

NOVEMBER NEWSLETTER

New travel and subsistence rules for employees

The government is considering reforming the rules for employee travel and subsistence:

- The first change involves creating a radical new framework to replace the existing permanent and temporary workplace rules with a simpler system. These proposals are currently under consultation. We will update you in due course when the consultation ends.
- Secondly, employees will no longer be given tax relief for the cost of subsistence when travelling, unless this involves an overnight stay. It is likely that this change will apply from 6 April 2016.
- Finally, there are proposals to restrict tax relief on travel for owner-managed companies who obtain work via agencies. These companies are referred to by H M Revenue & Customs (HMRC) as "Employment Intermediaries". HMRC believe there is widespread abuse of the rules by agencies and companies. An employee of an Employment Intermediary will no longer be allowed tax relief on the costs of travel to and from their end client's workplace. Currently, under the 24-month rule, the employee's main workplace is their Employment Intermediary's office, and therefore tax relief is available on home to work travel on the basis that the client's location is a temporary workplace.

The reduction in tax relief for subsistence and the changes to the rules for Employment intermediaries, when combined with the proposed changes in dividend taxation from 6 April 2016 are likely to be extremely expensive for many small companies. Please contact us to discuss these further.

Staff parties: seasonal refresher

The full cost of staff parties will be deductible in an employer's accounts, regardless of the amount involved. Input VAT can also be reclaimed as long as there is no element of customer entertaining included.

For employees: the party will only be tax free for them if the party is open to all staff, or at least to all staff in a particular location or division, and the cost is less than £150 per head (inc VAT). If the cost is £151 the whole amount is taxable as a P11D benefit. Not just the excess £1.

The cost of the function includes room hire, music, food and drink, transport

and accommodation. The cost per head is the total cost divided by the number of people attending, and this will include the staff members as well as any guests.

For example:

If the total cost of a function is £4,000, and only 25 employees attend, then the cost per head is £160 and it will be fully taxable for those employees. If employees can bring partners with them, so that the total number attending is 50, then the cost per head falls to £80, in which case there is no taxable benefit for the employees.

Tax Calendar

November 2015

- 19 Monthly CIS payments due.
- 19/22 Monthly PAYE/Class 1 NICs/student loan payments due.
19th for non-electronic payments, 22nd for online payments.

December 2015

- 19/22 Monthly PAYE/Class 1 NICs/student loan payments due.
19th for non-electronic payments, 22nd for online payments.

January 2016

- 05 End of tax quarter.
- 19/22 Third quarter PAYE and Class 1 NICs payment deadline.
Monthly PAYE/Class 1 NICs/student loan and CIS payments due.
19th for non-electronic payments, 22nd for online payments.
- 31 Deadline for online submissions of Self Assessment tax return for tax year ended 5th April 2015.
Deadline for paying 2014/15 Self Assessment 'balancing payments'.
Deadline for first Self Assessment payment on account for 2015/16.
Deadline for amending 2013/14 tax return.

February 2016

- 2 Quarterly submission of P46 (car) (for employees whose car and/or fuel benefit has changed in the quarter to 5 January).
- 19/22 Monthly PAYE/Class 1 NICs/student loan and CIS payments due.
- 28 Pay any 2014/15 tax due to avoid a late payment penalty.

March 2016

- 3 First 5% penalty surcharge on any 2014/15 tax due on 31st January 2016 which is still unpaid.
- 19/22 Monthly PAYE/Class 1 NICs/student loan and CIS payments due.
19th for non-electronic payments, 22nd for online payments.

Travel for the self-employed: getting the details right

If you are self employed, you may only claim tax relief on your travel expenses if your journey is undertaken wholly and exclusively for the purposes of your business.

The type of journey that qualifies for tax relief as business travel depends on the way that the self-employed person trades and where the business operates.

Home to work travel may qualify as a business journey (and so the cost will qualify for tax relief) where:

- Home is the main or only workplace or the operating base of the business, or
- The trade or profession is a travelling occupation, or
- The nature of the trade is itinerant and the business base radiates around home.

Home to work travel is unlikely to qualify as a business journey when home is not a business base and the trader's business base is located elsewhere, such as an office, shop, unit or hospital.

As a rule of thumb, a business base will tend to be where an individual performs their main working duties, however the rules are less than straightforward and there is a substantial body of case law that sets

precedents for particular occupations. In recent years, HMRC have successfully challenged travel claims by members of the medical profession, a pilot and a flying instructor. Past cases have involved builders, barristers and a milkman.

Whilst it is essential to keep good records of all journeys made, in view of the difficulties in this area we offer a regular check-up on travel claims and record keeping, please contact us for further details.



Employee benefit reporting: all change from April 2016

Two major changes are being made to the taxing and reporting of employee benefits in the next tax year:

- The PAYE dispensation rules are abolished: instead there will be a new exemption for qualifying business expenses.
- Employers may voluntarily payroll some or all taxable benefits.

The new exemption will prevent employee expenses from being taxable only if the employee would have qualified for a deduction had they paid the expense themselves and not been reimbursed. This will cover expenses such as professional subscriptions and travel costs.

Currently, unless there is a dispensation in place, such expenses must be included on a P11D form and the

employee must claim a separate deduction to prevent them from being taxed. Going forwards, dispensations are not needed and the expenses will not need to be included on the P11D form.

HMRC do require employers to have a system in place to ensure that the expenses are being paid, and that the amounts are calculated and paid in an approved manner.

The voluntary payroll of benefits enables employers to include taxable benefits in the payroll, deducting the tax directly from employees' wages through PAYE, instead of completing annual P11D forms.

Most types of benefits can be dealt with through the payroll, including company cars, vans and fuel, however employers must first opt in via an online process and receive authorisation from HMRC to do so.

If you have any queries in relation to any of the topics covered in this newsletter then please do not hesitate to contact us.