

# JTC NEWSLINE

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## CIS verification problems using HMRC CIS online service

As many readers will know there have been problems for firms in all sectors with the HMRC online verification system.

The new system is removing verifications done online and by phone that are more than two years old. It is also removing all verifications that were done by phone even when they have been used regularly since initial verification. This was not agreed with the industry in prior discussions. HMRC do not seem to know why it is happening nor be able to comfort us with the promise of a quick fix.

Let me emphasise, there is no legal obligation to re-verify subcontractors every two years. The HMRC system is in error. However if the number of subcontractors showing as unknown on your system is small I suggest you bite the bullet and re-verify. If you are talking about a major job re-verifying hundreds of subcontractors you may wish to hang fire if you can, working in tranches, to verify the subcontractors due to be paid within each of the next payment cycles.

Where you previously verified a subcontractor and know his status you can quite legally pay according to that status. It is not ideal to rely on an old verification but neither is the HMRC system an ideal system. You will have to rely on your knowledge of the status in an emergency.

It has been reported that re-verifications are being attempted online for subcontractors where their status

has long been known, only to find that the new system shows 'verification unknown'. If this happens the first thing to do is to delete the record, and check carefully whether the subcontractor is a sole trader, a partnership, or a company. The chances are that you have mistaken or been misled about the legal status i.e. the firm is not a company at all but a sole trader or vice versa. Then try again. If they do not verify when you 'know' that the subcontractor does have a recognised status – gross or net - you will have to phone the helpline.

**Do not pay subcontractors who have previously been verified as gross or net under deduction of 30%.** It will cause an enormous amount of work for both parties and cause considerable conflict. Phone the helpline and if you get no sense, phone the subcontractor and ask if they would prefer the payment held back whilst the issue is resolved or, if you are confident of his status, pay according to the status you know but continue to get the online re-verification sorted out.

**I am currently having urgent discussions with HMRC to get to the bottom of these problems and will report back as soon as I am able to give you more information. This is a very unhappy state of affairs and I apologise.**

**Liz Bridge - [liz@thetaxbridge.com](mailto:liz@thetaxbridge.com) ■**

## VAT for scaffolders and housebuilders

Please take care. HMRC are approaching a number of scaffolding contractors and arguing that the supplies made to housebuilders cannot be wholly zero-rated.

They argue that some part of the charge to a housebuilder must be for the hire of the scaffold itself which must be standard-rated. It is not safe to completely zero-rate a housebuilding contract. The invoice should be apportioned between hire and erection/drop and each element separately charged to a different rate of VAT.

Alternatively the whole contract should bear standard-rate VAT which the housebuilder can recover in full. ■

## The digital accounting world moves closer

The Treasury have reasserted that all businesses will have to use software that is compatible with HMRC systems to submit quarterly updates of the tax and accounts details and that consultations and development will go ahead.

The timetable is as yet uncertain but those not using accounting software would be well advised to start looking at it and training to use it. When considering buying new software make sure to get confirmation that the product you are buying will be upgraded when necessary to meet the government's requirements. ■

continued overleaf

### **RTI concession for late submissions to continue until April 2017**

HMRC is continuing its Real Time Information reporting (RTI) penalty concession. Employers will still have an extra three days to report their payrolls online until 2017.

Under the late filing penalty system for RTI HMRC has been operating a concessionary grace period. This was due to end in April 2016. However many employers in different parts of the country still lack a decent broadband connection and IT skills. HMRC have said that following a review of the three day easement, they have decided to continue this approach for a further tax year. As a result employers will not incur penalties for delays of up to three days in filing PAYE information during the 2016-17 tax year.

The three day easement is not an extension to the statutory filing date which remains unchanged. Employers are required to file on or before each payment date unless the circumstances set out in the 'sending an FPS after payday guidance' are met. HMRC won't charge a late filing penalty for delays of up to three days after the statutory filing date, but employers who persistently file after the statutory filing date but within three days, will be monitored and may be contacted or considered for a penalty.

Where you do file late for any reason always remember to use the 'late reporting reason' code. Failure to do so will trigger enquiries from HMRC. Where possible use the codes offered rather than 'other'. Again 'other' triggers enquiries. They do not want to know precise details, use one of the general codes.

The penalties for a late return start at £100 for 1 to 9 employees and are £400 for 250 employees or more. If you get charged a penalty the important thing to do is to find out why and improve your systems. Once a return is 3 months late penalties are geared to the tax on the return and are too painful to contemplate. ■

### **Expenses and benefits for employees and directors**

The details of expenses paid and benefits provided in 2015-2016 should have been reported by 1 July 2016. Check everything has been done that should have been done. ■

### **PAYE final submissions 2015 - 2016**

These should have been filed but a surprising number are outstanding. If this has yet to be done, it should be done immediately but remember to use an earlier year update. Only the difference between the last report sent and the updated final figures for the year should be included. See Payroll: **annual reporting and tasks at [bit.ly/JTC92a](http://bit.ly/JTC92a)** for details. ■

### **Boring but quietly important**

For the first time HMRC have taken a case to court to take tax from a personal service company which was operated as a managed service company. These were one man band companies who had an accountant who 'pulled all the financial strings' to organise minimum wages and profit taken through dividends, who operated the bank account and whose fees for so doing were fixed by reference to the turnover. **HMRC won.**

In *Christianuyi Limited & Others v HMRC* [2016] TC05045 a Managed Service Company (MSC) Provider was found to be 'involved' with the taxpayers' personal service companies. This is the first time the MSC rules have been considered by the Courts since their introduction in 2007.

This is the first case to come before the FTT to consider the MSC rules. We can see from it that HMRC is investigating potential MSCs and there are likely to be more cases given the relative popularity of such schemes in the past. The accountancy firm in the case set up 1,000 new companies under these arrangements of which only 5 were the subject of this particular appeal. So just this one win will reward the efforts taken.

### **Another case to mull over**

In *Gradon Construction Limited v HMRC* [2016] TC04935 input tax credits were refused because the invoices held were not valid for VAT because there was insufficient additional evidence to support limited descriptions of work done.

This case highlights again the importance of getting proper detailed invoices from suppliers and not accepting invoices which say little more than 'for work done'. ■

### **New wage settlement by CIJC**

The CIJC have announced that agreement has been reached on the new wage rates. There will be a 2.5% increase from 25 July 2016 and a further 2.75% increase from June 2017. ■

### **Do you pay road haulage drivers?**

The Road Haulage Association have a campaign going on to alert members to the dangers of using self-employed drivers and the significance of the changes in travel and subsistence rules made in April 2016 for drivers working for umbrella companies or working for personal service companies and supplied through agencies.

**This is a dangerous area and HMRC seem to be testing their strength. If you engage drivers other than through PAYE contact Liz Bridge for a copy of the material issued.** ■

### How tax relief can help your business grow

Are you looking for investment? The Government may be able to help by offering tax relief to individuals who buy shares in your company. Tax Advantaged Venture Capital (TAVC) schemes are designed to support small and medium-sized businesses by encouraging investment and making it easier to attract funding.

There are 3 schemes:

- **Enterprise Investment Scheme (EIS)** – aims to attract investment from individuals.
- **Seed Enterprise Investment Scheme (SEIS)** - supports investment in small, early stage companies and complements the EIS.
- **Social Investment Tax Relief (SITR)** – will encourage individuals to support social enterprises such as charities and social enterprises.

#### Who can apply?

You may be able to apply if your company is:

- small or medium-sized
- not listed on a stock exchange

HM Revenue and Customs (HMRC) are launching a new digital service in October that will make applying for TAVC schemes simpler. They need small and medium-sized businesses to volunteer to trial the service from July 2016 onwards. They will support all volunteers throughout this process, and your feedback will help them improve the site and ensure that companies get their investment more quickly.

If you would like to take part in the trials please email [ashley.newnes@digital.hmrc.gov.uk](mailto:ashley.newnes@digital.hmrc.gov.uk) or [christopher.meadows@hmrc.gsi.gov.uk](mailto:christopher.meadows@hmrc.gsi.gov.uk). Alternatively, contact Ash on: 07891 156522 or Chris on: 07342 022768. ■

### CITB Levy working party considering Apprenticeship Levy

This working party met to consider four options. (Liz Bridge is a member of the working party.)

**Option 1:** The CITB Levy to remain as it is. This means that from April 2018 large firms will pay CITB Levy and Apprenticeship Levy in full.

**Option 2:** The CITB Levy should be reduced for all payers.

**Option 3:** The CITB Levy on PAYE should be charged on only the first £3million per annum plus all Net CIS payments. The rates would remain as currently set. This would relieve the largest payers of the increased burden of Apprenticeship Levy but raise less for CITB.

**Option 4:** The CITB Levy on PAYE would be charged in full on the first £3 million pa and then at a reduced rate on amounts above this figure. Net CIS levy would be assessed as now.

More work is to be done once the options are fleshed out with information about the effects on the level of training and refunds available that a reduced level of income would create.

**If you have views on the options please contact Liz Bridge - [Liz@thetaxbridge.com](mailto:Liz@thetaxbridge.com) ■**

**If you have a query regarding any of the items featured in this issue of newslines please contact Liz Bridge.  
Tel: 020 8874 4335 [liz@thetaxbridge.com](mailto:liz@thetaxbridge.com)**