

**Making Tax Digital postponed - a bit!!**

The government has announced major changes to its Making Tax Digital for business (MTD) proposals. MTD will initially only apply for VAT. VAT registered businesses will be mandated into HMRC's plans for quarterly bookkeeping and reporting from 2019. MTD will not become compulsory for other business or taxes until 2020. This means that VAT registered sole traders and partnerships must be using MTD accounting software by 2019. Pencils, ledgers and homemade excel spreadsheets all gone.

**Proposed updated timetable:**

- VAT registered businesses, with turnover over the VAT threshold will be mandated into the MTD reporting system from 2019.
- Property landlords and small business trading below the VAT threshold will join MTD from 2020, although they may opt in to MTD earlier if they wish to do so.
- There is no news on what is proposed for companies; however, the government is currently looking at reform of corporation tax.

Year	Which tax	Who	Exceptions
2019	VAT	Self-employed individuals who are VAT registered	Business with a turnover of less than £10,000
2020	Income tax & Class 4 NICs	Self-employed individuals and landlords	Business engaged in excluded activities The Digitally Excluded
2020?	Corporation Tax	Companies	Insolvent business
	Income tax & Class 4 NICs	Large partnerships	Charitable trusts

The government says that it has listened to concerns raised in parliament, by businesses and professional bodies about the pace of change and is taking steps to ensure a smooth transition to a digital tax system. HMRC has already begun piloting the Making Tax Digital services and will continue to do so. It will start to pilot MTD for VAT by the end of 2017 with a live pilot starting in spring 2018. These changes will be legislated for as part of the Finance Bill 2017. Changes to VAT reporting will come into effect from April 2019. From that date, businesses above the VAT threshold have to provide their VAT information to HMRC through Making Tax Digital software. This is welcome news. On saying that, 2020 is going to be upon us very quickly. ■

**Automatic enrolment for work - just to frighten you**

- Don't ignore the workplace pension!
  - You should not just assume you are exempt if you are a one-director or director-only business.
- The Pensions Regulator has published a case relating to Johnsons Shoe Company and a £40,000 fine for failing to comply with their auto-enrolment duties.
- Johnsons' staging date was 1 May 2014.
  - They were due to submit their auto-enrolment declaration of compliance by 30 September 2014.
  - They missed the deadline.
  - The Pensions Regulator repeatedly tried to communicate and educate Johnsons to enable them to meet their duties but there was a lack of action on Johnsons' part.
  - A Fixed Penalty Notice (FPN) of £400 was issued and Johnsons took some steps to meet their duties in reaction.
  - Johnsons remained non-compliant and they were issued with an Escalating Penalty Notice (EPN) in November 2015.
  - The EPN took effect from 8 December, when further penalties accrued at a rate of £2,500 per day.
  - The EPN totalled £40,000 by the time Johnsons were compliant.

Johnsons initially indicated that they would not pay the fine and that the pressures of work were to blame for not meeting their duties.

The Pensions Regulator did not accept that there was a reasonable excuse and Johnsons were out of time to ask for a review of the fine. Johnsons eventually settled the Pensions Regulator's £2,000 court fee as well as the fines.

Johnsons were more than a year late before the EPN daily penalties took effect and the original Compliance Notice was issued in April 2015. The Pensions Regulator says that it will engage with employers and help them to try and achieve compliance.

- From 1 October 2017, all new employers and all those who fall within the auto-enrolment requirements for the first time will have immediate responsibility to provide a workplace pension. For those who employ someone before 30 September 2017, find out your staging date on the Pensions Regulator site. ■

**Online form for company CIS refunds**

HMRC have a new online form for companies acting as subcontractors who need to reclaim Construction Industry Scheme (CIS) tax.

A company operating as a subcontractor can offset any CIS tax deducted from it against PAYE liabilities when submitting Employer Payment Summaries (EPS) under RTI reporting. If the CIS deducted exceeds the PAYE, a repayment can be claimed.

The repayment used to be claimable in writing only, but now there is an online form which can be completed after the final EPS and Full Payment Submissions (FPS) for the tax year have been filed.

**CIS repayments: top 10 tips**

In 2013, HMRC published a list of "Top 10 tips" for companies who make repayment claims under the CIS. The list is no longer available on the HMRC website but still provides a useful checklist.

1. Ensure the company's Agent is authorised specifically for PAYE to act on its behalf for CIS repayments. Form 64-8 is used for this purpose and this can be downloaded from the HMRC website and sent to the National Insurance Contributions and Employer Office, HM Revenue and Customs, BX9 1BX. You can also use the online authorisation service.
2. Double-check that the Unique Taxpayer Reference (UTR) and the company subcontractor's name are correct on all documents.
3. Check that all the company's Payment and Deduction Statements that HMRC have requested to process the claim are sent and that they are for the correct period (the tax year runs from 6 April in one year to 5 April the following year).
4. If the company was incorporated during the year, ensure that its claim for repayment is only for deductions taken from the company's payments and not for any periods before incorporation.

5. Check that the CIS deductions taken from the company's subcontractors are correct and have been reported correctly on the monthly returns.
6. Check that the company has no outstanding returns (old paper CIS300) in its capacity as a contractor within CIS.
7. Ensure that the final Employer Payment Summary (EPS) showing CIS deductions taken from the company's payments, as well as all Full Payment Submissions (FPS) have already been submitted.
8. Submit any information requested within the timescale specified by HMRC, such as following receipt of a 'CIS suffered letter' and ensure that you have included everything that HMRC has requested.
9. Where there are overpayments that do not relate to CIS, please verify how these have arisen by providing supporting documentary evidence to HMRC along with the company's claim for repayment.
10. Where the company has ceased trading, please remember to send in all outstanding returns for the subcontractors.

**Points to note**

- Claims for repayment can now be made online as well as in writing. Access the online form by logging in to your Government Gateway account.
- If claiming in writing, send to National Insurance Contributions and Employer Office, HM Revenue and Customs, BX9 1BX. To ensure your letter gets to the right section include your PAYE reference and the word "CIS" in your letter.
- HMRC can make repayments through BACS and if this is preferred the company should send bank account details with the claim.
- Repayments can be set off against a corporation tax or VAT liability only if you ask HMRC to do so. It is not automatic even if there are arrears in the other taxes. ■

**Tax-free childcare**

- The new tax-free childcare began on 21 April for children under 4 and disabled children under 17.
- For every £8 paid into the special account, the government will top it up by an additional £2, up to a maximum of £2,000 per child per year.
- The childcare voucher scheme is open to new entrants until April 2018 and will remain open for those already using the scheme.
- The government have provided a dedicated website with guidance and a childcare calculator.
- If an employee wants to change from the voucher scheme to the tax-free childcare scheme they must provide the employer with a Childcare Account Notice (CAN).
- The Childcare Account Notice (CAN) must be provided to the employer within 90 days of the CAN being opened.
- If employers make payments direct to a parent's childcare account, it must be treated as a normal salary payment, i.e. the amount that goes into the account is net of PAYE and NIC. ■

[www.childcarechoices.gov.uk](http://www.childcarechoices.gov.uk)

**Paying HMRC - a statement of the obvious? Just check .....**

- The electronic payment deadline for PAYE is 22nd of the month following the end of the tax month / quarter.
- Class 1A NIC on benefits and expenses reported on P11D (b) is payable on 22nd July 2017.
- 22nd July 2017 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.
- Use your 13 character Accounts Office Reference followed by '1713' to make your Class 1A NIC payment online. ■

**Time for the statutory employment test? The Taylor Review, what did it say?**

'The Taylor Review of Modern Working Practices' was published this month. It aims to develop proposals 'to improve the lives of this country's citizens'. It is not in fact written by a Victorian social reformer but by Matthew Taylor, Chief Executive of the Royal Society of the Arts and his team.

- The government commissioned this review following the growing concerns that the number of full-time employees as a proportion of the UK's workforce has been decreasing. (This reduces the tax take to government)
- The review sets off with the ambition that 'All work in the UK economy should be fair and decent with realistic scope for development and fulfilment'.
- Although advances in technology may eventually decrease the requirement for business to employ people, already new platforms are disrupting established business models, e.g. Uber versus the licenced Taxi cab, AirBnB and hotels, social media news and newspapers, email versus postal services.
- Currently just over 70% of the workforce are employed and just 15% self-employed but this ratio is ever moving towards self-employment.

The review's recommendations effectively include a statutory employment test together with a more dynamic system of taxation for the self employed that would see the abolition of the 'cash job'.

**Highlights**

It describes three types of forms of labour: as employee, as worker and as self-employed. But it points to inconsistencies:

- Whilst all employees are workers, not all workers are employees.
- Workers have less rights than employees and the meaning of worker is ambiguous.

The review suggests that the aim should be to retain the three types of labour but make the amount of taxation

paid by people more consistent across employment forms, while at the same time improving the rights and entitlements of self-employed people.

Technological change will impact work and types of employment and we need to be able to adapt.

**The review proposes that:**

- Workers could be renamed as 'dependent contractors'.
- The introduction of a statutory employment test. This would involve new legislation and guidance that retain the best elements of case law and better reflect modern day casual work.
- The possibility of allowing employers more flexibility by: not allowing the National Minimum Wage legislation to prevent operations in certain circumstances.
- A clear steer on employment rights.

**The Review considered the position of self-employed individuals**

- It recognised that with no union to support them, a stronger voice is required for the self-employed together with improvements to their pension provision.
- Given the size of the 'tax gap' a more dynamic system of taxation is required to tax cash. This could be via more cashless transactions or a withholding tax when new platforms permit it.

The report does not discuss many issues and may be of quite limited value.

The idea of a statutory employment test has been mooted by many different people over the years. A statutory set of rules to replace years of case law works pretty well for tax residence purposes and HMRC already have an employment indicator tool which means that they know the sort of the steps they would want in their version of a statutory test. A statutory test is probably the next step for legislators once we have a Government that has enough of a majority to push for change. ■

**Student loans - employer prompts**

- HMRC will issue reminders if an RTI payroll submission should have included a student loan deduction.
- A second reminder will be sent if deductions are due but not included on the second submission.
- On the third omission, HMRC may phone to ask for deductions to begin.
- You should look at form SL1 received from HMRC to check which student loan scheme applies. ■

**If you have a query please  
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