

### Have you ever had to pay a tax penalty?

If you have ever had to pay a penalty for paying tax late or sending in a late return would you consider sending Liz Bridge a quick email considering the following questions?

- On reflection, was the penalty unfair because you had a reasonable excuse but it was ignored?
- On reflection, was the amount appropriate to your crime? Remember that some penalty is needed to keep everyone compliant. How did your punishment fit your crime?

- Do you still feel aggrieved?

HMRC are seeking views on the penalty regime and the JTC would like to make some fair representations. Liz Bridge will require some feedback from members, both for and against the penalty system. If you want to make your own representations you can email HMRC directly [TAP@hmrc.gsi.gov.uk](mailto:TAP@hmrc.gsi.gov.uk), but please copy Liz Bridge in. Alternatively email Liz Bridge ([liz@thetaxbridge.com](mailto:liz@thetaxbridge.com)) describing your experience of the penalty system. A few sentences will do. ■

### CIS returns

Talking of penalties, there has been yet another case where a builder failed to send in CIS returns because he thought that he was 'just employing a few friends who sorted out their own tax'. The penalties were horrible and there was no escape.

I have a 'developer' in the same position. He bought a down at heel building and paid contractors to do all the refurbishment work before selling. Developers have to make CIS returns although they often think they don't. Take care. ■

### PAYE codes

During 2014-5 the basic code was 1000L, the code that allowed the basic tax free allowance of £10,000. In 2015-16 the basic code will become 1060L.

From April 2015 10% of the personal allowance can be transferred between married couples or civil partners as long as neither is a higher rate taxpayer. The person receiving the extra £1060 tax free pay will get a code letter M rather than an L, and the person losing the £1060 allowance will move from L to N.

If your allowance is not 1060L you should understand why. If you have more than one employment and both show codes of 1060L you should raise the point immediately. If HMRC are coding out debts owed to them they should have explained and you should agree that the debt is due. ■

### ISAs at the death of a spouse or partner

Legislation is being introduced to ensure that the ISAs owned by a spouse or partner can be immediately reinvested in ISAs by their spouse or partner after the death of the first holder without exceeding that person's annual allowance. This means that in the year of death the survivor can invest not only their own annual allowance in an ISA but also any money they have inherited that was held in an ISA at the date of death. ■

### PAYE late filing penalties

HMRC have announced that employers will not incur penalties for delays of up to three days in filing PAYE information. Employers who have already received an in year late filing penalty for the period 6 October to 5 January 2015, where the filing was no more than three days late, should appeal online by completing the 'other' box and adding 'return filed within 3 days'. Watch out – employers with fewer than 50 employees will be subject to the penalty regime from 6 March 2015. ■

### Abolition of employer NICs for under 21s

From 6 April 2015 employers with employees aged under 21 will no longer have to pay NIC on their earnings up to the Upper Secondary Threshold (UST). There will be no change to Class 1A contributions. There will be secondary contributions if the employee earns more than the UST. There are seven new NIC letters for people aged over 16 but under 21 and it is an employer's responsibility to ensure the correct letter is used. See HMRC Notice 21 Jan 2015 'Guidance on abolition of employer NICs' if you have young employees. ■

### Company cars benefit

HMRC have launched a new trial online facility that allows employees to update their own company car details.

In allowing company car drivers to make changes to car and fuel benefits that will affect their tax codes, Pay As You Earn (PAYE) taxpayers will no longer have to wait for HMRC to update their tax code for them. Visit the HMRC website and search 'Check or update your company car'. ■

**Do you pay Google Adwords? Or buy services from Europe where the words 'reverse charge' appear on the invoice?**

If you do you will be asked to apply the reverse charge VAT system, so how does it work? Under the Reverse Charge VAT rules you effectively act both as the supplier and the customer of the service, based in the UK using UK VAT rates. This means you charge yourself VAT on the invoice then also reclaim it on the same VAT return, giving a net effect of zero provided you are not partially exempt or exempt from VAT.

If you received an invoice from Google Adwords for £100 (no VAT) you would account for it as follows:

- A) Work out the UK VAT at 20% on the invoice value i.e. £100 invoice value gives £20 of UK VAT.
- B) Add £20 of VAT to your output VAT figure in Box 1 of the VAT return.
- C) Add £20 of VAT to your input VAT figure in Box 4 of the VAT return.
- D) Add £100 net invoice value to your net sales in Box 6 of the VAT return.
- E) Add £100 net invoice value to your net purchases in Box 7 of the VAT return.

The overall effect is that you have added £20 of VAT to your VAT handed over on sales and reclaimed £20 of VAT from your VAT reclaimed on purchases so your overall VAT payable is unchanged. ■

**PAYE for intermediaries supplying labour - reporting**

From 6 April 2015 all intermediaries must return details of all workers they place with clients where they do not operate PAYE on the workers' payments. The return will be a quarterly report.

But a worker does not need to be entered on a report where he/she has been included in a PAYE RTI submission by any other organisation for the same payment.

The reports are quarterly, to be submitted to 5 July, 5 Oct, 5 Jan, and 5 April each year. The deadline is 30 days from the end of the period.

If you need to know the details to be included see HMRC guidance 12 February 2015 and Notice 3 February 2015 or phone for help. ■

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

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