

The Chancellor's Autumn Statement

Corporation tax and Business taxes

- There will be a requirement for large companies to publish their tax strategy to expose tax planning to the public gaze – and HMRC attention.
- Further measures on all companies with tax avoidance arrangements.

Employment Taxes

- The apprenticeship levy is to go ahead at 0.5% of the annual wage bill with an exemption for the first £15,000 of levy due. This will limit the levy to those with a wage bill of more than about £3,000,000. It appears to be going to be calculated via PAYE as some supplemental employers' NIC charge so will not be payable on apprentices aged under 25 for whom no employers' NIC will be paid from April 2016. There will be set-off arrangements for those paying CITB levy which have yet to be designed.
- The legislation to restrict tax relief on travel and subsistence expenses for individuals paid via an intermediary or personal service company is to go ahead. This means that take home pay will go down for affected individuals (who will be taxed on travel and subsistence allowances for the first time). This may result in rising prices for the end users of labour.
- Changes to employment status are afoot.... No details were provided beyond the promise of legislation to come to implement the many recommendations of the Office of Tax Simplification.
- Diesel cars will continue to be subject to a 3% levy when calculating benefits. It may be sensible where possible to phase out vehicles using diesel fuel.

- There will be a review of the tax rules where accommodation is provided for employees.

VAT

- There is still work in hand to remove the reduced rate available for the installation of energy saving materials. This reduced rate will go in April 2016.

Property taxes

- Stamp duty for second homes or as an investment will go up by a surcharge of 3% from April 2016.
- From April 2019 the tax payable date for all capital gains tax will be 30 days after completion.
- Stamp Duty Land Tax is likely to be payable within 14 days rather than 30 days from 2017.
- Deeds of variation made after a death to alter the terms of a will, will continue to be valid.

What else was mentioned that was important

- A programme which used to be called 'making tax simple' has been changed to 'making tax digital!' (**Beware there is a message here**)
- By 2020 annual self assessment is likely to have been phased out and most businesses, the self employed and landlords will have to make more frequent submissions – probably quarterly. Tax will be paid more frequently and collected sooner than taxpayers are currently used to. This suggests a far greater burden on business to account and report their financial affairs; HMRC will probably make IT specifications available so that apps and software programmes can be produced to produce the tax material necessary for submission as a business works day to day. ■

CIS returns to be online only

From April 2016 HMRC will not issue or accept paper CIS returns. Do you still make paper returns? Or do you know anyone in construction who is likely to be using paper because their IT skills are limited? Anyone who makes paper returns must start the process of registering to do online CIS returns, and it takes a bit of time to get registered and ready so starting now is sensible.

The first step is to find your –

- Accounts Office (AO) reference, as shown on your monthly CIS return, so that bit is easy.

- HMRC employer reference. It is on the front cover of any old yellow paying in book you still have one, or on the bottom of any P60 for example. If your PAYE is done by a book keeper they should be able to find it easily.

If you have no PAYE scheme and only make CIS returns you will need to find the original letter that was sent to you by HMRC. **See Appendix 1 on page 3 for an example of the letter you are looking for.** If you can't find it, you will have to phone HMRC and ask for the information. Be patient, they are not good at answering their phones quickly! ■

New “Help to Buy ISA”

The 'Help to Buy ISA' is a new account aimed at helping first time buyers save up for the deposit on their home. Announced by the Chancellor in his March 2015 budget, the ISA finally launches on 1st December 2015 with most high-street banks offering the new account.

The main difference between this ISA and other cash ISAs that are already available is that the government will pay savers a bonus of 25% of the account balance when it is closed and the funds used to buy a home.

Main features:

- Individuals can save up to £200 every month. There is no minimum deposit.
- In the month that the account is opened an additional £1,000 can be saved.
- So far, no end date has been announced so there is no set limit to the amount that can be saved. New accounts will be available for four years.
- Accounts are limited to one per person rather than per home, so joint purchasers can both receive a bonus.
- The bonus is calculated at 25% of the account balance including interest.
- The maximum bonus is £3,000 per account, achieved on savings of £12,000 or higher.
- The bonus is available on properties costing up to £450,000 in London, and £250,000 outside London.
- The bonus is only paid when the account is closed; the solicitor or conveyancer will apply for the bonus and this must be done within 12 months of closing the account.
- Money can be withdrawn from the account at any time, but can only be put back within the monthly deposit allowance. ■

Who will be a Scottish taxpayer for the Scottish rate of income tax?

HMRC has published guidance on who will be considered a Scottish taxpayer when the Scottish rate of income tax comes into force in April 2016.

In rough and ready terms it will be judged by place of residence during the tax year, so a main home in Scotland will make you a Scottish taxpayer.

There are special rules for people with more than one home or those with no home who travel and live at their work. ■

NIC Employers holiday

From 6 April 2016, single-director companies will be excluded from the National Insurance Contributions Employment Allowance. ■

TIP OF THE MONTH

VAT - back to basics

A quick check of basics may be a helpful discipline. Do you always make sure that the invoices on which you claim the recovery of input tax are in the name of your business? If an invoice is used for the recovery of input tax and it is not in the business name, you must be sure that there is a 'direct and immediate link' between the expense and the business.

The meaning of 'direct and immediate link' has been much disputed in the courts and it is far better to make sure that you only recover VAT in the business name than to rely on such shifting sand.

A further check is prudent and that is to ensure that there is no expenditure on invoices made out to the business which was incurred privately by the directors or shareholders. This is a contentious area in small firms, but HMRC do not consider such recovery of VAT 'accidental' if they discover these invoices.

This tip is here because I have seen a lot of audit activity in this area this month. ■

PAYE - K codes

K codes are prefix codes, that is to say that the tax code issued by HMRC is prefixed by the letter K rather than being the more normal number and letter such as 1016L the most common of the 'normal' codes. It is a negative code and was introduced because an individual's taxable deductions exceed their tax free allowance. Before K codes were used HMRC would issue an OT code to collect tax on the whole income without any allowances and then issue an assessment for the balance at the end of the year. The K code works to collect all the tax owed during the year where possible and therefore avoid surprising people with unexpected bills.

From April 2015 there is a regulatory limit to the amount for tax that can be collected through payroll using any code. It is set at 50% of gross income less any pre tax deductions such as pension.

When the regulatory limit is applied there are two simple rules to remember -

- Underpaid tax is never carried forward from one tax year to another or from one employer to another.
- When an employee leaves the tax deducted, not the amount of tax due, should be stated on the P45.

If you would like to know more about K codes email Liz@thetaxbridge.com. ■

**Contact Liz Bridge - Tel: 020 8874 4335
liz@thetaxbridge.com**



EMPLOYER ADDRESS LINE ONE
 ADDRESS LINE TWO
 ADDRESS LINE THREE
 ADDRESS LINE FOUR
 ADDRESS LINE FIVE
 ADDRESS LINE SIX
 ADDRESS LINE SEVEN
 ADDRESS LINE EIGHT
 ADDRESS LINE NINE

D123456
 999

HM Revenue & Customs (HMRC) website
www.hmrc.gov.uk/cis

Construction Industry Scheme Helpline
 0300 200 3210
 For our opening hours go to
www.hmrc.gov.uk

Your HMRC office is
 Customer Operations Employer office
 BP4009
 Chillingham House
 Benton Park View
 Newcastle Upon Tyne
 NE98 1ZZ

99 AAA 9999

Keep this letter safe – it includes your Construction Industry Scheme (CIS) reference numbers

The safest and most convenient way to file your CIS return is online. For more information on how to register to file online, **go to www.hmrc.gov.uk/cis** You will also find useful information on what you need to do to operate the scheme. If you are unable to file online, please phone the CIS Helpline on **0300 200 3210** who will send you the forms.

You have 2 references to use when contacting us.

Your Employer PAYE reference is

PAYE REF

Use this reference if you phone one of our helplines and on any forms or letters you send to the employer office.

Your 13 character accounts office reference is **ACCOUNTS OFFICE REF**

Use this reference :

- when you make PAYE payments
- if you contact the payment Enquiry helpline
- if you contact your accounts office or debt management office

Your accounts office is

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If you have any questions or need more help, go to the HMRC website or phone the CIS Helpline. You will find the details at the top of this letter.

Your subcontractors

If your subcontractor(s) have any queries about their personal tax or national insurance, they can find lots of useful information online. For tax, they can go to **www.hmrc.gov.uk/incometax** or they can phone us on **0300 200 3300**.

For National Insurance, they can go to **www.hmrc.gov.uk/ni** or they can phone us on **0300 200 3500**.