BHP Chartered Accountants

Employers' Update

Winter 2018

In this issue we look at

- Changes to the off-payroll working rules
- Overview of Autumn Budget
- Duel fuel or electric?
- Have yourself a merry little taxmas

Editor's welcome

Hello, how was the Budget for you?

There was certainly lots of talk this year, but perhaps not too much substance for employers. The top story is the extension of the IR35 rules for employers in the private sector and of course the increases to the National Minimum and Living Wage rates, along with the increased personal allowance up from £11,850 to £12,500 from next April. Some of the Budget changes were already proposed before the Budget and will take effect next year, and some are new, such as the withdrawal of the employment allowance for large employers. We've summarised the main points on page 2 and have an in-depth article on electric cars and mileage on page 3.

Also, at this time of year, we get lots of questions about staff parties and presents, so have a look at page 4 or feel free to give us a call.

Have a great Christmas!

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Changes to the off-payroll working rules, (IR35) for the private sector

Government statistics suggest that there is a significant and rising number of people working off-payroll, through their own companies and they are working alongside directly employed people, doing similar work, who pay more tax and NICs. HMRC claims that this practice contributes significantly to the tax gap that they are determined to close.

The original IR35 rules, were introduced in April 2000, to deal with this issue. The rules, which still apply to personal service companies who work in the private sector, have the effect of charging PAYE tax and employee's and employer's NICs on contracts where, if the company did not exist, the working relationship between the worker and the client, would have been employment and not self-employment.

April 2017 saw the introduction of new IR35 rules for the public sector which meant that the public sector had to consider the working arrangement, instead of the personal service company.

If the decision was that the working relationship would have been an employment if it hadn't been arranged through a personal service company, the public sector, (or the agency or other third party that paid the personal service company), became responsible for deducting and paying tax and NICs.

A consultation document issued this summer, said that the new rules were proving successful and that the intention was to extend them to the private sector. However, after considering the responses to the consultation, the Government has decided to delay this change until April 2020 to give businesses time to consider the impact the changes will have and to learn how to apply the new rules.

The Government has also decided that the change will not apply to small businesses, only to medium and large businesses.

HMRC have also acknowledged that better guidance is needed to help businesses understand how to apply the rules and have said that they will improve the Check Employment Status for Tax (CEST) tool. There will be another consultation on the detailed operation of the reform in the next few months.

Significantly, HMRC has said that it will not carry out targeted campaigns into previous years if individuals start paying employment taxes under IR35 for the first time following the reform and there will be no automatic enquiries into earlier years.

Overview of Budget changes

Changes coming into effect April 2019

Income tax rates for 2019/20		**Tax rates**	**NIC rates for 2019/20**		
Personal allowance	12,500		**per week**	**employee**	**employer**
Basic rate	0 – 37,500	20%	£0 - £166	0%	0%
Higher rate	37,501 – 150,000	40%	£166.01 - £962	12%	13.8%
	Over 150,000	45%	>£962	2%	13.8%

NMW for apprentices and under 25 year olds, NLW rates for 25 and over – from 1 April 2019	
Apprentices under 19, or 19 and over in the first year of apprenticeship	£3.90 up from £3.70
16 and 17 year olds	£4.35 up from £4.20
18 to 20 year olds	£6.15 up from £5.90
21 to 24 year olds	£7.70 up from £7.38
Over 25 years old	£8.21 up from £7.83

Employers to show hours worked on payslips
From April 2019, employers will have to show the hours their employees worked on their payslips, so employees can check they have been paid at least NMW or NLW rates.

Van benefit charge to increase to £3,430

Van fuel benefit charge to increase to £655

Car fuel benefit multiplier to increase to £24,100

Optional remuneration Rules, (OPRA) – changes for cars
From April 2019 when calculating the benefit in kind of a car provided by way of salary sacrifice, the full amount of the sacrifice should be used in the benefit in kind calculation, i.e. the total amount the employee sacrifices which includes finance, road tax, insurance etc as well as the car. The current rules mean that only the sacrifice for the car is taken into account.

Receipts for Day Subsistence Allowances
From April 2019, receipts for subsistence no longer have to be kept or checked. Employers will just have to ensure that there has been a qualifying business journey which means that they will have to be able to demonstrate that they use an adequate checking system. This only applies to HMRC's published rates.

Overseas accommodation and subsistence scale rates
From April 2019, these will no longer be concessionary but will become statute. Employers will not have to check evidence of amounts spent, so no receipts need be kept, but they will have to check that employees have undertaken a qualifying business journey.

Changes coming into effect April 2020

Employment Allowance reform
The Employment Allowance is a £3,000 reduction in Employer's NICs and is available to most employers. Access is being restricted from April 2020 to employers with annual employer's NIC's below £100,000 in the previous tax year. Where employers are connected, the threshold will apply to the aggregated liability.

Delay to introduction of employer NICs on termination payments
Employer NICs were to be charged on termination payments over £30,000 from 6 April 2019 but this has been put back to April 2020.

PAYE reporting and payment deadlines for short term business visitors
From 6 April 2020, the PAYE reporting and payment deadlines for short term business visitors will be extended to 31 May.

Also, from 6 April 2020, the PAYE special arrangement limit for UK workdays in the tax year will be extended from 30 days or less to 60 days or less.

Parental bereavement leave and pay
There will be a new statutory entitlement to 2 week's leave from April 2020, for employees who suffer the death of a child under 18, or a stillbirth after 24 weeks of pregnancy. Employees will also be entitled to claim statutory pay, subject to meeting eligibility criteria.

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Your business is our business

Duel fuel or thinking going full electric?

Low emissions vehicles benefit from special tax advantages. The biggest tax attraction for business is a 100% capital allowance in the first year, but only for cars with a CO_2 of 50g/km or less. The writing down allowances are much less generous the higher up the CO_2 scale you go, either 18% or 8% (soon to be 6%).

If 50g/km is a bit low for the model you are thinking of, then is there something in the range under 75g/km? These are classed as an Ultra Low Emissions Vehicle or ULEV.

ULEV's benefit from reduced first year road tax and electric only vehicles don't pay road tax. Vehicles with a list price of £40,000 or more do suffer a £310 a year road tax supplement though.

Sadly electric vehicles do not escape the car benefit in kind system. However the tax bandings for under 75g/km vehicles are far kinder to the employee driving the company car.

Plug in Hybrids attract a car fuel benefit in kind as if they were petrol or diesel vehicles, if you provide petrol/diesel for private use. There is no fuel benefit in kind on a company electric car. All electric and hybrid cars can be charged at work tax free too provided all employees can make use of the charging facilities. The charging infrastructure at the place of work also benefits from the 100% first year capital allowance.

Whatever the fuel system, if an employee owns the car they can claim the AMAP tax free mileage rate for business journeys. That is 45p for the first 10,000 business miles and 25p thereafter. If it is a company car and the employee provides the fuel, or the employee reimburses private fuel, then use the Advisory Fuel Rates (AFR). The AFR for a pure electric car is 4p per business mile. If the car is a hybrid you use the diesel or petrol AFR rate. The AMAP and AFR rates can be paid tax free to employees for business mileage. You can pay less, but if you pay more there is a tax and NIC consequence. The AFR rates are published on HMRC's website quarterly.

Zero emissions vans currently benefit from reduced vehicle benefits in kind and no van fuel benefit in kind. All other vans are subject to the ordinary benefit in kind rates for vans and fuel.

Similarly only zero emission goods vehicles qualify for the 100% first year capital allowance.

The Government has announced a review of car benefits in kind, which the motor industry was hoping would feature in October's budget. The only announcement was that car fuel, van and van fuel benefits would all be increasing, as usual, from April next year.

Gone soft – Not stale, company car salary sacrifice is still very much alive

The company car is often seen as the ultimate employee perk. So if you could offer your workforce the opportunity to run a company car on a just add fuel basis, where the employee is actually paying for the lease of the car, why not?

In the past company car salary sacrifice schemes have tended to focus on the tax and NIC savings. Unless the car has a CO_2 of 75g/km or less, these savings have really gone, but the convenience, the employee retention factor, the turned heads in the car park have not. The soft benefits of running a company car are hard to dismiss.

Your employees are running a brand new car, changed every 3 years, where all the insurance, road tax, maintenance and breakdown costs are covered. They are paying for it from their salary too.

At BHP we offer this scheme to our colleagues. It has been taken up by eager new starters, those thinking about buying the car out at the end of the lease to drive off into retirement, and lots in-between. So we have the practical experience, plus the industry contacts to put you in touch with.

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Have yourself a merry little taxmas

How to give a tax free christmas gift

Keep it under £50, including VAT. It cannot be in cash, but gift vouchers are fine, provided they cannot be exchanged for cash. Directors of close companies and their households are limited to 6 trivial gifts in a year. If you stick to these guidelines, the Christmas gift to your employee will be free of income tax and national insurance. (This exemption doesn't apply to performance related gifts).

Christmas party

For an income tax and NIC free Christmas party, the key is the cost per head, which must not exceed £150, including VAT and the party must be open to all employees. The headcount includes plus ones. If the average cost per head is more than £150 then the whole amount is taxable. If you have more than one annual event you can spread the £150. If all the events together exceed the £150 per head then you can allocate which events are covered.

You need to include all the cost components of the event, including travel and accommodation where appropriate. The £150 per head limit applies to all sizes of business.

You can have separate parties at different locations or for different departments, but every employee must be able to attend a party.

The whole of the event is an allowable expense for your business for tax purposes and you can claim the VAT back, although if you invite clients this will be restricted.

Directors only events, unless all your employees are Directors, may struggle to get the tax and VAT relief. The main purpose of the event is to entertain staff.

The £150 limit only applies to annual events. HMRC will not even let it apply to your company's 100th birthday celebrations! If employee entertaining is a big part of what you do for the staff please get in touch. How about a chat over an Eggnog?

Gone a bit overboard with parties, celebrations, gifts and entertaining?

As Winter begins to bite in January or as the daffodils flower in March you may realise that the staff welfare costs this year have exceeded the tax free limits. Instead of issuing a P11D to the staff at the party; those that went on the accounts department night out; Fred who retired; Daphne who had a baby, or absolutely everyone in the company who got a well done reward, you could take advantage of a PAYE settlement agreement.

A PAYE Settlement Agreement (PSA) is a handy alternative to a P11D for expensive gifts, employee entertaining, employee rewards and awkward benefits. A PSA allows the employer to pick up the tax and NIC tab on the benefits. To take advantage of a PSA you have to have a settlement agreement in place with HMRC by 6 July after the tax year. Any tax is due by the 19 October after the tax year end.

If you have any tricky expenses or benefits or require a PSA please get in touch.

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