The Construction Industry
Joint Taxation Committee

JTC

JTC NEWSLINE

Issue 93 August 2016

HMRC begin issuing 2015/2016 tax calculations

HMRC have begun issuing their end of year tax reconciliations for 2015/16, and are expecting to have sent around 6 million of these forms, P800, to taxpayers by the end of November.

Those receiving P800 tax calculations should check them carefully to make sure that the calculation is correct and that any over or underpayment is reasonable. HMRC estimate that around 85% of people will have paid the correct amount through PAYE, which means that a substantial number might not, and taxpayers do have an obligation to notify HMRC of any mistakes.

Differences between the amount owed and the amount collected can occur for a number of reasons, such as:

- The latest PAYE code issued was not up-to-date, or was issued too late in the year for the employer to apply it.
- The PAYE code includes estimates of income such as rental income or benefits in kind which are not the same as actual income.
- The PAYE code includes estimates of payments such as pension contributions or gift aid donations which are not accurate.
- The taxpayer has started to receive a state pension or other taxable state benefits during the year.
- The PAYE code includes incorrect figures for tax underpaid in previous years.
- HMRC could have made an error in their reconciliation.

What happens if there is an over or underpayment?

- Overpayments will generally be repaid to the taxpayer by way of repayable order. This is usually issued by HMRC within 14 days of issuing the P800 calculation.
- Underpayments will, in most cases, be collected through the 2017/18 tax code. Those who would prefer to make a single payment should be able to arrange with HMRC to do so.
- Very rarely, if the underpayment cannot be collected through the tax code and the taxpayer will not make a voluntary payment, HMRC will issue a self-assessment tax return to collect the underpayment.

Amounts which HMRC will not collect or repay

HMRC will not collect or repay amounts of tax which fall within their tolerance levels as it is not cost effective for them to do so. This means that:

- If tax underpaid is £49.99 or less HMRC will not seek to collect it.
- If tax overpaid is £9.99 or less HMRC will not repay it.

This year, for the first time, HMRC have indicated that they intend to issue P800 calculations to taxpayers whose over or underpayment falls within the tolerance levels, although their policy of not collecting or repaying these amounts has not changed. So if you are owed £9.99 you had better reclaim it! ■

Profits from trading in and developing UK land: offshore developers and dealers of UK land

In March 2016 HMRC published a technical note explaining new anti-avoidance provisions that are designed to tax offshore property developers on their UK profits. New rules were introduced by Finance Bill 2016 with effect from 5 July 2016.

- Offshore developers and dealers of UK land are to be subject to UK tax on their profits.
- New rules will apply to both UK resident and non-resident businesses and will not depend on the existence of a ‘permanent establishment’ in the UK.
- Measures effective from 5 July 2016. Anti-avoidance provisions in place since 17 March 2016. ■

CITB Levy

There has been a delay in sending out the 2016 Levy Return. The dates you need to know are:

- The Levy Return will be sent out in August.
- Online Levy Returns can be submitted from 30 August.
- The Grants Scheme starts on 1 August and there is no change to 2016/17 rates.
- The deadline for Supplementary Payment has been extended to 31 December.
- The Levy Assessments will be sent out in March 2017. ■

continued overleaf

Deadlines: compliance (individuals & companies)

Every UK taxpayer has filing obligations and deadlines. There are penalties for late and inaccurate submissions. ■

Tax	Deadline	Penalty
Income Tax return (self-assessment)	31 January following the end of the tax year for electronic returns. 31 October following the end of the tax year for paper returns.	Depends on how late: ❍ Missed deadline: £100 ❍ 3 months: £10 a day ❍ 6 months: 5% of tax due or £300 if greater ❍ 12 months: 5% of tax due or £300 if greater
Income Tax payments	31 January balancing payment for the previous tax year and first payment on account of the current year. 31 July second payment on account for the current tax year.	Depends on how late: ❍ 30 days: 5% of tax due ❍ 6 months: 5% of tax outstanding at that date ❍ 12 months: 5% of tax outstanding at that date
VAT (if registered) quarterly return and payment	1 month and 7 days after quarter end	Surcharges can apply if you don't file (or pay in full) by the deadline more than once in a 12 month period. Level of surcharge depends on turnover and number of failures, ranging from 2% to 15% of the VAT outstanding.
PAYE (if an employer) RTI return	On or before payment made to an employee	In year submissions: ❍ Can be up to 3 days late without penalty ❍ Special rules apply in numerous situations Final submission: £100 per 50 employees for each month.
PAYE payment	19th/22nd of each month (if making manual/electronic payment) unless arranged for a quarterly or annual scheme. Class 1A NICs: 19th/22nd of July (if making manual/electronic payment) following the end of the tax year	Late monthly and quarterly payments: ❍ 1% to 4% of late amount depending on how many more times a payment is made late ❍ No penalty if only one payment is late in any tax year, unless more than six months late ❍ 5% if more than six months late ❍ A further 5% if still not paid after 12 months Annual payments (e.g. Class 1A NICs and PAYE Settlement Agreements): ❍ Up to three penalties of 5% of the amount that is late, depending on the length of time that the amount is not paid in full
CIS returns	19th of each month	Depends on how late: ❍ 1 day: £100 ❍ 2 months: £200 ❍ 6 months: higher of £300 and 5% of CIS deductions ❍ 12 months: higher of £300 and 5% of CIS deductions ❍ Beyond this additional penalties can be up to the higher of 100% of the CIS deductions and £3,000
Tax credits renewal	31 July	If deadline is missed: ❍ Tax credits payments will stop ❍ Have to repay any amounts received since 6 April

continued overleaf

Welsh Land Transaction Tax (LTT)

On 5 July 2016 the Welsh Government published the draft Land Transaction Tax and Anti-avoidance of Devolved Taxes (Wales) Bill setting out proposals for the introduction of the Welsh Land Transaction Tax (LTT) which will replace Stamp Duty Land Tax (SDLT) in April 2018.

Summary of key features

- It will replace SDLT from April 2018.
- Based on SDLT.
- Banding system used for calculating tax.
- Bands and rates to be announced closer to introduction.
- Reporting and payment of tax due within 30 days of transaction.
- General Anti-Avoidance Rule to be introduced.
- Higher rate rules for additional properties remain under consultation at this stage.

LTT is primarily based on current SDLT legislation and will be calculated using the banding system for both residential and non-residential properties.

No decision has yet been made regarding bands and rates of tax and this is expected in autumn 2017 so that the government can assess and analyse economic conditions closer to the introduction of LTT. LTT will include many of the same reliefs and exemptions as SDLT and will introduce a general anti-avoidance rule to cover all LTT reliefs.

A consultation document has also been published: “Higher rates for purchases of additional residential properties” which asks stakeholders their views on how this should apply to LTT. In particular the document asks whether the higher rate legislation should be more aligned with SDLT or the Scottish Land and Buildings Transaction Tax. ■

Warning to agencies and users of labour where an off-shore company or trust is in the chain

The technical press are warning that HMRC are using their legislative power to raise assessments for PAYE and NIC on agencies and employers where labour is being supplied through a chain of providers and where someone in the chain was offshore and there was a failure to account for PAYE. The first that anyone would know of this is probably the arrival of what is described as a Reg80 assessment for PAYE and NIC in respect of temporary workers supplied by an intermediary.

I believe these assessments are only being issued to firms which have used labour from an agency where the agency has either been involved in an avoidance of PAYE scheme, or where the agency has got their labour from another intermediary involved in such a scheme. I do not wish to frighten the ‘worried well’. But it shows that HMRC are serious about getting PAYE in from the agency labour system and they have legislation that can do it – and no compunction about using it. It you would like to read the taxation article, please email **Liz@thetaxbridge.com.**

Be careful if you take labour from a labour provider that you are assured that PAYE is being paid somewhere in the chain in respect of the worker. If the price is low because PAYE is not within the price, this news story suggests the end user is not as immune as they might hope from a future assessment. ■

If you have a query regarding any of the items featured in this issue of newsline please contact Liz Bridge.
Tel: 020 8874 4335 liz@thetaxbridge.com