

JTC NEWSLINE

Issue 98

January 2017

Travel expenses for workers paid under CIS

If a worker is paid within PAYE as an employee it is right and proper that his employer pays the costs of his getting to jobs in the course of his working day, or if he is sent to work away from home, the costs of travelling around the country.

If a worker is self-employed he is in business on his own account. He should be pricing for work and the price should include the costs of everything involved in that job. If the employer pays travel on top of an hourly rate or daily rate the whole thing begins to look like false self-employment (The employer is demonstrating that he thinks he is responsible for travel costs).

So expect enquiries, and trouble, if you pay CIS worker travel costs, and remember that you **must** apply CIS deductions to everything you pay to CIS workers. You cannot pay the travel costs gross on the basis that it is a simple refund of cost expended. You are claiming that these workers are self-employed, so their travel costs are their own business, and all their receipts should be taxed as one sum. ■

Welsh Government - Landfill Disposals Tax

From April 2018 there will be no Landfill Tax in Wales but there will be Landfill Disposals Tax. It seems likely that it will mirror the charging rates of tax and the rules for the rest of the UK but will differ in how it uses the money raised. However there is time for change before 2018! ■

Scottish Government Tax Rates 2017/18

The Scottish Government will maintain the existing UK wide basic higher and additional rates of tax in 2017/18. However the basic rate limit will be increased to £31,930 meaning that the higher rate threshold (personal allowance plus basic rate limit) will be £43,430.

This will contrast with the higher rate threshold of £45,000 for the rest of the UK. Scottish higher rate payers will therefore pay a little more tax than their UK cousins. ■

New advisory fuel rates for company car drivers apply from 1 December 2016

HMRC have set advisory fuel rates for company car drivers to apply from 1 December 2016.

Employers can use these rates to reimburse company car drivers for business fuel.

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	13p

These rates should not be used in relation to vans. These amounts also apply for VAT purposes, but employers can only reclaim input VAT if the employee supplies a receipt. ■

Car and van fuel benefit

From 6 April 2017 the benefit of receipt of even £1 worth or one mile's worth of fuel for a private journey provided by an employer rises from £22,200 to £22,600.

The benefit of fuel for private mileage in a van rises from £3,170 to £3,230. The tax charge means that it is rarely worth giving the benefit of free fuel for private mileage. **Remember**, even one mile unrefunded by the employee will trigger the whole benefit charge. ■

Employment Allowance suspension if illegal workers found

The government intend to introduce such a penalty in addition to the existing civil penalties so it would represent an extra £3,000 a year penalty. The implication in the papers I have seen is that the suspension would be for more than one year. ■

continued overleaf

From Employer Bulletin for December 2016

This is a summary of the items likely to be important in our industry.

National Minimum or Living Wage

A check list of top-five errors to avoid:

- Rates: are you paying the right rate? Make sure annual rate increases are implemented, and don't miss workers who move from one band to another on their birthday.
- Deductions: are you making any deductions that take pay below minimum levels? Watch out for deductions for items such as uniforms, meals or transport.
- Additional pay: are you including top-ups to pay that do not count as pay for the minimum or living wage? This could be the case if you are including shift allowances or customer tips when calculating pay.
- Status of the worker: are you engaging people who should be classed as workers? Make sure nobody who is a volunteer, intern or self-employed should be classed as a worker and entitled to the minimum or living wage.
- Working time: are you including all of the time that an employee is working? Don't miss out time spent shutting up shop at the end of a shift, training periods, down-time waiting or travel between jobs.

Salary Sacrifice

- The tax and NI advantages of salary sacrifice arrangements are to be withdrawn from April 2017.
- There will be exemptions for certain benefits such as childcare vouchers and pension contributions.
- There will be a delay in withdrawing the advantages for some benefits where an agreement is already in place by 6 April 2017.

Autumn Statement 2016

There was warning of the following changes to come:

- Tax and National Insurance treatment for termination payments are to be aligned from April 2018.
- The time limit for 'making good' any non-payrolled benefits is to be 6 July following the tax year from 2017/18 onwards.
- Employees called to give evidence, for example at an enquiry, will be able to receive legal support funded by their employer tax-free from April 2017.
- Employees can receive £500 of pension advice tax-free per tax year from April 2017.

Off-payroll working in the public sector

This legislation is one to watch because, if it works, it may be extended to all industries and employers.

Reforms will be implemented from April 2017.

- Responsibility for determining whether the intermediaries legislation applies will move from the individual worker to the public sector employer, agency or third party that pays the worker's intermediary. (This means the firm paying will decide whether the worker is an employee and not (for example) the worker's own limited company, or the agency who supply him). This moves the responsibility and liability for non-payment to the payer.
- HMRC will introduce clear, objective tests for employers to use.
- HMRC will also introduce a digital tool to provide employers with a real-time HMRC view on whether intermediaries legislation needs to be applied.

Extension of voluntary payrolling

From April 2017 voluntary payrolling will be extended to include non-cash vouchers and credit tokens. From that date all benefits can be payrolled except living accommodation and beneficial loans.

- Employers wanting to payroll from April 2017 must register using HMRCs PBIK registration service via the government gateway to avoid having to complete P11D returns.
- Forms P11D (b) returns still need to be made which include all payrolled and non-payrolled benefits.

Reporting information about car and car fuel benefits through PAYE

From April 2018 employers will be required to report information about car and car fuel benefits in their Full Payment Submission (FPS).

Employers can report information through the FPS from April 2017 if their payroll software supports it.

Tax relief for employees

Employees can claim tax relief on expenses for things they must buy for their job which employers don't reimburse them for, such as:

- Repairing or replacing small tools.
- Cleaning, repairing or replacing specialist clothing such as uniform or safety boots.
- Business mileage.
- Travel and overnight expenses.
- Professional fees, subscriptions.

To claim relief employees should complete form P87 which can be submitted online or through the post.

continued overleaf

From Employer Bulletin for December 2016 cont'd

Trivial benefits

- From 6 April 2016 benefits worth less than £50 and which meet certain conditions are removed from any liability to income tax.
- There is an annual cap of £300 which applies to directors and members of their household.

Apprenticeship Levy

- The Apprenticeship Levy will be introduced on 6 April 2017.
- Employers with annual pay bills of over £3million will have to pay the levy at a rate of 0.5% of their pay bill, less a £15,000 allowance.
- Employers with annual pay bills of less than £3million might have to pay a levy if there are other employers who are connected businesses. If you are uncertain if your business is connected to another it is important to ask your accountants now.

Change of an employee's address

- It is the individual employee's responsibility to notify HMRC of a change of address.
- Employees should be encouraged to use their personal tax account to do this.
- If the employee cannot use their personal tax account, an employer can use the employee address box on the next Full Payment Submission (FPS).

Corporation Tax repayments

HMRC prefer to make Corporation Tax repayments by BACS.

- To use BACS the CT600 should include details of its own or a nominated bank account on it or in writing on the company's or its agent's headed paper.

Paying HMRC

HMRC remind employers that:

- January's electronic payment deadline for PAYE falls on Sunday 22nd 2017.
- Funds should clear HMRC's account by January 20th, unless a Faster Payment can be arranged to clear later but still in time to meet the deadline.
- Payment should always be made with the correct 13 character accounts reference **not** the employer reference.

Paying HMRC by cheque

From November 2016, employers who pay HMRC by cheque through the post will be contacted by letter or by phone to ask them to consider paying electronically, online or by telephone banking direct, or by Debit, or Credit card online.

Employee payment booklet or letter

During January, February and March 2017 HMRC will send employers or their agents either a P30B Paying PAYE electronically letter, or a P30BC Employer Payment Booklet.

- Employers who pay electronically will receive a letter rather than a booklet.

Making a payment at the bank or post office

- HMRC changed its bank to Barclays in February 2016.
- The bank accounts for the previous supplier are about to close and HMRC have begun to contact taxpayers who are still using the old payslips advising about the change to Barclays and what steps they need to take. Check that you are paying a Barclays account.

PAYE accounts in credit

- HMRC do not usually repay in-year credits. The best way to balance an account in credit is to deduct the amount from the next PAYE payment due.

Limited companies: CIS deductions suffered in year

- Limited companies without gross payment status should claim back their Construction Industry Scheme (CIS) deductions through their monthly payroll.
- By submitting an Employer Payment Summary (EPS) to claim back CIS deductions companies receive a credit which is used to reduce in-year PAYE due.
- Sole traders and partnerships should report CIS payments received through their self-assessment returns.

Employment intermediary reporting

If you have registered your business as an employment intermediary you need to file quarterly returns.

- If you are no longer an employment intermediary you need to let HMRC know.
- Penalties may be charged where quarterly reports are not submitted, or you do not tell HMRC that you are no longer an employment intermediary.
- The next quarterly reporting period finishes on 5 January 2017, with a reporting deadline of 5 February.

Restriction of interest relief for residential landlords

This will be phased in from April 2017.

continued overleaf

From Employer Bulletin for December 2016 cont'd

Tax-free childcare

- Tax-free childcare launches for parents from early 2017.
- Eligible parents will be able to open online childcare accounts to make payments direct to registered childcare providers.
- Childcare providers should have received invitations to sign up to tax-free childcare in September and October.
- Parents cannot claim both childcare vouchers and tax-free childcare so employers might receive requests from employees to cancel childcare vouchers.

Dividend taxation from April 2016:

- The dividend tax credit was abolished.
- New rates of tax for dividends were introduced.
- A £5,000 allowance was introduced.
- Dividend tax is not affected by the Scottish Rate of Income Tax.
- Taxpayers with dividends between £5,000 and £10,000 can have the tax liability deducted from their tax code or added to the End of Year Reconciliation.
- Taxpayers with dividends over £10,000 will need to fill in a self-assessment tax return.

Pensions Automatic re-enrolment

- Every three years you need to put certain members of staff back into a pension scheme.
- This is the case even if they opted out when they first automatically enrolled.
- You also need to complete a re-declaration of compliance to tell HMRC this duty has been met. ■

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