Employment taxes and CIS Blog – June 2012

Welcome to this June 2012 edition of my Employment taxes and CIS Blog. June is always a special month for me, having been born in June and I also get spoilt this month, on Father's Day. However, June 2012 is very special because of the Queen's Diamond Jubilee and best wishes go out to her Majesty and sincere congratulations on her wonderful reign

This month my concentration will be on P11D preparation and filing with some more reminders for you in advance of the 6 July 2012 filing deadline for the Employer forms P11D, P9D and P11D (b). WE also need to think ahead to the payment deadline for Class 1A NICs on 19th July 2012. The electronic payment deadline, when you or your Clients are using an acceptable method of electronic payment would normally be 22nd July 2012, but that is a Sunday this year and you need to check whether your Bank provides the faster payment service that allows for payment to reach HMRC on Sunday 22nd July 2012. Personally, I am advising Clients to ensure payment reaches HMRC by Thursday 19th July for cheque payments and Friday 20th July for electronic payment.

P11D preparation, completion and submission should be easier for AAT members this year, now that you are able to access the new E Learning P11D modules that have been superbly put together, with me providing the technical knowledge. I hope that you use them and find them very useful. I have also been into the studio to present the 2011/12 P11D podcast series that is intended to support the E Learning modules.

My main message at this time of year is to make an early start on the P11Ds and if you have not already begun gathering the required information. I suggest you make a start now. I have quite a lot of information waiting for me from Clients for when I get home at the end of the Jubilee Bank holiday week. For some Clients my input is to just review their P11Ds or P11D schedule and I will have to take into account HMRC's P11D Quality Standard, to ensure the P11Ds are not rejected. That is more of an issue if you are filling in paper P11Ds, where you must avoid such matters as using continental 7's and remember to fill in all the boxes, including the description boxes. The P11D E Learning Modules will give you guidance on the required entries and you can look at the P11D Quality Standard requirements on HMRC's website. The only P11Ds that require me to consider the P11D Quality Standard are the P11Ds submitted as Schedules by a couple of my Clients; one of whom was warned last year that the 2011/12 P11Ds will be rejected if the font size is smaller than Aerial 11. That is the first check that I will carry out, before my technical review. All of the P11Ds that I will be submitted will be prepared using the PKF P11D software that I am so familiar with and in which I have absolute trust. I have no worries about the various changes made for 2011/12, such as an increase in the car fuel charge multiplier, from £18,000 to £18,800. Changes to the CO2 starting point will mean that employees who had the same car in 2011/12 that they had in 2010/11 will suffer a 1% increase in their company car benefit, unless their car was already at the maximum of 35%. Anyone with a car fuel charge will see an increase of 1%, plus the £800 increase in the fuel multiplier, so for example a company car with CO2 emissions of 150 g/km has increased from 19% in 2010/11 to 20% in 2011/12. A £20,000 list price company car will suffer a £200 increase in the company car benefit and the fuel benefit will increase from £18,000 at 19% i.e. £3,420 to £18,800 at 20%, or £3,760. This poor client will see an increase of £540 for the same company car and fuel benefit!

I will only mention some of the basics in this Blog, because you can access the E Learning modules and one of the most important questions to consider is whether there have been any changes that will affect the P11D reporting. Any new benefits or any changes in the existing benefits, such as changes of cars? What about adjusting any of the annual benefits, notably medical insurance premiums, for joiners and leavers. Many employer pay an annual premium to cover all employees and do not pay anything extra for joiners or get a reduction for leavers. If an employee has left and ceases to be provided with medical insurance cover, the benefit to be reported needs to be adjusted on a pro rata basis. Some more basic issues will be to consider what can be excluded, particularly any non-taxable expenses or benefits that are included in a P11D dispensation or any taxable costs that the employer will settle through a PAYE Settlement

Agreement. Let me throw in a quick reminder to check that the PSA has been registered for 2011/12 and are any amendments required before the 6 July 2012 deadline.

If there is no P11D dispensation or PSA, remember that everything has to be reported except certain exempt benefits, such as Long Service Awards that satisfy the exemption conditions. Take a look at Chapter 5 of HMRC's 480 booklet, Expenses and benefits, a tax guide; where there is a lot of information on what can be excluded.

HMRC has published its latest guidance on fuel rates for company car users and I have reproduced the new rates in the table below, showing the previous figures in brackets.

Engine Size	**Petrol (135.8p)**	**Diesel (141.7p)**	**LPG (78.7p)**
Up to 1,400 cc	15p (15p)	12p (13p)	11p (10p)
1,401 to 2,000 cc	18p (18p)	15p (15p)	13p (12p)
Over 2,000 cc	26p (26p)	18p (19p)	19p (18p)

These new rates were to apply from 1st June 2012, but as usual HMRC allows Employers the option of continuing with the old rates for another month. Whenever I see a reduction in what are only 'advisory rates' I am concerned that Employers do not risk HMRC seeking to impose fuel scale charges by arguing that free fuel was provided by over reimbursement HMRC has previously indicated that it would not do this providing business and private mileage records are good enough and there is where my concern kicks in. Also, I have clients that argue that these rates are rarely sufficient to cover their employee's business fuel costs. Employers can use different rates, but where reimbursement is higher or recovery is lower, they must be able to justify the different rates. So, do it by all means, but make sure there is evidence to support any different rates.
There is again not much happening on the CIS front at the moment, which probably reflects the success of the current Scheme (CIS), but I will be in Ipswich next week to talk to AAT members about the operation of CIS and looking to discuss any problems they or their clients may have.

So Cheerio for now!

Mike