The Construction Industry
Joint Taxation Committee

JTC

JTC NEWSLINE

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Payrolling benefits in kind

HMRC has now opened its new payrolling benefits in kind online service to employers for registration. Employers wishing to use the online service to payroll employee expenses and benefits in place of submitting forms P11D in 2016/17 must register by 5 April 2016.
The only benefits that you can't payroll are:

- Vouchers and credit cards.
- Living accommodation.
- Interest free and low interest loans.

The above **must** still be put on a P11D.
More information is available in **HMRC Notice 12 October 2015 HMRC payrolling benefits in kind**. ■

Buy to let - the changes in brief

Clause 24 of the Finance Bill 2015/16 limits tax relief to the basic rate for loans taken to acquire buy to let property.
The new rules work by requiring a calculation of profit without taking any deduction for interest. There is then a new relief, a tax reduction, calculated by reference to the basic rate of tax on the interest paid.
The changes are to be phased in over three years starting from 6 April 2017, with the new rules applying to 25% of the relevant interest in the first year, 50% in the second and 75% in the third. They bite in full from April 2020.
They will even affect some basic rate taxpayers – but not companies.
The restriction applies to the costs of a dwelling related loan. This means any amount borrowed for the purpose of a property business carried on to generate income from dwelling houses. It does not apply to a business of dealing in property or developing property for sale, only to property lettings.
It also applies to any loan taken out by a property lettings business, so for instance it applies to a loan taken out to buy a car used in a lettings business or a loan taken out to buy office space for a property lettings business. ■

HMRC bank account moving to Barclays

From February 2016 HMRC will move its bank accounts to Barclays. Most taxpayers already paying electronically will not be affected and do not need to do anything. People paying using Bank Giro or Transcash payslips should consider what they can do, perhaps move to electronic payments?
There will be a new IBAN number for people paying from overseas. ■

TIP OF THE MONTH

Real Time Information (RTI)
There is likely to be a bit of a blitz on employers who do not supply their RTI submissions 'on or before payment'. Check that your submissions are being sent as payroll is set up and not after workers have been paid – for example after the month end as the payment to HMRC is sent. RTI has been going successfully for so long now that HMRC are likely to start penalising late submissions. The 'easement for small employers' is due to end on 6 April 2016.
One major misconception is that because the deadline for payment of PAYE is the 19th of the following month, the deadline for reporting RTI is similarly the 19th. This is absolute rubbish. You must report any PAYE payments you are about to make before you make them.
HMRC think that the major reason for late submissions, apart from ignorance, is that old software won't allow submissions of both weekly and monthly staff. Check your software if you pay weekly and make sure that you do submit both weekly and monthly.
It is always possible to set up a payroll early, submit it to HMRC and arrange payment by BACS at a future date. This is what is needed if the person who does the payroll RTI submission is going on holiday.

Important
In November, the 22nd of the month (the payment date for a lot of taxes paid electronically) falls on a Sunday so you must get cleared funds to HMRC by Friday 20th November to be safe. ■

CIS - compliance checks - late filing penalties for CIS returns

There is an updated factsheet covering the penalties that HMRC may charge for a monthly CIS return filed late, which includes information about the higher penalties charged for delays of 12 months or more or where information is deliberately withheld.
The factsheet can be found at **http://bit.ly/cischecks**
It is particularly important that anyone whose business involves making payments for any work which includes 'construction operations' considers whether they should be completing CIS returns monthly. There are always people who act as developers, organising construction projects, who do not see themselves as 'builders' but who should be making returns. The penalty for failure to make returns is worth avoiding. ■

Class 3A NIC scheme now open - the top up scheme for existing, or about to become, pensioners

People reaching State Pension age before 5 April 2016 have the chance to top up their state pension by up to £25 per year by making class 3A voluntary contributions before 5 April 2017. The additional pension receivable will be indexed linked and on death a surviving spouse will be entitled to 50% of the additional amount for the remainder of their lifetime.
The top up opportunity is aimed at those who will miss out when the new flat rate state pension is introduced from April 2016. Everyone who reaches state pension age after 5 April 2016 who has 35 years of National Insurance Contributions will receive the same rate of state pension starting at £151 per week.
The government is concerned that some groups, such as women, self-employed individuals and lower paid employees, who either do not have the full 35 years contributions, or who were not able to accrue rights to the additional state pension while they were working, and who have no other opportunity to top up their pension will miss out as a result.

Who is eligible?
Existing state pensioners and those who will reach state pension age before 5 April 2016, so women born before 6 April 1953 and men born before 6 April 1951, are eligible to make the Class 3A contributions.

How much does it cost?
The cost of the top up will depend upon your age and the amount that you wish to top up. HMRC have published a table showing how much must be paid by individuals aged between 63 and 100 in order to purchase an extra £1 per week state pension income. Other than the starting age, there is no discrepancy between the amounts payable by men and by women. Payments are made by lump sum and there is a cooling off period of 90 days.

Some examples:
The table below gives some examples of the cost of topping up the pension by £1, £10 and £25 per week for individuals at different ages:

Age	£1	£10	£25
65	£890	£8,900	£22,250
70	£779	£7,790	£19,475
75	£674	£6,740	£16,850
80	£544	£5,440	£13,600
90	£270	£2,700	£6,750

HMRC's table showing top up costs can be found at **www.gov.uk/statepensiontopup**

Are there any alternatives?
Those people who are approaching retirement but who do not have enough years of contributions to qualify for a full pension should consider their entitlement to pay voluntary class 2 or class 3 contributions. Class 3 contributions currently cost £733.20 for a full year and class 2 contributions cost £145.60. The resulting increase in state pension from filling in the gaps in contribution years will be greater than the top up rate for the same payment.

Class 3A NIC scheme now open - the top up scheme for existing, or about to become, pensioners cont'd

Are there any alternatives? (continued)
Those who are still approaching retirement could increase their starting rate of state pension by deferring receipt. For every five weeks the pension is deferred, the starting amount increases by 1%. This is the equivalent of over 10% for every year of deferral.

Is top up worth it?
Whether the top up payment is worthwhile or not will depend upon circumstances, and there is obviously an element of risk involved as the ultimate payout depends upon lifespan.
Topping up is unlikely to be beneficial for those who have a shorter life expectancy. However, those with a longer life expectancy, or those who have younger spouses that could benefit from the additional 50% payouts might find it a more attractive proposition. ■

Think about travel and subsistence payments

There is a consultation going on which is sure to result in changes to what an employer can pay free of tax. (There is of course no restriction – nor has there ever been a restriction - on what an employer can pay as long as the money is taxed.)

- The meaning of regular attendance may be changed.
- The definitions of temporary and permanent workplace may be changed.
- The 24 month rule may be changed.
- Whether journeys from home for people who work from home are working journeys may be changed.
- Clarification on whether journeys are 'substantially the same'.

The most important change which is likely to be implemented is that all allowances for day subsistence are likely to be taxed. This is because the law holds that everyone should pay for their own meals – meals are a personal expense. The current tax free status was only granted because workers working away from home used to eat in subsidised canteens or take sandwiches, and could not do that on a day working away from their base – so incurred greater costs. Nowadays it is thought most people buy a sandwich whether they are working at their normal base or working away and therefore incur no extra costs. (This change doesn't apply to workers working away overnight).
Visit **http://bit.ly/travelsubsistence** to read the government consultation. If you have views and would like them added into the JTC submission please email them to Liz Bridge - Liz@thetaxbridge.com. ■

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