

## Mike Evans Employment taxes Blog – April 2012

Hello Blog readers and welcome to this April 2012 edition of my Employment taxes and CIS Blog, as we enter another New Tax Year. I hope that you all managed to get a break over the Easter Holiday period, although for many of us the weather turned cold and wet as soon as the Schools broke up! I must admit that Bank Holiday Monday in Wales was the wettest day I can remember in a very long time, but it's the South East that needs the water, not my home Country.

Since my last Blog I have been very busy working on a new E Learning project for the AAT, which will enable you to test your knowledge on completing P11Ds. I have also been into the studio to record a series of Podcasts covering Payroll Year End issues for 2011/12. I hope that you will all find these learning tools useful and look forward to feedback in due course.

My priority as I write this Blog is the payment deadline for any outstanding PAYE, Class 1 NICs, student loan and CIS deductions for the year just closed, 2011/12. Hopefully, for most of you and/or your clients, it will be a simple matter to reconcile the payments made to HMRC and the only payment being made this month will be for month 12 or quarter 4. Payment is due on 19<sup>th</sup> or 20<sup>th</sup> April 2012 because 22<sup>nd</sup> April 2012 is a Sunday and I would normally advise you that electronic payment must reach HMRC's bank account by Friday 20<sup>th</sup> April 2012. However, HMRC has just issued guidance on making electronic PAYE payments and we are advised that 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. HMRC now accepts payments using the Faster Payments Service and will receive payments made using this service on the same day or the next day. However, HMRC tells us that we should contact our bank or building society before making each payment to confirm whether the service is available for that payment and explain how it works. My advice to Clients will be to make payment earlier to meet the deadline, unless they are sure that the faster payment service will work for them.

Have all your clients received the new PAYE Payment booklets for the current tax year (2012/13), which was dispatched first to existing customers and new customers who had registered as an employer on or before 16 December 2011. Employers who had registered after 16 December 2011 were not expected to receive a booklet until their dispatch on 13 April 2012. HMRC advised that if anyone has not received the booklet by 27 April 2012, they should phone the Payment Helpline on Tel 0845 366 7816, but they say that a replacement booklet will take up to three weeks. To ensure payment is received on time by HMRC anyone who has a payment to make for month one is advised to use the online facilities to make payment. Remember that cleared funds must reach HMRC no later than 22 May 2012. HMRC recommend that payment is made online as the safest, quickest and most secure method.

The Chancellor's Budget on 21 March 2012 was a mixture of good news and bad and the main points that affect Employers and Contractors are as follows:

The increase in personal allowances to £8,105 from April and then £9,105 in April 2013 will be good news for many people and as a 40% taxpayer I have no problem with that, but the starting point for paying tax at 40% is becoming ridiculously low. The reduction in the additional rate from 50% to 45% will be pleasing to a small minority.

One change in the Budget that I have been forecasting at AAT Branch meetings was an increase in the company car fuel scale charge benefit and so it is to be that from 6 April this year the fixed sum (multiplier) used to calculate the car fuel benefit (when multiplied by the appropriate percentage) has been increased from £18,800 to £20,200 (for the tax year 2012/13 and subsequent tax years). This will increase the car fuel benefit for a low emissions car to £2,020 (10% x £20,200) and for any car with CO<sub>2</sub> emissions of 225 g/km or more to £7,070 (£20,200 x

35%). We need to look again at whether there is a real benefit from having 'free fuel,' but perhaps the ever increasing cost of fuel will mean that it is still beneficial to those lucky enough to enjoy it. However, what is more of a concern is the potential cost of settling with HMRC if 'free fuel' is giving unintentionally, perhaps because of employees failing to accurately record business and/or private mileage; when the cost of settlement of the grossed up income tax, Class 1A and Class 1 NICs may come as a big shock!

The company car fuel multiplier will increase by two per cent above the rate of inflation (based on RPI) in 2013/14. The company van fuel benefit charge multiplier has been frozen at £550 for 2012/13, but will be increased by the rate of inflation in 2013/14.

The Budget also announced more changes for the future:

- Increasing the appropriate percentage for company cars emitting more than 75g of carbon dioxide per kilometer by 1% to a maximum of 35% in 2014/15.
- In both 2015/16 and 2016/17, the appropriate percentages of the list price subject to tax will increase by 2% to a maximum of 37 per cent; the first time that the original 35% maximum will have been changed.
- From April 2016, the 3% diesel supplement on diesel cars will be removed and diesel cars will be subject to the same level of tax as petrol cars.
- From April 2015, the five year exemption for zero carbon cars and the lower rate for ultra-low emission cars will come to an end as originally intended.
- The appropriate percentage for zero emission and all low carbon cars emitting less than 95g of carbon dioxide per kilometer will be 13 per cent in 2015/16 and will increase by 2% in 2016/17.

The government has announced that it has accepted the Low Pay Commission's recommendations for National Minimum Wage rate increases from 1 October 2012 and the new rates to be paid will be:

- the adult minimum wage rate of £6.19 an hour, increased from £6.08
- the youth development rate will remain at £4.98 an hour
- the 16 -17 year old rate will remain at £3.68 an hour and
- the apprentice rate of £2.65, increased from £2.65 an hour.

In last month's Blog I mentioned the new powers of HMRC to seek a security where tax is at risk. HMRC has now published the guidance that its officers will use to decide who should be asked for a PAYE & NICs Security and the process that they will follow. It can be found on the HMRC website. There is too much detail to cover here and I doubt that it will affect many of our Clients, but I have extracted some brief details from the introduction.

HMRC states that it will seek a security only where there is serious risk to the revenue, and will do so reasonably and proportionately. A security will only be required from the minority of businesses and employers who do not pay, or are at risk of not paying their VAT, environmental taxes or PAYE/NICs. HMRC says that high risk businesses and employers may be involved in:

- phoenixism – repeated insolvency and new company creation
- repeated refusal to pay until HMRC is about to start bankruptcy or liquidation proceedings
- suspected tax fraud.

It is worth noting that any person required to give a security must be served with a Notice of Requirement to give security (NOR) and that a person is entitled to a review by HMRC of its appealable tax decisions and can appeal against any decision to require a security for PAYE.

From 1 April 2012 the UK is applying the rules on 'Cross Border' working, introduced on 1 May 2010 by EC Regulation 883/2004, to Switzerland as if it is another EU Member State. The UK had opted out of applying the new rules to or from Iceland, Liechtenstein, Norway and Switzerland, but is now applying them in respect of Switzerland. This change affects NIC liabilities of people moving between EU Member States and Switzerland and certain cross border situations. The UK has also opted out of applying the new EU rules to third country nationals legally resident in a Member State e.g. a US citizen moving from the UK to France, and will continue to apply the old rules.

HMRC has published the updated Expenses and Benefits from Employment Toolkit and the National Insurance Contributions and Statutory Payments Toolkit, which are designed to help us complete our clients' 2011-12 returns.

Not much on the CIS front, other than to remind you about reconciling payments and making any additional payments due for 2011/12 by 19/20 April 2012, remembering that failing to pay on time may lead to the loss of gross payment status. I am getting a lot of CIS queries at the moment; including from AAT members, about operating the Scheme; what's in and what's out, mixed contracts and other issues. Perhaps a CIS Update may be possible in the future. I will speak to the AAT and you will be told if we are able to offer you some additional guidance.

Cheers for now

Mike E