The Construction Industry
Joint Taxation Committee

JTC

JTC NEWSLINE

Issue 101 April 2017

So much has happened since Budget Day ....

Normally the April Newsline is full of the Budget announcements but this time we have as much on post Budget announcements.

So where have we got on making tax digital?

“Making Tax Digital” is the boring title for some very serious changes to the ways in which businesses account for tax. For all businesses that are registered for VAT the starting date is April 2018. This means that every firm which is VAT registered should start talking now to their accountants and software providers. From April 2018 they will be making quarterly returns to HMRC of gross receipts, gross expenses and estimated profit. And this will not take away the requirement to return taxable profits for the year at the year end. The original plan was for small businesses to start in April 2018 as well. They now have an extra year to sort out software and spreadsheets to make quarterly returns. Only businesses with a turnover under £10,000 will be exempted from this legislation, so no one in construction except perhaps a part time semi-retired builder in a rural community!! Not you!!! A pilot scheme for the self-employed and landlords is now underway. There is also a consultation out on the penalties that will be payable for failure to make the quarterly returns.

National Insurance Class 4

At the Budget the Chancellor announced that Class 4 NICs would increase to 10% from April 2018 and increase again to 11% in 2019. Within days he was forced to withdraw the measure by his party backbenchers. The Government commitment not to touch Class 1 NICs was misunderstood by most voters and was believed to be a lock which prevented the increase of any NIC rates.

Be afraid. The measures were forced on the Chancellor by the growing use of tax avoidance schemes to move employees into ‘self-employment’ and therefore to reduce the costs for employers. But just as they reduce costs for industry they similarly reduce the tax take for the Chancellor. We (he) need this income, and he needs to cement and support PAYE and employment system now that he is introducing workplace pensions. It is therefore likely that other measures to prevent false self-employment will be proposed within the year. These will be measures that are more difficult to operate and police for employers. **Watch this space.**

Dividend Allowance

The dividend allowance was introduced by Finance Act 2016 as part of the reforms to the taxation of dividends from 6 April 2016. The allowance was intended to compensate for the removal of the dividend tax credit and to take a number of individuals with modest dividend income out of the self-assessment regime.

The allowance, which gives a 0% rate of tax on dividend income, will fall from £5,000 to £2,000 from 6 April 2018. The rationale for this reduction is to close the gap between individuals who are employed or self-employed and those who are operating their business through a company and can therefore take dividends instead of a salary.

The Government expects that 80% of ‘general investors’ will continue to pay no dividend tax despite the change. It can be seen as the first of the measures to control the use of small limited companies as a route for tax avoidance.

VAT: construction industry - reverse charge

The Government is consulting on new anti-fraud measures related to the supply of construction industry labour. They are experiencing a considerable loss of VAT into the hands and pockets of organised criminals using construction firms, predominantly fraudulent gangmasters.

The proposals are likely to affect every firm which pays or is paid a substantial sum, let us guess at £100,000 because the consultation document is not specific. In essence the proposal is to introduce a domestic VAT reverse charge on the supply of labour. This would mean that the recipient of the supply rather than the supplier would account for the VAT due. The recipient would both pay over the VAT and recover it on the same return. The supplier would have to understand the legislation and not invoice for the VAT. Such an approach already exists for the domestic supply of mobile phones and computer chips.

https://www.gov.uk/government/consultations/vat-fraud-in-labour-provision-in-construction-sector

The consultation on this proposal was published on 20 March 2017. It is important that you read the proposal and let Liz Bridge know your views.

Contact liz@thetaxbridge.com .■

continued overleaf

End of year reporting

HMRC provide a reminder of upcoming reporting deadlines:

- Employees have to be given a P60 by 31 May 2017.
- If you've made a mistake on an FPS you can correct this by sending in another one up to 19 April, after that you will have to use an Earlier Year Update.
- If you've paid any benefits or expenses then forms P11D / P11D(b) have to be filed by 6 July 2017.
- If you've payrolled any benefits you need to:
  - o Submit a P11D for any non-payrolled benefits.
  - o Submit a P11D(b) for Class 1A NICs due on all benefits (including any payrolled ones).
  - o Give your employees a letter telling them what you have payrolled.

Remember dispensations have gone - exemption for paid and reimbursed expenses

From 6 April 2016 the dispensation regime was replaced by a new exemption for benefits and expenses paid to employees that would be deductible for the employee:

- Employers need to operate a system to check employees are actually incurring the expenses and that they are not taxable.
- If the exemption applies there is no need to report amounts paid on form P11D.
- If a payment has a mix of private and business use, only the business amount will be tax free.
- If the business amount of a mixed payment can't be identified the whole amount must be taxed. It's then up to the employee to claim for relief on form P87 or through self-assessment.

Tax codes

From May 2017 HMRC will start to use Real Time Information to make automatic adjustments to PAYE tax codes as they happen, rather than waiting until the end of the tax year.

Apprenticeship Levy

A reminder that this comes in on 6 April 2017:

- Only employers with a pay bill over £3m will have to report and pay.
- Where it applies, reports have to be made through the EPS by 14 days after the end of each tax month: the first report is due by 19 May 2017.

Salary Sacrifice

The tax and NI advantages of salary sacrifice arrangements are to be withdrawn from April 2017:

- There will be exemptions for childcare vouchers, workplace nurseries and directly contracted childcare, ultra low emissions vehicles, cycle to work and pension contributions.
- There will be a delay in withdrawing the advantages where an agreement is already in place by 6 April 2017.
- Extending grandfathering applies for cars, school fees and living accommodation.

Other changes coming in from 6 April 2017

A reminder of some other previously announced changes come in from April this year:

- New rules on assets made available to employees without transfer: these clarify that employees will only pay tax for days when the asset is available for private use.
- A new £500 exemption for pension advice provided to employees.
- A new exemption for employer provided legal support.
- Alignment of the dates for making good BIKs: the deadline for all non-payrolled benefits from 2017/18 onwards will be 6 July after the end of the tax year.

Paying HMRC

- HMRC remind employers to only use current HMRC payslips: following their change of bank last year old payslips will soon start to be rejected.
- The 22nd April electronic payment deadline falls on a Saturday: funds should clear HMRC's account by the 21st unless a Faster Payment can be arranged to clear on the deadline.

Pay Rates increase on 1 April 2017

- The National Living Wage for those aged 25 and over increases from £7.20 to £7.50.
- The National Minimum Wage will also increase for other employees.

Student Loan thresholds

- From 6 April 2017 the plan 1 threshold will change to £17,775.
- The plan 2 threshold will stay at £21,000. ■

The Employment Status Service (ESS) is now available **www.gov.uk/guidance/check-employment-status-for-tax** ■

New advisory fuel rates for company cars

These rates apply from 1 March but previous rates can continue to be used up to 1 April 2017.

- Employers can use these rates to reimburse company car drivers for business fuel.
- These rates can also be used if employees are required to repay the cost of fuel used for private travel.
- These rates should not be used in relation to vans.
- Hybrid cars can be treated as either petrol or diesel cars for this purpose.
- These amounts also apply for VAT purposes, but employers can only reclaim input VAT if the employee supplies a receipt. ■

Rates from 1 March 2017

Engine Size	Petrol	Diesel	LPG
1400cc or less	11p		7p
1600cc or less		9p	
1401cc - 2000cc	14p		9p
1601cc - 2000cc		11p	
Over 2000cc	22p	13p	14p

Construction Industry Scheme (CIS)

From April 2017 HMRC will no longer accept phone calls to verify subcontractors: you will have to use the HMRC online service or commercial CIS software. There may be problems when attempting to verify partnerships online. If you have problems with partnerships, please contact Liz@thetaxbridge.com and report what has happened. There will remain a way of telephone verifying those cases which 'jam' in the online system, but HMRC will only do it in specific circumstances. ■

Victory for ratepayers in Supreme Court

There has been an appeal against a 2015 Court of Appeal ruling which severely limited the circumstances under which premises undergoing refurbishment or redevelopment could be excluded from rates.
As a result, developers have generally incurred full rate liability throughout development. Not now, after Monk v Newbigin. It will take some time for the Caseworkers to get through the backlog of appeals but if you think you could be affected please contact **Liz@thetaxbridge.com**. ■

Scottish Tax

The Scottish Government have confirmed that all Scottish income tax rates will be frozen for 2017/18, and the higher rate threshold will remain at £43,000.

It had previously been announced that the higher rate threshold in Scotland would rise in line with inflation, but the SNP has now agreed with the Scottish Green party that this increase will not happen.

The higher rate threshold in the rest of the UK will i ncrease to £45,000 from April 2017.

Beware, if you know that an employee lives in Scotland but has no S prefix to the tax code you **cannot** give them an S prefix in any attempt to be helpful or do things right. You must wait until you are notified by HMRC that they have an S prefixed code. ■

Probate fees: increase in May 2017

The increase in fees follows consultation and will be enacted by statutory instrument. ■

Value of estate	Fees to April 2017 £	Value of estate	Fees from May 2017 £
Up to £5,000	-	Up to £50,000	-
Over £5,000, individual applicant	£215	£50,001 - £300,000	£300
Over £5,000, solicitor applicant	£155	£300,001 - £500,000	£1,000
		£500,001 - £1,000,000	£4,000
		£1,000,001 - £1,600,000	£8,000
		£1,600,001 - £2,000,000	£12,000
		£2,000,001 +	£20,000

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