NEWSLETTER SEPTEMBER 2017

NEW TIMETABLE FOR MAKING TAX DIGITAL

The government has announced a revised timetable for the introduction of Making Tax Digital for Business (MTDfB).

MTDfB introduces extensive changes to how taxpayers record and report income to HMRC. Unincorporated businesses, including landlords, were expected to be the first to see significant changes in the recording and submission of business transactions but the government has announced a delay to the implementation of the new rules and some exceptions for smaller businesses.

The government had decided how the general principles of MTDfB will operate after receiving responses to their original ideas first published in August 2016. Some legislation was published in Finance Bill 2017 but this was removed due to the General Election.

Under MTDfB, businesses will be required to:

- maintain their records digitally, through software or apps
- report summary information to HMRC quarterly through their 'digital tax accounts' (DTAs)
- submit an 'End of Year' statement through their DTAs.

The new timetable is being introduced following concerns raised by the Treasury Select Committee, businesses and professional bodies about the implementation of the new rules and to hopefully ensure a smooth transition to a digital tax system.

Mel Stride, Financial Secretary to the Treasury and Paymaster General said:

'Businesses agree that digitising the tax system is the right direction of travel. However, many have been worried about the scope and pace of reforms.

We have listened very carefully to their concerns and are making changes so that we can bring the tax system into the digital age in a way that is right for all businesses.'

The government has confirmed that under the new timetable:

- only businesses with a turnover above the VAT threshold (currently £85,000) will have to keep digital records and only for VAT purposes
- they will only need to do so from 2019
- businesses will not be asked to keep digital records, or to update HMRC quarterly, for other taxes until at least 2020.

This means that businesses and landlords with a turnover below the VAT threshold will not have to move to the new digital system.

Ministers have also confirmed that the Finance Bill will be introduced as soon as possible after the summer recess and that all policies originally announced to start from April 2017 will be effective from that date.

The government has also confirmed that the proposed changes to VAT reporting will come into effect from April 2019. From that date, businesses trading above the VAT threshold will have to provide their VAT information to HMRC through Making Tax Digital software.

TAYLOR REVIEW OF EMPLOYMENT PRACTICES

The long awaited Taylor Review of employment practices suggests that a national strategy is needed to help provide security in such areas as wages, quality of employment, education and training, working conditions, work life balance and the ability to progress at work.

One of the areas of focus relates to the ‘gig’ economy, with the report recommending the creation of a new category of worker, known as a ‘dependent contractor’, to provide additional rights and benefits for those who are currently classed as self-employed, but who work for businesses which have a ‘controlling and supervisory’ relationship with their workers.

The additional benefits would include sick pay, holiday entitlement and the minimum wage, and the new employment status would also oblige these businesses to pay national insurance contributions for these workers.

Business groups have given mixed reactions to the report’s findings, with many welcoming the focus on labour market flexibility, but also warning that some areas, including the plans to rewrite employment status tests, are a cause for concern.

However, the TUC warned that the review *‘is not the game-changer needed to end insecurity and exploitation at work’*

AUTOMATIC ENROLMENT REACHES 8 MILLION

The Pensions Regulator (TPR) has confirmed than eight million employees have signed up for a workplace pension since the launch of automatic enrolment.

The introduction of automatic enrolment was expected to lead to around eight million workers saving more for their retirement and this milestone has already been reached with hundreds of thousands more employers still to enrol staff over the coming months.

Minister for Pensions and Financial Inclusion Guy Opperman said:

‘Reaching this eight million figure is a formidable achievement and represents a huge number of people on the path to a more financially secure retirement.’

‘But we cannot be complacent and as contribution rates rise we know there is more to be done. That’s why our automatic enrolment review, which will report back later this year, is so vital to the future of this life-changing policy.’

TPR’s report shows that at the end of June 2017, 8,165,000 workers were enrolled in workplace pensions. Darren Ryder, TPR's Director of Automatic Enrolment, said:

‘Tens of thousands more people every week are signing up to a new workplace pension through automatic enrolment. Employers are continuing to become compliant and to remain so, allowing their staff to get the pensions they are entitled to.’

‘There are more than 500,000 more employers whose duties are still to begin over the coming months. I would urge each and every one of them to check today that they know what they need to do and when they need to do it so they can seek our help if they need it.’

If you would like help or advice on complying with your Auto Enrolment duties please do get in touch.

LATEST LABOUR MARKET STATISTICS

The latest labour market statistics for the period March to May 2017 showed a 175,000 rise in employment and 64,000 fall in unemployment.

Estimates from the Labour Force Survey show that, between December 2016 to February 2017 and March to May 2017, the number of people in work increased, the number of unemployed people fell, and the number of people aged from 16 to 64 not working and not seeking or available to work (economically inactive) also fell.

Some of the findings were:

- There were 32.01 million people in work, 175,000 more than the previous quarter.

- The employment rate (the proportion of people aged from 16 to 64 who were in work) was 74.9%, the highest since comparable records began in 1971.
- Latest estimates show that average weekly earnings for employees in Great Britain in nominal terms (that is, not adjusted for price inflation) increased by 1.8% including bonuses, and by 2.0% excluding bonuses, compared with a year earlier.
- Latest estimates show that average weekly earnings for employees in real terms (adjusted for price inflation) fell by 0.7% including bonuses, and fell by 0.5% excluding bonuses, compared with a year earlier.

For more details visit the link below.

Anna Leach, CBI Head of Economic Intelligence, said:

'These figures underline the strength of the UK's flexible labour market, which was recognised in .... Taylor Review. But declining real pay and productivity remain concerning, reinforcing the imperative that any changes following the review support the economy's ability to create great jobs.'

'Making real progress on productivity growth requires a modern industrial strategy, with real change on the ground on skills, infrastructure and innovation.'

HMRC GENUINE AND PHISHING / BOGUS EMAILS AND CALLS

HMRC have issued an update of their guidance on how to recognise genuine HMRC contact be it via email or text.

HMRC also provide advice on what to do if you have received a phishing/bogus email related to HMRC, or you are not sure if it is genuine, you can read about how to report internet scams and phishing to HMRC.

CHARITIES BOUND BY NEW FUNDRAISING PREFERENCE SERVICE

A new service is now available for individuals who want to limit the contact they receive from charities. The Fundraising Preference Service (FPS) should give individuals greater control over how and when charities can contact them. The FPS, which launched on 6 July, allows individuals to select charities that they no longer want to receive communications from.

Under the FPS, where an individual opts out from a specified charity, this will apply to all forms of communication with a named individual including email, text, phone and addressed mail.

Although the FPS is primarily an online service a phone service is available to support those who are vulnerable or without IT. The Fundraising Regulator will notify specified charities of suppression (those people opting out) and monitor compliance. Charities need to ensure they comply with these new rules.

GET READY FOR THE NEW DATA PROTECTION RULES

The government is to introduce new data protection rules under the General Data Protection Regulation (GDPR) which takes effect from 25 May 2018.

Under the GDPR businesses will have increased obligations to safeguard the personal information of individuals which is stored by the business. These rules apply to the information of customers, suppliers or employees. Generally for those who are currently caught by the Data Protection Act it is likely that you will have to comply with the GDPR.

GDPR will apply to data 'controllers' and 'processors.' Processing is about the more technical end of operations, like storing, retrieving and erasing data, whilst controlling data involves its manipulation in terms of interpretation, or decision making based on the data. The data processor processes personal data on behalf of a data controller. Obligations for processors are a new requirement under the GDPR.

The GDPR applies to personal data which is wider than under the Data Protection Act (DPA).

One key change to the current DPA rules is that those affected will have to show how they have complied with the rules. Proof of staff training and reviewing HR policies are examples of compliance.

Under GDPR, higher standards are set for consent. Consent means offering people genuine choice and control over how their data is used.

Overall, the aims of GDPR are to create a minimal data security risk environment, and to protect personal data to rigorous standards. For most organisations, this will entail time and energy getting up to speed with compliance procedures. Reviewing consent mechanisms already in place is likely to be a key priority. In practice, this means things like ensuring active opt-in, rather than offering pre-ticked opt-in boxes, which become invalid under the new rules.

Organisations will also have to think about existing DPA consents. The ICO's advice is that:

'You should review how you seek, record and manage consent and whether you need to make any changes. Refresh existing consents now if they don't meet the GDPR standard.'

Where the current consents do not meet the new GDPR then action will be needed.

The fines for non compliance are severe at up to 20 million euros or 4% of total worldwide annual turnover (if higher).

The Information Commissioner's Office (ICO) has published some very useful information and a 12 step planning guide to help organisations get ready ahead of the May 2018 deadline.

ADVISORY FUEL RATES FOR COMPANY CARS

New company car advisory fuel rates have been published which took effect from 1 September 2017. The guidance states: *'You can use the previous rates for up to one month from the date the new rates apply'*. The rates only apply to employees using a company car.

The advisory fuel rates for journeys undertaken on or after 1 September 2017 are:

Engine size	**Petrol**
1400cc or less	11p
1401cc - 2000cc	13p
Over 2000cc	21p
Engine size	**LPG**
1400cc or less	7p
1401cc - 2000cc	8p
Over 2000cc	13p
Engine size	**Diesel**
1600cc or less	9p
1601cc - 2000cc	11p
Over 2000cc	12p

The guidance states that the rates only apply when you either:

- reimburse employees for business travel in their company cars
- require employees to repay the cost of fuel used for private travel

You must not use these rates in any other circumstances.

If you would like to discuss your car policy, please contact us.

GUIDANCE FOR EMPLOYERS

HMRC have issued their latest guidance to employers in the August edition of the Employer Bulletin. This publication, which is issued every two months, includes articles on:

- Reporting Pay As You Earn in real time
- Optional Remuneration Arrangements
- Tax codes – Get it right first time
- PAYE penalties – continuation of the risk-based approach to charging penalties
- PAYE Settlement Agreements
- Expenses Exemption
- Apprenticeship Levy
- Paying HMRC
- Construction Industry Scheme
- Changes to Business Tax Account
- Contacting HMRC
- Keep up to date with changes
- Automatic enrolment and ongoing duties – what employers need to know

For help with your payroll contact us.

PENSIONS AUTO ENROLMENT COMPLIANCE

The Pensions Regulator (TPR) has begun carrying out employer spot checks to make sure employers are complying with their automatic enrolment duties and that they are giving their staff the workplace pensions they're entitled to. According to the TPR these inspections help them to understand any challenges employers are facing, and whether TPR need to make any changes to their guidance. This also enables them to identify employers who fail to meet their duties, and take enforcement action where necessary.

TPR have confirmed that they will continue with their checks over the coming months generally sending a statutory notice to the employers they have selected ahead of their visits.

Get the process right

TPR are concerned that some employers are not following the correct procedures and during the course of their inspections have seen a number of instances of employers agreeing to opt staff out of a workplace pension before they have been enrolled. This is not in accordance with the auto enrolment rules. According to TPR:

'Some employers claimed they were unaware as to the formality of their duties or process they needed to follow, and had simply been trying to do their staff a favour by offering them the option of opting out up front. But whether their motivation was genuine, or whether they were simply trying to get out of paying their staff the pension contributions they were due, the result was the same – they were in breach of their legal duties. Eligible staff need to be enrolled first, and can then opt out. One of the cornerstones of automatic enrolment is capitalising on inertia, and it has proved very successful so far in helping people who might never have saved for retirement before.'

Please contact us for advice on auto enrolment.

AUTO ENROLMENT FOR NEW EMPLOYERS

Under pensions auto enrolment employers have to enrol qualifying employees into a workplace pension. Duties include paying contributions for the employee. The process of auto enrolment has been phased in from October 2012 when the largest employers had to comply with the rules. However the rules are set to change and new employers will have to comply with their automatic enrolment legal duties, as soon as they employ their first member of staff.

TPR guidance to advisers states:

'If your client becomes an employer for the first time on or after 1 October 2017, they will immediately have legal duties for their new member of staff. These duties apply from the first day the first member of staff started working for your client. This is known as their duties start date.

Your client must comply with their duties straight away.'
In contrast to the above rule an employer who first pays an employee from 2 April 2017 onwards will have a staging date of January or February 2018 depending on when the first employee was paid.

Employers are generally able to postpone some of their auto enrolment duties for up to three months but this needs to be dealt with correctly.

Please contact us for help with auto enrolment.

CHILDCARE SERVICES COMPENSATION

The government are offering compensation to those who have been affected by problems with the implementation of Tax-Free Childcare.

Individuals who have been affected may be able to get a government top-up as a one-off payment for Tax-Free Childcare. The government will also consider refunding any reasonable costs directly caused by the service not working as it should, mistakes or unreasonable delays.

The government are advising that individuals may be eligible for these payments if they have:

- been unable to complete their application for Tax-Free Childcare
- been unable to access their childcare account
- not received a decision about whether they are eligible, without explanation, for more than 20 days.

Tax-Free Childcare is the new government scheme to help working parents with the cost of childcare. The scheme launched at the end of April and is being rolled out to parents, starting with those parents with the youngest children first.

For every £8 a parent pays in, the government will pay in an extra £2. Parents can receive up to £2,000 per child, per year, towards their childcare costs making a total amount of £10,000. Higher limits of £4,000 and £20,000 apply for disabled children.

To qualify for Tax-Free Childcare parents and partners in the household must generally meet a minimum income level of on average £120 a week and each earn less than £100,000 a year.

The scheme will be available for children up to the age of 12, or 17 for children with disabilities. All eligible parents will be able to join the scheme by the end of 2017. Those eligible will be able to apply for all their children at the same time although the government rollout will start with the youngest children first. Parents will need to open an online account, which they can use to pay for childcare from a registered provider.

For those employers who currently offer Employer Supported Childcare, usually in the form of childcare vouchers, these schemes can remain open to new entrants until April 2018. Existing members have the option to remain in their existing scheme or change over to Tax-Free childcare as their child becomes eligible. It is not possible to benefit from tax-free childcare and employer supported childcare at the same time.

A calculator for parents comparing the options and guidance on the other government provided childcare are available on GOV.UK.

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