

Broadcast

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Issue 15 – January 2017

Personal & Business Taxation – Audit & Assurance – Accounting & Business Services

EMPLOYEE BENEFITS



Salary sacrifice tax breaks to be scaled back

In the recent Autumn Statement, the new Chancellor, Philip Hammond, announced radical changes to the tax treatment of certain options available under salary sacrifice and benefits-in-kind (BiK) schemes.

Under the government's plans, 'frivolous' uses of the salary sacrifice loophole will undergo a significant crackdown, with the government stating that it intends to look 'specifically at how the taxation of BiK and expenses could be made fairer and more coherent'.

As a result, from April 2017 the tax and employer national insurance advantages of salary sacrifice schemes will be removed for certain benefits. These include cash and non-cash vouchers, school fees, beneficial loans and much more.

Other benefits will escape the changes, including pension contributions and pensions advice, Cycle to Work schemes and childcare vouchers, amongst others.

Commenting on the decision to overhaul the schemes, the Chancellor stated: 'The majority of employees pay tax on a cash salary. But some are able to sacrifice salary and pay much lower tax on BiK.'

'This is unfair, and so from April 2017 employers and employees who use these schemes will pay the same taxes as everyone else.'
However, the reforms have attracted criticism from some business leaders.

Carolyn Fairbairn, Director General of the Confederation of British Industry (CBI), said: 'While exempting important areas like pensions and childcare, this measure sends the wrong signal to companies wanting to invest more in employee health and wellbeing.'

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Making Tax Digital: an update

The government's landmark Making Tax Digital (MTD) initiative is due to be implemented between 2018 and 2020, with the stated aim of simplifying the tax system and making it 'fit for the digital age'.

Six consultation documents were published during the Summer, which outlined the proposals for the scheme and sought feedback from business groups and industry experts on such areas as compulsory digital record-keeping, simplifying tax for unincorporated businesses and the use of voluntary payments.

The consultation period has now ended, and in the 2016 Autumn Statement the government confirmed that it will publish its response to the feedback in the New Year, alongside provisions to implement the previously-announced changes. However, a notable number of experts have voiced concerns over the government's 'short' timetable for implementing MTD.

Chief among those who expressed doubts was the Chairman of the Treasury Select Committee, Andrew Tyrie, who noted that 'there is insufficient time for adequate consultation to take place on the draft clauses, once published'.

He added: 'The government may have to accept that the 2018 planned implementation timetable may not be compatible with adequate consultation.'

Meanwhile, the Public Accounts Committee (PAC) recently warned that plans to move HMRC services online may lead to a 'disastrous decline' in the quality of its customer service.

HMRC is reducing the number of customer service staff it employs by nearly a third, in anticipation that more people will use its digital services. It intends to automate most of its processes, leaving staff to focus on tackling tax avoidance and evasion.

However, in its annual review of HMRC's performance, the PAC urged HMRC not to repeat the 'mistakes it made two years ago' when it reduced its personal tax service staff, which resulted in a significant decline in customer service.

Meg Hillier MP, Chair of the PAC, commented: 'The lack of a convincing fall-back plan to safeguard service as HMRC undergoes significant change remains a looming threat to its ability to collect tax from individuals simply trying to pay their fair share.'

Other news in brief

Finance Secretary uses Scottish Budget to outline tax changes

Derek Mackay, Finance Secretary for Scotland, has delivered Scotland's draft Budget, outlining a range of changes to both taxation and finance.

Business disputes 'costing small firms billions', FSB suggests

A new report published by the Federation of Small Businesses has revealed that commercial disputes are costing small businesses in England and Wales at least £11.6 billion each year.

New flood insurance scheme launched to help small businesses

The British Insurance Brokers' Association has announced the launch of an insurance scheme to provide flood cover for businesses, after the government backed a similar scheme for homeowners earlier this year.

Government unveils new payment reporting rules for large companies

The government has outlined new measures that will require large companies to publish details on how quickly they pay their suppliers.

ESSENTIAL TAX DATES FOR JANUARY

1 January

Due date for payment of Corporation Tax for period ended 31 March 2016.

14 January

Due date for income tax for the CT61 quarter to 31 December 2016.

19/20 January

Quarter 3 2016/17 PAYE/Class 1 NICs remittance due.

31 January

First self assessment payment on account for 2016/17.

Capital gains tax payment for 2015/16.

Balancing payment - 2015/16 income tax, Classes 2 and 4 NICs.

Deadline for amending 2014/15 Self Assessment Tax Return.

Last day to file the 2015/16 Self Assessment Tax Return online without incurring penalties.

QUOTE OF THE MONTH

'Disputes are inevitable in business, but many small firms don't have the time or resources to deal with them effectively.'

Mike Cherry, National Chairman of the Federation of Small Businesses