGL.

**Diesel Supplement Company Car Tax Changes to meet Euro standard 6d**

- Diesel cars which meet the levels of Nitrogen Oxide (NOx) emissions permitted by Euro standard 6d are exempt from the entire diesel supplement.
- From 6 April 2019 a new fuel type will be shown on form P46 (car) called 'Fuel Type F - Diesel cars meeting Euro standard 6d' which should be used for reporting diesel company cars which are Euro standard 6d compliant and for calculating the cash equivalent of these cars from the 2019-20 tax year onwards.
- If you have registered to payroll the car and car fuel benefit charge in the 2019-20 tax year for a Euro standard 6d compliant diesel car, you will need to:
  - calculate the cash equivalent using the appropriate percentage for 'Fuel Type F'.
  - enter this amount in 'Box 182' of the Full Payment Submission (FPS)
  - enter 'F' in 'Box 177' of the FPS. ■

**Construction Industry Scheme**

**Applying for Gross Payment Status**

To qualify for Gross Payment you must show HMRC that your business passes some tests.

- You've paid your tax and National Insurance on time in the past.
- Your business does construction work (or provides labour for it) in the UK.
- Your business is run through a bank account.
- Your turnover for the last 12 months excluding VAT and materials is at least:
  - o £30,000 if you're a sole trader
  - o £30,000 for each partner in a partnership, or at least £100,000 for the whole partnership
  - o £30,000 for each director of a company, or at least £100,000 for the whole company and if your company's controlled by five people or fewer, you must have an annual turnover of £30,000 for each of them.

**Appealing against a Penalty for a Late Return – Contractors**

- CIS contractors must file a monthly return telling HMRC about payments made to subcontractors and any deductions made from those payments by the 19th of every month following the last tax month.
- If the return is late there will be a penalty which can be appealed within 30 days of the date on the penalty notice. The quickest and easiest way is to use HMRC's Online Service.

**Using the online appeals service:**

- Select the reason for your appeal from the drop down menu and avoid using 'Other' if there is a more suitable option.
- If you did not pay any subcontractors for that month use the reason 'I did not pay any subcontractors this month' and HMRC will note that a nil return is due.
- If you do need to make a return as you paid subcontractors HMRC will not consider your appeal until the late return has been sent
- If you have stopped operating as a contractor put the date you finished in the additional information so HMRC can update your records. ■

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## Useful items from the Employer bulletin: April 2019 continued

### Employers: stay in the PAYE picture

You can check your liabilities and track your payment using the “PAYE for employers” section of the Business Tax Account On your payments history page you can see each individual payment recorded so you know we’ve received it. ■

### A Party for Employees?

- Expenses incurred by employers on the cost of providing a social function for employees are taxable except when the Annual Party Exemption applies.
- If you provide one annual function for employees, this is not taxable if the cost of the event per head does not exceed £150.
- The exemption applies to an annual party i.e. one that happens once a year on a recurring basis and a one-off event cannot be an annual party.
- Where there are separate sections/ departments, an annual party may be provided for each; the party must be available to all staff in the section with other conditions for exemption met.
- The cost includes VAT, and the cost of transport and overnight accommodation.
- To get the cost per head divide the total cost of by the total number of people including non-employees. If the party costs more than £150 a head, it is taxable in full, not just the excess over £150.
- Where functions are taxable, directors and employees have to pay tax on the full cost per head for themselves and any members of their family and household who attend as guests.
- A party can be included in a PAYE Settlement Agreement (PSA) as it would be impracticable to operate PAYE.

### Trivial Benefits

If an employer provides a benefit to its employees, it is not taxable if all the following conditions are satisfied:

- the cost of providing the benefit does not exceed £50 per head;
- the benefit is not cash or a cash voucher;

- there is no contractual obligation, including salary sacrifice;
  - the benefit is not provided in recognition of particular services performed by the employee
- Otherwise the benefit is taxed in the normal way. ■

### High Income Child Benefit Charge

Employees with a total income of over £50,000 may have to pay a tax charge, known as the ‘High Income Child Benefit Charge’ if they or their partner get Child Benefit.

Employees earning over £50,000 should:

- check their annual income either on their P60 or their personal tax account
- include any taxable benefits in their income
- use the child benefit tax calculator
- notify HMRC and register for Self-Assessment by 5 October
- complete a Self Assessment tax return by 31 January and pay what they owe. ■

### Do your employees know how to apply for Tax-Free Childcare?

- There’s a simple step by step guide at [www.gov.uk/get-tax-free-childcare](http://www.gov.uk/get-tax-free-childcare).
- If their application is successful they will get an online childcare account where they can select a childcare provider, pay money into their account and receive the government ‘top-up’, pay their childcare provider
- They will need to reconfirm (every 3 months) to check they’re still eligible. ■

### Error over Welsh PAYE codes

Some employers have been applying Scottish PAYE codes to Welsh taxpayers in error. Scottish Income tax rates are now different to UK rates and Scottish taxpayers’ PAYE codes are suffixed with a S. Welsh rates have a C. ■

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## Useful items from the Employer bulletin: April 2019 continued

### Loan charge reporting: Be prepared or be penalised

The deadline for reporting details of outstanding disguised remuneration loans to HMRC is 1 October 2019. The online tool for making these reports is now available; a government gateway account is required plus full details of all loans.

The loan charge was introduced by Finance (No. 2) Act 2017 in respect of all Disguised Remuneration loans taken out since 1999 and took effect on 5 April 2019. It applies to individuals with loans under employment related schemes such as EBTs and EFRBs as well as contractor loans.

Under the new rules all employees and self-employed contractors with outstanding loans must provide details of their loans to HMRC by 1 October 2019 or severe penalties could result.

Details must be provided of:

- the scheme name(s)
- the start and end dates of all schemes used
- any HMRC case reference numbers
- the Disclosure of Tax Avoidance Scheme (DOTAS) number, if there is one
- the total loan amount in each tax year, by scheme, including any amounts repaid or written off.
- any amounts of tax or National Insurance contributions already settled but excluding any APN's paid

Penalties for late reporting start at £300 with penalties for inaccuracies of up to £3,000 per inaccuracy.

Anyone who had already settled with HMRC by 5 April 2019 does not need to report any loans included in the settlement even if they remain outstanding. ■

### Further delay to plans to increase probate fees

The introduction of a new probate fee banding structure, which was originally proposed in 2017 and revived at the end of 2018 to take effect from April 2019, has been delayed as the relevant legislation has not yet been passed by parliament. ■

### Fuel Scale Charges (VAT)

#### The VAT fuel scale charge

To simplify accounting for VAT on private use of fuel by car drivers, a business can choose to apply the VAT fuel scale charge: This adds back a fixed sum, per VAT period, to account for private consumption of fuel.

The scale charge is calculated according to a car's CO2 emissions and the fixed charge is added to output VAT, on the VAT return. One scale charge must be used for each car that is put to private use.

The European Commission has recently confirmed that the UK can continue to use the fuel scale charge until at least 31 December 2020.

**Alternatives to the VAT fuel scale charge** It may not be worth paying the VAT fuel scale charge, particularly if private mileage is very low. The alternatives are as follows:

- The business can account for VAT based on exact business mileage, and therefore it will not claim VAT on any private mileage, or
- It may pay a mileage allowance for exact business miles travelled and reclaim back VAT on that: HMRC publish approved advisory fuel rates, which can be used to calculate the payments and the recoverable VAT, or
- A business may decide that it will not reclaim any VAT on fuel costs (this is where business mileage is very low and private mileage is high).

**continued overleaf**

**Useful items from the Employer bulletin: April 2019 continued**

**Tax traps:**

**Mileage payments**

If you want to recover output VAT based on mileage payments made to employees, you must still ensure that employees submit fuel VAT receipts, proving that they have incurred costs and VAT on fuel. Without fuel receipts, HMRC may deny the VAT recovery on mileage reimbursements.

If you reimburse mileage at 45p and 25p, where employees use their own car, you cannot recover VAT on 45p/25p as this is supposed to represent the full cost of using the car: Including depreciation, fuel, insurance etc.

Instead you would only be able to recover VAT on the fuel element, using the advisory fuel rates or calculating your own fuel mileage rate, which would be subject to HMRC scrutiny.

**Vans and commercial vehicles**

It is assumed that the drivers of most commercial vehicles undertake little or no private mileage. If there is a significant level of private mileage VAT claims should be adjusted to exclude VAT on this. The fuel scale charge can only be used for cars.

**The VAT Flat Rate Scheme**

If a business is using the VAT Flat Rate Scheme no VAT is claimed back on fuel and no scale charge is required, as input VAT is automatically adjusted using the flat rate percentage.

**Advisory fuel rates from 1 June 2019**

HMRC have published new advisory fuel rates for company car drivers which will apply from 1 June 2019.

The new rates are higher than those in effect from 1 March 2019 and are:

Engine size	Petrol	Diesel	LPG	Electric*
1,400cc or less	12p		8p	4p
1,600cc or less		10p		4p
1,401cc - 2,000cc	15p		9p	4p
1,601cc - 2,000cc		12p		4p
Over 2,000cc	22p	14p	14p	4p

\* Fully electric cars only

You can use the old rates up to 30 June 2019. ■

**If you have a query on any item in newslines contact**

**Tel: 020 8874 4335 or [liz@thetaxbridge.com](mailto:liz@thetaxbridge.com)**

**Annual VAT scale charge rates****Accounting periods beginning on or after:  
1 May 2019**

<b>CO2 emissions figure</b>	<b>12 month VAT period</b>	<b>3 month VAT period</b>	<b>1 month VAT period</b>
120 or less	£592	£147	£49
125	£886	£222	£73
130	£947	£236	£78
135	£1,004	£250	£83
140	£1,066	£265	£88
145	£1,123	£280	£93
150	£1,125	£295	£98
155	£1,241	£310	£103
160	£1,303	£325	£107
165	£1,360	£340	£113
170	£1,421	£354	£117
175	£1,478	£369	£122
180	£1,540	£384	£128
185	£1,597	£399	£132
190	£1,658	£414	£137
195	£1715	£429	£143
200	£1,777	£444	£147
205	£1,834	£458	£152
210	£1,895	£473	£157
215	£1,952	£487	£162
220	£2,014	£502	£167
225 or more	£2,071	£517	£172