

Payrolling benefits - are you interested?

For employers who register to move to payrolling, four benefits can be payrolled from the start of the next tax year. These are: cars and car fuel, health and dental insurance, medical treatment and taxable subscriptions (e.g. to a gym or for a non-qualifying membership).

The registration is mandatory for any employer who wants to start payrolling from April 2016 or is already payrolling on a non-statutory basis. As part of the registration, employers can elect to move all employees into payrolling for all or a selection of the available benefits, or can exclude some individuals if they wish to remain submitting a P11D on their behalf. An employer and employee will remain in payrolling for a full tax year once registration is made unless the employee no longer has sufficient income for the tax to be collected in this way in which case payrolling is withdrawn with immediate effect. It's not clear how HMRC has to be notified of this and whether this withdrawal of payrolling occurs the first time that the employer cannot deduct the requisite tax from the pay that is being processed, or only if the employer believes that the tax due on the benefit(s) cannot all be collected by tax year end.

At the start of the tax year the employer is expected to assess the expected cash equivalent value of the benefit, deduct any amount to be made good by the employee and then spread the resultant taxable benefit over the expected pay periods to the end of the tax year by adding a notional amount to gross taxable pay. The amount that is payrolled will be reported within a specified field on the Full Payment Submission (FPS), (that already exists to capture the amount for employees whose employer already does this on a non-statutory basis) such that all employees are treated as if a P11D had still been submitted and so that the notional amount is ignored in computing entitlement to Universal Credit. Where an employee leaves, the employer is expected to recover the remaining tax for any payments after leaving. As well as P11Ds not being required for payrolled benefits, P46 (car) forms will be withdrawn where cars are being payrolled.

Class 1a we assume will still be paid over annually so payroll software will need to accumulate the notional values for tax so that the Class 1a can be paid supported by the overarching P11D(b) and any Class 1a and P11Ds for non-payrolled benefits. ■

Remember that dividends will be taxed differently 2016/17

- From April 2016, notional 10% tax credit on dividends will be abolished.
- A £5,000 tax free dividend allowance will be introduced.
- Dividends above this level will be taxed at 7.5% (basic rate), 32.5% (higher rate), and 38.1% (additional rate).
- Dividends received by pensions and ISAs will be unaffected.
- Dividend income will be treated as the top band of income.
- Individuals who are basic rate payers who receive dividends of more than £5,001 will need to complete a self-assessment tax return from 6 April 2016.

Impact

The proposed changes are aimed to tax small companies who pay a small salary designed to preserve entitlement to the State Pension, followed by a much larger dividend payment in order to reduce National Insurance costs. ■

Paying CIS net? How to check any split between materials provided and the balance of the bill

HMRC are getting large settlements on the audit of construction businesses by simply looking at monies paid gross to net paid subcontractors.

Check your CIS returns to see if you pay sums gross, for materials, to net paid traders. The staff making payments to subcontractors must check that the figure for materials is realistic and accords what is likely to have been paid by the subcontractor for materials supplied and bound into the building (i.e. bricks and mortar).

The definition of materials does not cover things bought by the subcontractor to use on the job but removed by him at the end of the contract (like scaffolding). The only money that can be paid gross is money to refund the costs of materials actually supplied or the costs the subcontractor has actually incurred because he had to hire in any plant he used. **Only if a subcontractor actually hires in plant can the cost of plant be treated as a materials cost. If the subcontractor supplies plant which he owns there is no materials cost.**

Take care, this mistake is common and very costly. ■

Soon you will have to pay a fee to appeal your tax bill

The government is to proceed with the introduction of fees in the Tax Chamber of the Tribunal Service despite strong opposition to the proposals. Charges are to be introduced which are broadly in line with those set out in September’s consultation with one change: the fee for appealing a fixed penalty of £100 or less, will now be set at £20 as opposed to £50. A summary of the proposed fees is below:

	Issuing proceedings	Hearing
First Tier		
Paper	£50	£0
Basic	£50	£200
Standard	£200	£500
Complex	£200	£1,000

CITB Levy and Apprenticeship Levy

Contrary to what I said in December, it seems there will be no set-off of Apprenticeship Levy against CITB Levy due. The CITB are considering possible reductions of CITB Levy for those likely to have paid Apprenticeship Levy. I will provide details when I know them.

It seems likely to me that the Apprenticeship Levy will be calculated and charged using the RTI scheme and PAYE returns and will be paid in year, and will be payable towards the end of the tax year. I mean by this that the first month’s PAYE returns of the tax year are unlikely to top any threshold. The Levy will only be payable once the cumulative payroll exceeds the threshold, in later months.

This is very different from CITB Levy where the payroll for the 2015-2016 tax year form the basis for the 2016 levy payable in April 2017. Firms who are required to pay both will have to do some careful cash flow provisions. It may be worth doing some thinking now. ■

Do you know someone who has never filed online under self-assessment? You need to help them

- To send an online tax return, you must be registered for HMRC Online Services.
 - To register for HMRC Online Services go to the HMRC website and follow the on-screen instructions. You will need to go online and set up a Government Gateway account first and then you can login.
 - Despite making taxpayers file online, HMRC's first contact with you will be to send you an Activation Code by post. This may take days to arrive.
 - Waiting for an activation code is not viewed as a reasonable excuse for late filing either.
- HMRC's self-assessment helpline is 0300 200 3310. ■**

Late filing penalties

Send in your tax return straight away and pay the tax due straight away. You are now late and need to mitigate penalties.

Unlike the Premier League, who have extended their transfer deadline to 1st February, HMRC have made no announcement about any such extension to the filing deadline of 31st January, which fell on a Sunday this year.

Penalties for the late filing of self-assessment tax returns are as follows:

- An initial £100 fixed penalty, which applies even if there is no tax to pay, or if the tax due is paid on time.
- After 3 months, additional daily penalties of £10 per day, up to a maximum of £900.
- After 6 months, a further penalty of 5% of the tax due or £300, whichever is greater.
- After 12 months, another 5% or £300 charge, whichever is greater.

Tax due is also payable by 31st January, with penalties for late payment of 5% of the tax unpaid at 30 days, 6 months and 12 months. ■

HMRC’s plans for quarterly reporting prove highly unpopular

The government's plans to make all the self-employed report to HMRC on a quarterly basis are proving to be deeply unpopular with taxpayers. A petition against the measure has attracted over 105,000 signatures in a matter of weeks.

Once the petition reaches 100,000 signatures it must be debated in the House of Commons.

The announcement of new digital tax reporting for the majority of small business in the UK was made by the Chancellor in his Autumn Statement in November 2015. The idea is part of HMRC's plans to go fully digital. The key issues are cost, both in terms of time in extra administration and financial burden and poor technology.

Whilst larger businesses that are VAT registered are already obliged to file VAT returns quarterly online, this process takes time and many small business will be forced to outsource their quarterly reporting to accountants at a considerable cost. ■

Do you avoid phoning HMRC for help because they don’t answer the phones? Better luck ahead

HMRC have been much criticised for the delays that taxpayers experience when phoning. They claim to have put many more officers onto manning the phones and have told parliament that the current delays are now 5 to 10 minutes.

It is sometimes important to phone – always note the time taken and the date and time of the call. ■

Changes to CIS coming in April - think carefully if you trade net or have subcontractors who trade net

From the 6th April 2016 the tests to get and retain gross CIS status will become easier. They will focus on paying income tax, corporation tax and PAYE, on time and submitting CIS returns on time. The turnover thresholds will also be reduced. If you or subcontractors you use do not have gross status, please consider whether it will be worth applying for gross status in May-June 2016 and talk to your accountants.

- The directors' self-assessment filing requirements will be removed from the initial and annual compliance tests.
- The threshold for the turnover test will be reduced to £100,000 in multiple directorship situations. ■

Tax relief on subscriptions for employees: HMRC's List 3 - revised

An annual subscription is an allowable deduction from an employee's earnings if it is paid out to a body of persons approved under section 344 ITEPA 2003 (HMRC's "List 3") and the following conditions are met:

- The employee pays the subscription out of their earnings from an employment.
- The activities of the body are directly relevant to the employment.

The activities of a body are directly relevant to an employment where the performance of the duties of that employment:

- Is directly affected by the knowledge concerned, or involves the exercise of the profession concerned.

List 3 shows:

- HMRC approved professional bodies and learned societies, approved with details of statutory fees or contributions allowable for years 2003-04 onwards. ■

And finally, to cheer you up....

All of the following were used in unsuccessful appeals against penalties for late 2013/14 returns:

1. My tax papers were left in the shed and a rat ate them.
2. I'm not a paperwork orientated person – I always relied on my sister to complete my returns but we have now fallen out.
3. My accountant has been ill.
4. My dog ate my tax return.
5. I will be abroad on deadline day with no internet access so will be unable to file.
6. My laptop broke, so did my washing machine.
7. My niece had moved in – she made the house so untidy I could not find my log in details to complete my return online.
8. My husband ran over my laptop.
9. I had an argument with my wife and went to Italy for 5 years.
10. I had a cold which took a long time to go. ■

For queries regarding any of the issues covered in newslines contact Liz Bridge.

Tel: 020 8874 4335 liz@thetaxbridge.com