The Construction Industry
Joint Taxation Committee

JTC

JTC NEWSLINE

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HMRC issues advice on the due diligence necessary by contractors

On 19 May HMRC issued a guidance note called 'Use of Labour Providers - advice on due diligence'. If you ever take workers from any sort of agency or middleman, you must read it and act. It instructs you to check with the workers provided to you how they are being paid and the legitimacy of the arrangement. You must investigate who pays them to the extent that you understand and approve of the labour supply chain.

The note threatens that if non-compliance is found anywhere in the supply chain leading down to you, you may be held responsible for any tax that goes missing. Whilst this might be difficult for HMRC to do legally, the accountancy costs you would incur whilst HMRC investigated would not be low. It is essential that you read the guidance and where appropriate make checks – and keep notes to evidence that you did make checks and took the issue seriously.

If you would like a copy of the guidance note emailed to you contact **Liz@thetaxbridge.com** ■

Guidance for PAYE reporting for employment intermediaries

These notes have been reissued with better sections on penalties and appealing penalties for late or incorrect reports from employment intermediaries. An employment intermediary is any business where the trade is to provide workers to other businesses. You will need to read it if you act as an agency and the workers you provide are not taxed in PAYE.

The intention is to make the reporting on workers paid outside PAYE effective and to put HMRC in a position to charge penalties, take appeals, and win on appeal before Tribunals. ■

Taxation of termination payments - advance warning

The taxation of termination payments and the tax free status of £30,000 when it does not arise from a contractual obligation, is likely to change from April 2018. Legislation that was originally in this year's Finance Bill was shelved because of the sudden General Election but is likely to be reintroduced to start in April 2018. ■

CITB - the next Levy order

The proposed Levy order for 2018-2020 is up for approval. The thresholds for paying the Levy will be unchanged so employers -

- will be exempt if their wage bill is less than £80k.
- only pay 50% of the rate if the wage bill is between £80k and £399k.
- only pay the full rate if their wage bill is over £400k.

The calculation method for the Levy due from April 2018 will remain the same as in the current order but there will be a reduction in the PAYE rate

- 0.35% for PAYE
- 1.25% for net CIS workers

The consensus trade federations are about to be consulted for their views and Levy payers who are not part of a recognised trade federation may be independently approached for views.

Visit the CITB website to check what the proposals mean for your business. ■

Workplace pensions

The auto-enrolment dates for even the smallest businesses are passing and the regulator is beginning to charge fines for non-compliance and publish the names of non-compliant businesses. If you do not know your responsibilities and your start date it would be worthwhile checking that you are indeed moving towards compliance in good time. ■

Making Tax Digital

The legislation which would have fixed the legal timetable for the introduction of compulsory quarterly returns of receipts, expenditure and profit for all businesses was removed from the 2017 Finance Bill before the General Election. No one now knows whether the timetable will be delayed. It is likely that all businesses will have a year's reprieve. It is likely that the legislation will go into the next Finance Bill after the first Budget of this parliament and a year's delay is likely to make the introduction more palatable to a closely divided house.

Keep 'Making Tax Digital' part of any conversations you have with your accountants and software providers. It will not go away. ■

If you have a query please contact Liz Bridge Tel: 020 8874 4335 liz@thetaxbridge.com

New advisory fuel rates from 1 June

These rates apply to all journeys on or after 1st June. For one month from the date of change employers may use this rate or the previous rate.
The amounts can be used for VAT but employers will need to retain receipts.■

Engine Size	Petrol	Diesel	LPG
1400cc or less	11p		7p
1600cc or less		9p	
1401cc - 2000cc	14p		9p
1601cc - 2000cc		11p	
Over 2000cc	21p	13p	14p

PAYE dynamic coding

This year HMRC will seek to make code number changes in year when it has reason to believe that the employee will owe tax at the end of the year. The aim is to reduce the number of annual P800 notifications issued. The estimated tax debt will not crystallise until the end of the year – as before. The system change is known as dynamic coding.
There will be a limit of 50% to any excessive amounts that become due, particularly as the tax years roll on and the amounts of pay and tax to date accumulate. There are also measures to protect against undue hardship for employees who face a double hit of tax because they have arrears from a previous year as well as estimates of increased liability for the current year. This is a long way around of saying there will be many more coding changes – **watch out!** ■

Due dates for P11Ds

- Form P11D and P11D(b) filing deadline is 6 July in the following tax year.
- Payment date of Class 1 A NIC is due by 19 July in the following tax year (22 July if paid electronically) unless the business ceased before.
- If business ceases, it is due 14 days after the end of the final tax month of trading.
- Form P46 (Car) is a separate form and is filed quarterly.

Penalties

Non-submission or overdue:

- Form P11D(b): £100 per every 50 employees (or part of 50) per month or part month.

Late payment of Class 1A NIC

- Non-payment Class 1A NIC: statutory interest charged immediately from 19 July (22nd if paid electronically). ■

Your rights if HMRC make an unannounced visit - come back later

The first thing you will know of an unannounced visit is the arrival of HMRC officers at your door. They are usually led by a VAT officer and are usually in a team of four, the other officers trained in other taxes. The lead officer will present a letter and at this point it is important to read it carefully. There are two types:

- One signed by a tribunal and given with factsheet CC/FS5. If this is offered you must comply with the visit, but these letters are very rare.
- One signed by an authorised HMRC officer and given with factsheet CC/FS4.

If you get offered the latter, much more common letter, you do **not** have to admit the officers. You can explain that it is not convenient, (there is a lot of work in hand, you wish your legal representatives present), and can fix a different time for the visit (giving yourselves time to catch breath and collect thoughts).
HMRC officers prefer to come straight in. They believe they will catch the taxpayer unawares, and four officers are already at the premises – so they tend to psychologically push to be admitted. If you are worried or uncomfortable with a spot visit, do not admit them to the premises but arrange a more convenient time. It cannot be held against you in any further enquiry. ■

Voluntary payrolling

For many years a number of employers have been collecting tax on employees' benefits in-kind through the payroll. This was a voluntary scheme that required HMRC approval. Last year a formal scheme was introduced that gives employers the option to payroll a range of benefits in Real Time. This removed the requirement to do P11Ds. Judging by anecdotal evidence the new system has gone well. It might worth considering joining the voluntary payrolling scheme from the start of 2018/19 when many of the wrinkles should have been ironed out. Worth a thought. ■

Employment allowance

The employment allowance came into effect from April 2014 but was increased to £3,000 a year from April 2016. It only needs to be claimed once and employers who have not claimed for a previous year can submit late claims. **Single director companies are not eligible for an allowance**.
There has also been a further tightening, the allowance cannot be claimed for companies where only one director is paid earnings above the secondary threshold. This has been done to discourage the payment of wages to family members at the lower earnings limit for NIC to provide them with an NIC contributions record. ■