

Mike Evans Employment taxes Blog – January 2012

A Very Happy New Year to all AAT members and their families and particularly to the readers of my blog. I hope that those of you who are embroiled in preparing and submitting self-assessment tax returns are coping well. I will have told you before that I only reluctantly get involved in completing a relatively small number of tax returns for family, friends and a couple of clients, but I sympathise with any of you that have a lot of returns to submit, especially if like me you are still waiting for information from your clients.

At this time of year I am reminding my clients in the Construction Industry, especially any Clients that are Gross Paid Subcontractors, of how important it is that the directors and partners in the business do submit their self-assessment tax returns on time and that they pay any tax that may be due by the 31st January 2012 deadline. As with any taxes due to HMRC, if there are likely to be difficulties in making payment, my advice is always to approach HMRC to obtain agreement on any delayed payment arrangement.

On a similar theme, January 19th or 22nd is one of the Quarterly Payment deadlines for paying HMRC any PAYE, Class 1 NICs, Student loan and CIS deductions, but this month the electronic payment deadlines moves back to Friday 20th January 2012 because the 22nd is a Sunday. This is something I always have to remember for some of the small payrolls that I do. HMRC recently pointed out that only electronic payments sent using the Faster Payments Service are able to clear into the HMRC account on a non-banking day - a Saturday, Sunday and most Bank Holidays.

It is also important to notify HMRC where no payment is required, which is often the situation for CIS Contractors filing CIS300 monthly returns online, where they do not pay any salaries and make no CIS deductions from subcontractors.

What about other news? The Department for Work and Pensions as announced the statutory payment rates for next year, 2012/2013 and these are as follows:

Statutory Maternity Pay (SMP)	£135.45 per week
Ordinary Statutory Maternity Pay	£135.45 per week
Additional Statutory Maternity Pay	£135.45 per week
Statutory Adoption Pay (SAP)	£135.45 per week
Statutory Sick Pay (SSP)	£85.85 per week

For any employees earning £107.00 or more per week in 2012/13, the above rates of SMP and SAP will apply for complete pay weeks commencing on or after 1 April 2012, which is the first Sunday in April; but for SSP the new rate will apply from 6 April 2012.

There is no change next year to the 'Small Employer's Compensation Rate, which will remain at 3%. Any employer that does not qualify for full reimbursement plus the additional payment can recover 92% of the Statutory Payment paid to their employees, which is the same as for the current tax year. The threshold for recovery of SSP under the Percentage Threshold Scheme also remains at 13%.

HMRC issued a technical note on 14 November 2011 about its proposal to abolish the P45 leaver and P46 starter forms as part of the introduction of Real Time Information (RTI). Employers will send starter and leaver information when the regular RTI payroll return is sent to HMRC. HMRC says that the abolition of these forms is intended to make PAYE easier for employers to operate. To maintain accurate in-year payments of tax across jobs, employees will have to be given a 'leaver statement' by their employer showing their pay and tax details so that they can provide the

information to their next employer and retain details for their own records. HMRC has now acknowledged that some employers and software developers are concerned about the proposal to give employees a leaver statement instead of a P45 and HMRC says that it is working with interested parties to explore these concerns and seek a way forward.

Since 16 December 2011 HMRC now accept payment via the Faster Payment Service (FPS), which has been introduced by the banking industry for sending payments initiated by internet/telephone banking and standing order. The recipient receives the payment on the same or the next day, provided that the value of the payment does not exceed the limit set by the bank sending the payment. In order for a payment to be sent using FPS both the sending and receiving banks must be participating members of the scheme. HMRC says that CHAPS will continue to be used for high-value payments. Clients need to contact their bank or building society to check that they are part of the scheme and any single transaction and daily value limits and cut-off times for processing payments using FPS. If FPS is used to make an immediate payment that exceeds the bank's value limit it may be rejected by the bank's system and an alternative payment method will have to be used. Intending users must check with their bank or building society well in advance to find out how they deal with transactions that cannot be processed via FPS to avoid their payment to HMRC being delayed.

When making a payment to HMRC it is important to use the correct bank account details and reference number to ensure that the payment is received and to avoid you incurring a penalty, interest or surcharge for late payment. HMRC warns that it is the payer's responsibility to ensure that payments are made on time, whichever payment method is used. HMRC will not waive interest, surcharges or late payment penalties if payments are late because the payer hasn't made sure that the payments reach HMRC's bank account on time.

The Treasury's Consultation on the abolition of 36 tax reliefs was published last month and there is a mixture of good and bad news for employers. The expected abolition of the late night taxi exemption in section 248 ITEPA 2003 will not now proceed. This is because the Government has accepted that its abolition would impact on vulnerable groups, including having a disproportionate impact on women. It was also found that the abolition would increase administration (more record keeping and paperwork), thus going against the aim of tax simplification.

The exemption provides relief from income tax and NICs for staff who take a taxi from work to home when they have worked later than usual and past 9pm, restricted to a maximum of 60 qualifying journeys a year per employee. I have been telling AAT members that I expected the relief to be abolished and I am far from disappointed at being proven wrong, so instead I will continue to remind employers and employer representatives of the importance of keeping records of qualifying taxi journeys to satisfy HMRC.

Another change of mind by the Government relates to a little known NICs exemption for cash rewards given to retail employees who detect lost or stolen credit cards. The exemption only applies to third party payments, specifically not applying to any payments made by the employer. Its removal would not have saved very much but would have caused an administrative nightmare for the employers that would have been liable to pay employer's NICs, so it has been reprieved.

The Government has chosen to abolish the tax relief on the provision of meals on cycle to work days and on luncheon vouchers. The tax and Class 1A NICs exemption on the first meal on a "cycle to work" day has been withdrawn because the amount of relief gained was minimal and far outweighed the cost and effort of providing the meal in the first place.

The removal of the exemption for luncheon vouchers, although only 15p per working day for a meal voucher given to a worker, which is the same amount that I was given (then three shillings)



when I started work in the old Inland Revenue in 1968, proved more controversial. Apparently, between £7–8 million worth of these vouchers are issued annually and 75% qualify for the tax

relief. Arguments were raised that the removal of the exemption would impact on the businesses that supply luncheon vouchers and the hospitality industry, but as the amount is so little the Government has decided to repeal the benefit.

AAT members who attended the recent NIC Workshop in London will have heard me talk about the special rule for students (slide 87) and apprentices (slide 88) who come to work in the UK and subject to satisfying certain conditions, do not have to pay Class 1 NICs for the first 52 weeks starting from the first Sunday after the employee arrives in the UK. Well, the Government has decided to repeal this 'NICs disregard' on the basis that current immigration rules prioritise UK and EEA labour and few students and apprentices now come to the UK who could meet the criteria. Another NICs disregard related to certain payments to Mariners will be removed by regulation from 6 April 2012, but industry representatives have confirmed that the relief is no longer needed, so its disappearance may not even be noticed!

These proposed changes and others that I have not considered relevant to my Blog topics, will be introduced in Finance Act 2012 or by Regulation.

Well that's it for now folks. I am already thinking ahead to another payroll year end and I am looking forward to some AAT Branch visits in February.

All the best!

Mike E