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Tax E-News

Welcome to our monthly newswire. We hope you enjoy reading this newsletter and find it useful. Please contact us if you would like to discuss any matters further.

June 2018

OFF-PAYROLL RULES (IR35) TO BE EXTENDED TO PRIVATE SECTOR WORKERS?

As mentioned in the Autumn Budget, the Government has opened a consultation into a possible extension of the rules that currently apply to "off-payroll" workers in the public sector to the private sector. This consultation is being undertaken at the same time as the consultation into employment status.

The IR35 rules introduced in 2000 are intended to ensure that people working through a Personal Service Company (PSC) who would have been employees if they had been engaged directly, pay broadly the same Income Tax and National Insurance Contributions (NICs) as if they were employed. However, it is estimated by HMRC that only 10% of individuals working in this way apply the rules properly, costing the Exchequer hundreds of millions of pounds in lost tax revenues every year.

IS IT WORKING IN THE PUBLIC SECTOR?

In April 2017, the Government reformed the rules for engagements in the public sector, and early indications are that this has resulted in an increase in public sector compliance. The April 2017 change requires the public sector body or agency, not the worker, to decide whether or not the IR35 rules apply and then deduct income tax and national insurance from payments to the worker.

There are however concerns that many of such workers are being treated as quasi-employees incorrectly. The consultation document states that there is evidence that some public authorities did have difficulties implementing the reform, both understanding the new rules and resolving disputes with contractors. HMRC have introduced the Check Employment Status for Tax service (CEST) software on their website to assist employers in reviewing workers' contracts.

OPTIONS BEING CONSIDERED FOR THE PRIVATE SECTOR

As well as the possible extension of the rules that currently apply to the public sector, the consultation is requesting views on other options.

One alternative would be to require engagers to carry out due diligence into labour providers in their supply chain to ensure that they are compliant with employment and tax laws. This is already a requirement for gangmasters and other labour providers.

One suggestion apparently rejected was to create a new corporate structure referred to as a "freelance limited company" that would offer a simplified tax treatment, limited liability, a restriction on the frequency of dividend payments, and a requirement for the worker to be paid a minimum salary.

Another proposal rejected was to introduce a flat-rate withholding tax, similar to the Construction Industry Scheme for off-payroll engagements.

The consultation period ends in August and it is anticipated that the Chancellor will make an announcement about future proposals in the Autumn Budget.
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EMI SHARE OPTION SCHEME RECEIVES STATE AID APPROVAL

Last month, we reported that the Enterprise Management Incentives (EMI) share option scheme lost its EU State Aid approval on 6 April 2018. The consequence of loss of approval being that the tax advantages of such options was temporarily withdrawn.

On 16 May 2018 the European Commission gave formal state aid approval to EMI. Qualifying companies can now resume awarding EMI options to attract and retain employees.

There are considerable tax advantages for employees and employers of introducing a tax advantaged share incentive scheme.

Please contact us if you would like to consider introducing a share incentive scheme for your employees.

MAKING TAX DIGITAL DELAYED FURTHER, APART FROM VAT REPORTING

HMRC have confirmed that no further MTD for business changes will be brought in before 2020 at the earliest.

The Treasury set out its revised priorities for current digital transformation projects, to make room for the additional demands on its resources of work to upgrade customs systems in preparation for Brexit.

The HMRC statement notes that the convergence of business taxes from the current range of IT systems onto a single system will now happen at a slower pace. This will slow the creation of the single account for all business customers.

For individuals, the introduction of further digital services will be delayed, with progress on simple assessments and real time tax code changes put on hold for the time being.

Note that the introduction of VAT reporting under MTD is still scheduled to commence in April 2019 for those VAT registered businesses with turnover over the £85,000 VAT registration threshold.

SIMPLIFICATION OF INHERITANCE TAX

The Office of Tax Simplification (OTS) have been tasked with carrying out a review of Inheritance Tax (IHT) with a view to simplifying how the tax operates. IHT is perceived to be complicated and currently yields a relatively small amount of tax compared to income tax and national insurance.

There are a number of reliefs and exemptions currently available which may be withdrawn or simplified as a result of the review. Major changes to the tax are probably a year or so away and we will keep you updated as the review progresses. It may be necessary to review your Will and plans for passing on your business and estate when we see any new rules.

P11D FORMS DUE SOON

As set out in the following table, employers need to submit details of benefits in kind provided to directors and employees by 6 July 2018.

DIARY OF MAIN TAX EVENTS

JUNE/JULY 2018

Date	What's Due
1/06	Corporation tax for year to 31/8/17 (unless pay quarterly)
19/06	PAYE & NIC deductions, and CIS return and tax, for month to 5/6/18 (due 22/06 if you pay electronically)
1/07	Corporation tax for year to 30/9/17 (unless pay quarterly)
5/07	Last date for agreeing PAYE settlement agreements for 2017/18 employee benefits
5/07	Deadline for agents and tenants to submit returns of rent paid to non-resident landlords and tax deducted for 2017/18
06/07	Deadline for forms P11D and P11D(b) for 2017/18 tax year
19/07	PAYE & NIC deductions, and CIS return and tax, for month to 5/7/18 (due 22/07 if you pay electronically)
31/7	50% payment on account of 2018/19 tax liability due

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