

Budget announcements

Take care, certain clauses in respect of measures that were announced have been left out of the Finance Bill, see 'trivial benefits'.

Income Tax

- The personal allowance increases to £10,800 for 2016/17 and £11,000 by 2017/18.
- The higher rate tax threshold will increase to £43,300 in 2017/18.
- A new personal saving allowance will apply from 2016/17: the first £1,000 of interest is tax free for basic rate taxpayers, the allowance for higher rate taxpayers will be £500.
- The annual income tax return will be abolished from 2020 and taxpayers may file real-time accounts using their portable digital equipment. This will also allow taxpayers to pay their tax in real time rather than waiting until 31 January following the end of the tax year.

National Insurance

- Class 2 NICs will be abolished in the next parliament.

Pensions

- From 2018 the annual contribution limit will be indexed.
- The lifetime contributions limit decreases from £1.25m to £1m in 2016/17, with no changes anticipated to the annual investment limit of £40,000.
- Existing pensioners who are receiving annuities will be able to cash these in for lump sums without a 55% tax charge.

ISAs

From April 2015

- ISA subscription limit £15,240.
- Junior ISA £4,080.

From Autumn 2015

- Introduction of a flexible ISA to allow people to withdraw ISA savings and reinvest without loss of interest.
- A help-to-buy ISA: a 25% top up by government on saving for deposits. Invest £200 per month and the government will top it up by 25% (£300 max available).

Employment taxes

- IR35: HMRC estimates that the annual administrative burden of IR35 is £16m and the cost to the exchequer of abolishing it is £550m and so the government holds to its view that the administrative burden of IR35 is proportionate when considered against the fiscal risk to the exchequer of those incorporating to disguise employment income.

Employment taxes cont'd

- Travel rules: includes a clamp down on agencies, umbrellas and personal service companies who abuse the temporary tax travel rules. Any changes will take place after a "full and formal" consultation and would be intended to take effect from 6 April 2016 and legislated for in a future Finance Bill. The Government want employment intermediaries to give far greater transparency on how they are employed and what they are being paid and consultations will be conducted later this year. It is likely that workers supplied through intermediaries will lose tax relief on the refunded costs of travel from home to site – there will be an alignment of treatment of workers supplied through agencies and those supplied through umbrella companies.
- Trivial benefits: plans to introduce a statutory relief for trivial benefits provided by employers to their employees have been shelved, for the time being at least. (For more on trivial benefits overleaf).

Capital Allowances

- The Annual Investment Allowance will not fall to £25,000 but will be extended.

Anti-abuse

- New penalties for tax evasion and for advisers who assist evaders.

Duties

- Cutting beer duty by 1% and cider and spirits duty by 2%.
- The fuel duty increase scheduled for September is cancelled: '£10 off a tank with the Tories'.
- No changes for tobacco and gaming. ■

CITB Levy and grant changes

From 6 April until 31 July 2015, employers will be able to claim CITB grant for training undertaken by PAYE employees, NET CIS sub-contractors and labour-only sub-contractors, subject to the usual CITB grant scheme rules. However, from 1 August 2015, employers will only be able to claim the CITB grant for training undertaken by PAYE employees and NET CIS sub-contractors.

The Supplementary Payment, available to those employers that pay their CITB Levy on time, has been at the increased rate of 22% for the last few years and will return to a rate of 10% from 1 August 2015. ■

PFI query

HMRC have recently mooted with a JTC member that the sale of PFI investments over the last few years, which were covered by substantial shareholders exemption, have become trading in nature by virtue of their regularity and materiality. This means that the firm with the PFI investments owes tax rather unexpectedly. The CRM of the affected firm has said the argument has approval from the HMRC policy team and applies to all firms involved in PFI. However their auditors deal with several firms of a similar size with PFI investments and believe that none of them have had any similar approach from HMRC.

Can you help? If you have any experience in this area will you contact Liz Bridge? Liz will keep all comments completely anonymous and private until, and unless, you give permission to be put in contact with the original enquirer. ■

New advisory fuel rates for company car drivers apply from 1 March 2015

These rates apply from 1 March until further notice.

Advisory fuel rates are set by HMRC.

Employers can use these rates to reimburse company car drivers for business fuel. These rates should not be used in relation to vans.

These amounts also apply for VAT purposes, but employers can only reclaim input VAT if the employee supplies a receipt. ■

Engine Size	Petrol	Diesel	LPG
1400cc or less	11p		8p
1600cc or less		9p	
1401cc - 2000cc	13p		10p
1601cc - 2000cc		11p	
Over 2000cc	20p	14p	14p

Business rates

Two days before the budget the Chancellor announced the biggest change in business rates for many years.

But what is it and what does it mean for you? The answer is that we don't know because what appeared in the documents was only a consultation to explore how the public think business rates should change.

The Chancellor says he is open to any changes that are suitable in the modern world – but that the whole package must be fiscally neutral. That is to say it must raise as much money as it does now. So hands up anyone who wants to pay more so that others can pay less. Maybe there will not be such big changes after all.

If you want to join in the consultation on ideas for a new business rating system search HMRC Business rates review March 2015. ■

Employed or self-employed?

The Office of Tax Simplification has reported on the extent of the problem of false self-employment and the problems for employers in establishing the correct treatment of workers - employed or self-employed. They are recommending better helplines and a better indicator tool short term but they also have some long term suggestions that might be interesting to a new government. There is no need to worry as yet; just do not let self-employment and its problem areas run out of control. Visit www.gov.uk/government/publications/employment-status-review. ■

Red diesel

From 1 April 2015 new markers are being added to red diesel. It will remain red but it will be more difficult to launder it free of markers for illegal sale as a road fuel. Once the fuel with new markers has been added to a tank or used in a vehicle it will be almost impossible to remove the evidence that it has contained or run on red diesel. ■

NIC and employees under 21

If you employ anyone under 21 years old you will no longer have to pay Class 1 secondary National Insurance contributions on earnings up to the new Upper Secondary Threshold (UST) for those employees. This comes into effect from 6 April 2015 so be prepared to change the NI Category letters of those employees to ensure you're paying the correct amount of NI contributions.

From 6 April 2016 this measure will be extended to cover apprentices who are under 25. ■

Rating app

70 specialist business rates surveyors have come together to develop a simple, but effective, Rating Data App, to help unravel the complexities of rates bills. The App outlines key information including the Uniform Business Rates, reliefs, supplements and discounts across England, Scotland and Wales.

Visit www.geraldeve.com/get-the-data-web-app to access the free app. Follow the three simple steps to download the App onto your mobile device or view from your desktop.

If you prefer to have a hard copy Rating Data Card please contact Liz@thetaxbridge.com. ■

Do you use HMRC 'Basic Tools' to run your PAYE?

If you use HMRC Basic Tools you will need to download the latest version (number 14.2.14330.88) from www.gov.uk/basic-payee-tools. This will allow your system to find all it needs to run PAYE for 2015/16. You cannot get it by using the 'check for updates' function in your existing system. Your Basic PAYE Tools will not automatically update for 2015/2016 without clicking on the above link. ■

Trivial benefits for PAYE - something to think about

For tax years up to 5 April 2015 there is no monetary limit to determine a trivial benefit.

It had been proposed that there would be a new statutory exemption for trivial benefits up to a limit of £50 from 6 April 2015; this measure is not included in the first Finance Bill of 2015 although it was announced in the Budget speech. It has been deferred until after the election.

Rules to 5 April 2015

There is no monetary limit to determine a trivial benefit. HMRC's officers were told to "strike a balance between sensible practical administration of the tax system and the need to deter employers from providing what is in reality part of the remuneration of their employees in a form that seeks to exploit that practical administration" (extract from EIM21860). Whether something is trivial or not, however, is a question of judgement.

The following have long been regarded by HMRC as trivial benefits:

Christmas presents and other gifts

Christmas is a time for giving, and HMRC treat the following seasonal gifts as trivial and do not seek to tax them as employment income or employment rewards for past services:

- A turkey (but not a hamper)
- A box of chocolates (no upper limit is given, but it is in the singular form!)
- A bottle of ordinary wine or two (but not a case). A bottle of "ordinary" wine means drinking wine, rather than vintage wine for investment.

More examples of trivial benefits

- Workplace drinks: such as a water machine, tea, coffee or pre-pack drinks provided in the workplace (and available to all employees).
- A gift of flowers on anniversaries or special events.
- Repairs to employer provided bicycles: only if the repair costs less than £20, or if it is impossible to break down a repair bill (because it covers a number of cycles) if around £20 on average. Otherwise the repair is a taxable benefit in kind (noting that the £20 appears to be a peculiar limit, this is a concessionary measure by HMRC).
- Flu jabs: only applies to routine seasonal flu jabs and does not apply to medical treatment of any sort or to other immunisations, such as immunisations against pandemic flu or other diseases. ■

VAT and trivial benefits

Input VAT is reclaimable by the employer on the cost of trivial benefits made to staff. If input VAT is reclaimed by a one-man owner-manager or for the cost of an event open only to the directors (so other staff are excluded), HMRC will disallow a VAT recovery on the grounds that the motive behind incurring the cost was a personal one. It is difficult to try and disprove that this is not actually the case. ■

Proposals for changes to trivial benefits - sometime in or after 2015/2016

It is uncertain when and if these changes might be made, the proposal was that:

There will be a new statutory exemption for trivial benefits, they will be exempt from income tax, provided that:

- The benefit is not cash or cash vouchers per s75 ITEPA 2003.
- The cost of providing the benefit, or its average cost per person does not exceed £50.
- The benefit is not provided pursuant to a salary sacrifice scheme or any other contractual obligation.
- The benefit is not provided in recognition of the employee's service.
- The statutory trivial benefits exemption will be subject to annual cap of £300 for office holders of close companies and their families. ■

Marriage Allowance

HMRC has opened online registration for the Transferable Married Allowance. Check out www.Gov.uk/Marriageallowance

From 6 April 2015 a spouse or civil partner who is not liable to income tax above the basic rate may transfer £1,060 of their unused personal allowance to their spouse/civil partner, provided that the recipient of the transfer is not liable to income tax above the basic rate. Taxpayers have 4 years in which to make the election. The Marriage Allowance may be claimed if all the following apply:

- You are married or in a civil partnership.
- You have an annual income of less than £10,600, including pensions, savings and investment.
- Your spouse or civil partner has an annual income of between £10,601 and £42,385.
- You were both born on or after 6 April 1935.

Taxpayers have to use online registration in order to register an interest with HMRC. To do this you need:

- Access to the internet; and
- An email account.

Hundreds of thousands of couples could miss out on a new tax break for married couples because it is only being made available to those who apply for it online. ■

If you have any questions regarding any of the issues raised in this edition of Newsline please contact Liz Bridge.

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