

JTC NEWSLINE

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CIS messages from HMRC to start from 1 May

From 1 May CIS messages from HMRC will be sent via the generic notification notices system (GNS) online. Make sure you read them!!

You will be able to view the messages by logging into HMRC online services and selecting the generic notification notices from within the notice summary section. Contractors can also view their notifications in their commercial payroll software, as long as it is compatible with viewing generic notifications. Contact your software provider to check if your software is compatible.

The GNS message is not sent through email to an 'Inbox'; instead, they are sent to an electronic 'holding area'. The electronic message can then be viewed by the contractor and/or their agent using either their third-party software or their online services account.

The online services application will allow the contractor or their agent to mark their electronic messages as 'Complete'. On receipt of a contractor's monthly return, the following GNS messages may be sent:

- **CIS Return Inactivity Confirmation** – confirmation of the start and end dates for Periods of Inactivity.
- **Period of Inactivity about to end** – Notification of when a Period of Inactivity will end.
- **Submission of a return reporting payment and deduction information for a Period of Inactivity** – Notification that the Period of Inactivity has been ended following receipt of a return which reports payment and deduction information during a Period of Inactivity.
- **Submission of a 'nil return' in a Period of Inactivity** - Notification that the Period of Inactivity will continue despite receipt of a 'nil return' during a Period of Inactivity.
- **Return amendment where the number of subcontractors has changed** – HMRC are seeking confirmation from the contractor that this is correct. If not, the contractor should amend the return to reflect the correct number of subcontractors.
- **Cost of Materials Enquiry** – There is an entry on a return where the cost of materials is equal to, or exceeds, the total payments made to the subcontractor(s) shown. HMRC will ask the contractor to confirm this is correct. If not, the contractor should amend the return or call the CIS Helpline and explain why it has happened.

- **Inactivity Request for a wrong period** – A request for a Period of Inactivity has been made for an inappropriate period or HMRC already hold a request for that same period. HMRC will ask the contractor to confirm the position.

- **Return Not Filed Yet** – Notification that the return for the current month has not been received and requesting that the return is submitted immediately, otherwise there may be late filing penalty charges.

- **Subcontractor Tax Treatment Enquiry** – According to HMRC records an incorrect deduction rate has been applied to one, or more, subcontractors' payments on the return. HMRC require the contractor to check their records and, if an error has been made, to amend the return. Alternatively, if the contractor believes they have given HMRC the correct information, they will need to call the CIS Helpline for further advice.

- **Return Submission, Unmatched Subcontractor** – A return has been received with payment and/or deduction information that HMRC cannot assign to a subcontractor's record. HMRC require the contractor to check their records and, if they have given HMRC incorrect information, to make an amendment. If the contractor believes the information to be correct, they are asked to call the CIS Helpline for further advice. ■

Changes to the CIS Scheme

From 6 April 2016 the turnover threshold which has to be passed if a small company is to get gross status in the CIS Scheme will be **£100,000 p.a.** and not £200,000 p.a. as previously.

From 6 April 2016 the tests made to a tax paying record before a gross status can be issued to a sole trader or a company will look only at self-assessment returns and PAYE and CIS returns. It will also allow a monthly return to be late by up to 28 days twice in a year, and will allow two late payments of PAYE/CIS up to 14 days late.

This is a considerable easing of the previous rules. If your firm has net status or you have subcontractors with net status you should seriously consider applying for gross status. Changes to the CITB levy system mean that most contractors will want subcontractors with gross status if at all possible. ■

CIS verifications

From 6 April 2017, it will be mandatory to undertake all verifications online. Until that date, however, the CIS Helpline will still accept verification requests by telephone. **It would be wise to try the new online verification system now to get used to it.**

The online verification process has been improved to give contractors better results when they attempt to verify subcontractors online and the information they have used is not entirely correct. For example, where a contractor is trying to verify a subcontractor with a spelling error in the subcontractor's name, CISR will be able to recognise this and return the correct subcontractor details.

New CISR verification functionality will include searches against the subcontractor's UTR, name, NINO or CRN in order to match the subcontractor's record. Where the UTR, NINO or CRN are provided, this will return an exact match during the verification.

Users of the HMRC online filing application will now see a "Tax Treatment" column on their list of subcontractors, showing the subcontractor's tax treatment from the most recent verification undertaken online. If a subcontractor's tax treatment is changed internally by HMRC staff, using CISR, the "Tax Treatment" column in the HMRC online filing application will not be updated on the online record. In these circumstances, the contractor will be advised on the CIS316 'Change of Tax Treatment' letter to re-verify the subcontractor to ensure their online records are up to date.

It will be possible for a contractor to submit a verification request and/or a monthly return without a particular subcontractor's UTR but the contractor will be advised that, in such circumstances, the subcontractor's verification will be 'unmatched'.

It will now be possible to verify a subcontractor where their UTR matches a known subcontractor on CISR, as long as the NINO or CRN also matches what is on the subcontractor's record, even if the subcontractor's name has failed to match the CIS Record.

The facility within the HMRC online filing application that allows contractors to input directly a subcontractor's tax treatment status has been withdrawn and only the tax treatment information generated by HMRC will be displayed. ■

Paying tax by credit card

The 1.5% fee charged by HMRC to taxpayers who pay by credit card is to be replaced by several rates depending on the type of credit card used. They will not charge the taxpayer more than they are themselves charged. The new rates vary from 0.374% on a personal MasterCard World Premium credit card to 2.406% on a corporate MasterCard Purchasing card. ■

PAYE payments

HMRC are reminding employers to check their payment reference, payment amount and payment date. Wrong details can lead to an automatic penalty but also to general confusion and lost accountancy time.

Payment reference:

- Include your 13 character Accounts Office Reference (example 123PA00012345) with no gaps.
- Monthly payers making an early payment before the 5th of the month or a late payment after the 5th of the next month should add an extra four numbers to identify the year and month it relates to. An early or late payment for the month ended 5th May 2016 should have the numbers '1701' added, 17 for the tax year 2016/17 and 01 for the first month of the tax year.
- Quarterly payers making an early or late payment should add four numbers to identify the tax year and the quarter. An early or late payment for the quarter ended 5th July 2016 should have the numbers '1703'.

What to pay:

- Pay the amount showing as owing per the Full Payment Submission (FPS) of the previous month minus any reductions on the Employer Payment Summary (EPS) sent in before the 19th of the current month.

When to pay?

- Make the payment early enough to clear HMRC's account on or before the due date of the 22nd of the month.
- If making payment by post, it must be received by HMRC by the 19th.
- BACS Direct Credit doesn't operate on non-bank working days.
- In May 2016 the electronic payment deadline falls on a Sunday so payment must be made by Friday. ■

Apprentices under 25

From 1 April 2016 employers no longer have to make employers' national insurance contributions in respect of apprentices under 25, up to an earnings threshold of £43,000.

- The apprentice must be following a government statutory apprentice framework which vary for the different UK companies.
- Evidence will be needed to apply the relief.
- NIC category H should be used for apprentices under 25, including those under 21. ■

National Living Wage (NLW)

From 1 April 2016 all workers aged 25 or over are legally entitled to at least £7.20 per hour.

For 21-24 year olds the rate is £6.95.

For 18-20 year olds the rate is £5.55.

For 16-17 year olds the rate is £4.00.

For apprentices the rate is £3.40 ■

Tax free childcare

The tax free childcare account will be available from early 2017 for parents of the youngest children. All parents will be eligible to apply by the end of 2017.

Key features:

- Available to the self-employed and employees whose employer does not provide employer-supported childcare.
- Managed via parents' on-line account.
- Government top-up of 20p for every 80p paid to a maximum of £2,000 per child per year for an £8,000 contribution by parents. The maximum top-up for disabled children is £4,000.
- Grandparents, other family members or employers can pay into the account.
- Both parents must be working the equivalent of 16 hours at the National Living Wage.
- Neither parent must earn more than £100,000 per year.
- Covers children up to the age of 12, and for children with disabilities up to the age of 17.
- Parents can withdraw money if they want to, but the government will also withdraw its corresponding contribution.
- Current employer-supported childcare arrangements (vouchers and contracted childcare) continue so long as the employer is willing to continue them and the employee stays with the same employer.
- Employer-provided nurseries are unaffected by the new scheme.

HMRC have indicated that more information about the scheme will be made available before it is introduced. ■

Interim guidance for intermediaries

Revised interim guidance for intermediaries on personally providing services and supervision, direction or control has been published to enable intermediaries to apply the agency legislation and new employment intermediaries travel and subsistence measures. Visit tinyurl.com/hyn2xtl for guidance. This is important reading for labour providers. ■

Student loans

HMRC will prompt employers via GNS if they do not report any deductions for an employee when one is expected. A second missed deduction will result in a second prompt and a third in a phone call.

HMRC advise employers to:

- Check their inbox for online notices.
- Implement SL1 and SL2 notices at the first available payday.
- Check that deductions are made against the correct plan type.
- Ask their employee to contact the Student Loan Company if they don't know their plan type. ■

Employers' NIC allowance: Single director companies

From April 2016 if the director of a company is its only employee, the company is no longer eligible for the employer's NIC allowance.

- Companies affected should make sure that they pay the full amount of employer NIC without deducting any allowance.
- An Employer Payment Summary (EPS) should also be submitted to HMRC confirming that the claim to the allowance has stopped.

HMRC advise that if a second employee receives sufficient earnings so that the company has employer National Insurance contributions to make for more than one earner then the full allowance can be claimed. ■

If you have a query regarding any of the items featured in this issue of newslines please contact Liz Bridge.

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