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LG News

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HMRC consult on BIK changes

Following the recent consultation covering the taxation of employee expenses (as announced in the Autumn 2017 Budget), draft Finance Bill 2018-19 contains proposals to amend some of the existing rules concerning travel and subsistence payments.

BSRs and OCRs

Currently, there are no income tax or NIC implications where an employer uses HMRC's approved benchmark scale rates (BSR) to pay or reimburse employees' qualifying expenses incurred when travelling for work. The BSRs are designed to cover modest meal allowances with which employers can reimburse their staff for food and drink costs. An employer may choose to pay less than the approved amounts, with no tax or NIC implications, but if a higher amount is paid, the excess will be subject to tax and NICs.

Although there will be no charge where BSRs are used, HMRC currently require employers to undertake certain verification procedures. For employers with many employees regularly undertaking business travel, the task of checking and maintaining expenses records is likely to be extremely burdensome. Proposals in Finance Bill 2018-19 aim to ease the burden by removing the requirement to operate a receipt checking regime for small set amounts under BSR from 6 April 2019.

Employers can also use HMRC's overseas scale rates (OCRs), which are designed to include an element for accommodation and subsistence, when employees undertake overseas business travel. The OCR amounts are not currently approved by statute and the informality the system has created uncertainty for some employers. It is therefore HMRC's intention to bring OCRs into legislation from April 2019. Similar to BSR, if enacted, there will be no requirement for employers to operate a system for checking employees' expenditure but they will need to ensure the employees are undertaking qualifying travel.

OpRAs - cars and vans

The Bill contains proposals which are expected to affect a small number of the one million or so individuals who are provided with a company car or van through Optional Remuneration Arrangements (OpRA) (formerly known as salary sacrifice arrangements).

Under OpRAs, the amount foregone is compared to the modified cash equivalent of the car or van benefit charge. The greater value is reportable for tax purposes. When the governing legislation (in ITEPA 2003) was originally introduced, the accompanying explanatory note was explicit that 'connected costs' were regarded as part of the car (or van) benefit charge. However, when the OpRA legislation was introduced Finance Act 2017, an oversight meant that no provision was made to ensure the calculation of the amount foregone for a taxable car or van should also include any connected costs. This meant the value of connected costs were not included in the calculation of the amount foregone, whereas they were deemed to be included within the modified cash equivalent rules - the comparison was not, therefore, on a like-for-like basis.

In addition, under the normal rules for calculating the car benefit charge, capital contributions are automatically subject to pro-rata if the

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car is made available for only part of a tax year. Similar provisions were not included in the Finance Act 2017 for calculating the relevant amount. This means that currently, the amount deductible for capital contributions where the car is available only for a part year is overstated.

Finance Bill 2018-19 is the first opportunity that the government has had to put right these anomalies. If enacted, the amendments will take effect from 6 April 2019.

Employer-provided charging points

Legislation is to be introduced to exempt from income tax and NICs, any liability arising from the provision of charging facilities (including electricity) to employees recharging all-electric or plug-in hybrid vehicles at or near the workplace, where facilities are made available generally to the employer's employees. It does not cover reimbursements for charging elsewhere paid for by the employee. This proposal will not apply to taxable cars and vans (chargeable under the car or van benefit charge respectively). These are taxable as benefits in kind, and the provision of charging facilities and electricity are treated as connected costs already subject to a separate exemption. Employers should note that, if enacted, this measure will apply retrospectively from 6 April 2018.

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MTD research published

HMRC have published a document entitled Making Tax Digital Research - Attitudes, Behaviour and Engagement, which reports on research undertaken to help HMRC understand how individual customers and agents respond to the core principles of MTD. The key objectives of the research were to explore:

- individual customers' and agents' overall attitudes and expectations of the elements of MTD that may affect them;

- levers and barriers that may influence engagement with MTDi; and

- anticipated impacts and experiences across different individual customer groups of moving to MTD.

Is summary, the research confirmed that, overall, there is broad cross-audience positivity around the idea of MTD, and that digital tax is welcomed - even 'expected'.

The research also finds that:

- the benefits of MTD are more apparent to those with complex tax journeys and high senses of ownership over financial affairs.

- Customers' concerns centered on data security, customer error, increased workload, and a lack of need for those with simple tax.

- Third party data caused most concern out of four concepts - re: privacy, data security and motivations of HMRC.

- Framing is key: 'near real time' suggests data is updated immediately and raises high expectations around the speed of updating.

- Support needs were anticipated around tax knowledge and how to use Digital Tax Accounts (DTAs). Customers anticipated webchat and online demos would meet the needs of digitally capable customer.

This report was one of a number of research papers commissioned by HMRC in 2016-2017 to support the development and delivery of digital services for customers. The findings have been used to inform the department's work. HMRC reprioritised its portfolio of transformation projects in 2018 to ensure that it delivers key government priorities.

Bureau Outsourcing

VAT treatment of vouchers

A summary of responses to HMRC's consultation on VAT and vouchers was published on 6 July 2018. The consultation sought views about proposed new rules for the VAT treatment of vouchers and gift cards. The consultation focussed on how an EU directive, providing for the VAT treatment of vouchers, should be

Wills and Trusts

transposed into UK law. Broadly, the EU Vouchers Directive (Council Directive (EU) 2016/1065) was agreed on 27 June 2017 and legislates for a common VAT treatment of vouchers across the EU. It applies to any vouchers issued on, or after, 1 January 2019.

The UK has had specific VAT legislation for vouchers for many years but it needs to be brought up to date. The new rules aim to ensure the correct amount of VAT is charged on what the customer pays, irrespective of whether payment is with a voucher or other means of payment.

Draft legislation included in Finance Bill 2018-19 aims to provide new, clear rules which separate vouchers with a single purpose (for example, a traditional book token) from the more complex gift vouchers and set out how and when VAT should be accounted for in each case.

The new legislation is not concerned with the scope of VAT and whether VAT is due, but with the question of when VAT is due and - in the case of multi-purpose vouchers - the consideration upon which any VAT is payable.

Over the coming months, HMRC will consult with various stakeholders about the business impact of the new rules and a Tax Information and Impact Note (TIIN) will subsequently be published on Budget Day. At that time, the expected date of implementation will also be announced.

Accounts and Audit

OTS proposals new online PAYE platform

An increasing number of individuals are finding work through online platforms (for example Deliveroo and Uber workers), usually on a self-employed basis, whereas in the past they might have been employees whose relatively simple tax affairs were dealt with under PAYE. The Office for Tax Simplification (OTS) has published a paper entitled Platforms, the Platform economy and Tax Simplification, which explores the possibility of re-creating for them, in the context of self-employment, an arrangement that looks and feels more similar to that of an employee from an administrative point of view. Such an arrangement might prevent large numbers of individuals having to submit a self-assessment tax return and a computation of their self-employment income.

In outline, the platform would sign up with HMRC as 'agent' for the platform worker, so that they can apply the equivalent of a tax code. Workers would be able to their taxable profits computed in real time. The platform would then withhold tax, either on an even basis or 'back-end' loaded for those with more fluctuating income, which it would then pay on account to HMRC.

The platform will then be able to 'correct' the withholding at the end of the year so the platform worker has nothing further to do. The OTS says this mechanism could initially apply only to large platforms but, over time, could be extended to smaller engagers.

In conjunction with private sector developments in making it easier for people to manage their tax affairs, HMRC might also consider opportunities to streamline its engagement with self-employed platform workers, for example by developing a phone application (for example, along the lines of that available in Australia) which operate alongside these new accounting products.

Work will continue on the proposals, with further announcements to be expected in due course.

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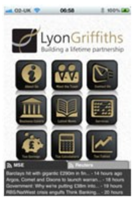
September questions and answers

Q. After a long wait, I will shortly be eligible to receive a state retirement pension. Will I have to pay tax on it?

A. I'm afraid that the state retirement pension is taxable. Whether you have to pay tax on it will depend on the level of other taxable income you receive.

If your state pension exceeds your personal tax allowance, but you do not have any other source of income, then HMRC will collect the tax in a lump sum through another method. You will be sent Simple Assessment (PA302 calculation). You will need to check that the figures are correct and pay by the follow-



Tax Solutions

ing 31st January. If you don't agree with the figures, you should contact HMRC immediately as late payment interest will start after the payment deadline.

There is no mechanism to deduct tax due at source so those pensioners with occupational pensions have their personal tax allowance reduced by the amount of the state pension so that the tax due on both sources is all deducted from the occupational pension.

Q. I have two seasonal part-time jobs, both paying the minimum wage. I am concerned that neither employer is deducting National Insurance Contributions from my weekly pay. Should I be concerned?

A. Where an individual has two jobs, both jobs will generally be considered separately for NIC purposes. The exception to this is the employers are connected to each other, for example someone who works at a supermarket and a petrol station that are both owned by the same company will be treated as having one employer when calculating NICs.

If you have earnings above the lower earnings limit (£116 per week or £503 per month for 2018/19), and below the primary threshold (£162 per week or £702 per month for 2018/19), you will not have to pay any Class 1 NIC. Your National Insurance contributions record will be credited, however, as though you have paid Class 1 NIC. These are called NIC credits. These may earn you entitlement to contributory benefits and the State Pension.

If you earn less than the lower earnings limit (£116 a week for 2018/19), you pay no Class 1 NIC and you do not get any NIC credits either.

Q. My mother is a widow in her nineties but still lives in the same house that she and my late father bought in the early 1960s. I also lived there from birth until I married and moved out in 1990. Will I be able to claim inheritance tax (IHT) relief for the time that I lived there?

A. Unfortunately, the period that you lived in the house will not count because you did not own the house at that time. However, it may not be all bad news for IHT purposes. If your father left everything to your mother when he died, she may well have inherited his 'nil rate band'. In addition there are 'residence nil rate band' rules increasing the IHT nil rate band when the asset passing on death to the descendants of the deceased is the house that the deceased lived in. Further details can be found on the Gov.uk website here.

September key tax dates

19/22 - PAYE/NIC, student loan and CIS deductions due for month to 5/9/2018

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