

# NEWSLETTER MARCH 2018

## HMRC REJECTED SELF ASSESSMENT EXPENSES AND EXCUSES

HMRC have released the latest list of imaginative excuses made by individuals who failed to submit their self assessment return by 31 January deadline in 2017. Excuses include alien sightings and being too busy touring with a one-man play.

HMRC's annual list of outlandish excuses is used to publicise the self assessment deadline of 31 January following the end of the tax year. An automatic £100 penalty applies to those who have the obligation to complete a return and miss the filing deadline, regardless of whether the individual has a tax liability to pay or not.

Angela MacDonald, HMRC's director general of customer services, said:

*'Each year we're making it easier and more intuitive for our customers to complete their tax return, but each year we still come across some questionable excuses, whether that's blaming a busy touring schedule or seeing aliens.'*

Here are some of the recent excuses:

1. I couldn't file my return on time as my wife has been seeing aliens and won't let me enter the house.
2. I've been far too busy touring the country with my one-man play.
3. My ex-wife left my tax return upstairs, but I suffer from vertigo and can't go upstairs to retrieve it.
4. My business doesn't really do anything.
5. I spilt coffee on it.

HMRC have also released details of some of the weirdest expense claims which include:

1. A three-piece suite for my partner to sit on when I'm doing my accounts.
2. Birthday drinks at a Glasgow nightclub.
3. Vet fees for a rabbit.
4. Hotel room service – for candles and prosecco.
5. £4.50 for sausage and chips meal expenses for 250 days.

If you have any queries on tax matters please contact us.

## TAX-FREE CHILDCARE ROLL OUT

The implementation of Tax-Free Childcare, the new government scheme to help working parents with the cost of childcare, is being rolled out to eligible parents in stages.

The scheme first made its debut in April 2017 and although there have been initial systems problems, HMRC's aim is to have the scheme open to all eligible parents by 14 February 2018. Application is made online through the Childcare Choices site [www.childcarechoices.gov.uk](http://www.childcarechoices.gov.uk) and applications can be made for all eligible children at the same time.

Under Tax-Free Childcare, for every £8 the parent pays, the government provides a £2 top-up, to a maximum of £2,000 per child each year – with a higher limit of £4,000 for disabled children. This gives a total childcare pot of £10,000, or £20,000 for disabled children. To be eligible, parents must generally have minimum weekly earnings of at least £120 each. There is also an upper earnings limit of £100,000.

Compensation may be available in certain circumstances where a parent:

- is unable to complete an application for Tax-Free Childcare
- is unable to access their childcare account
- or doesn't get a decision about whether they are eligible, without explanation, for more than 20 days.

Those employing a nanny should be able to use the childcare account to pay their PAYE tax and National Insurance. Delays in getting this system working may also give grounds for compensation. Application is made online [GOV.UK childcare-service-compensation](https://www.gov.uk/childcare-service-compensation)

#### HMRC HALTS THOUSANDS OF SCAM TEXT MESSAGES

HMRC have announced that they have stopped thousands of taxpayers from receiving scam text messages *'with 90 percent of the most convincing texts now halted before they reach their phones'*.

HMRC's press release states:

*'Fraudsters alleging to be from HMRC send text messages to unsuspecting members of the public. In these messages they will make false claims, such as suggesting they are due a tax rebate. Messages will usually include links to websites that harvest personal information or spread malware. This can in turn lead to identity fraud and the theft of people's personal savings.'*

HMRC have confirmed that they will never contact taxpayers who are due a tax refund by text message or by email.

HMRC's Director of Customer Services, Angela MacDonald, said:

*'HMRC is focused on becoming the most digitally advanced tax authority in the world, and a big part of that relates to keeping our customers safe from online scammers.'*

*'As email and website scams become less effective, fraudsters are increasingly turning to text messages to con taxpayers. But as these numbers show, we won't rest until these criminals are out of avenues to exploit.'*

*'We have made significant progress in cutting down these types of crime, but one of the most effective ways to tackle it is still to help the public spot the tell-tale signs of fraud.'*

#### TRIBUNAL RULES BBC JOURNALIST IS CAUGHT BY 'IR35' LEGISLATION

A First Tier Tribunal has ruled that Christa Ackroyd who presented BBC news programme Look North and was paid via a personal service company was caught by the IR35 rules resulting in additional tax and national insurance contributions being payable.

The IR35 rules in broad terms mean that those working via a personal service company have to consider whether, if the services were provided by the individual contractor directly to the client, there would be a contract of employment.

The tribunal looked at lots of factors pertinent to Ms Ackroyd's engagement and considered it significant that the BBC could control what work she did. She was engaged for seven years on effectively a full time basis.

Subject to any appeal and determination of final figures, the tax and NIC that Ms Ackroyd will be liable for amounts to around £420,000 before offset of corporation tax.

The IR35 rules were amended for Public Bodies (including the BBC) from April 2017 and the government has announced that it may make changes to the rules for the private sector as well in the future.

#### ADVISORY FUEL RATES FOR COMPANY CARS

New company car advisory fuel rates have been published which take effect from 1 March 2018. 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 March 2018 are:

<b>Engine size</b>	<b>Petrol</b>
1400cc or less	11p
1401cc - 2000cc	14p
Over 2000cc	22p
<b>Engine size</b>	<b>LPG</b>
1400cc or less	7p
1401cc - 2000cc	8p
Over 2000cc	13p
<b>Engine size</b>	<b>Diesel</b>
1600cc or less	9p
1601cc - 2000cc	11p
Over 2000cc	13p

HMRC [guidance](#) states that the rates only apply when you either:

- reimburse employees for business travel in their company cars or
- 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.

#### SCOTLAND'S FIVE INCOME TAX BANDS AND TAX RELIEF FOR PENSIONS

Following the announcement of new income tax rates for Scottish taxpayers for 2018/19, the government is looking at ways of addressing the issue of the tax relief due on Scottish taxpayers' pension contributions.

Tax relief on pension contributions is a complex matter and depends on the marginal tax rate of the individual concerned and whether or not the contributions are being paid with relief at source or under net pay arrangements. The following link details how relief will be given for 2018/19. If you would like help in this complex area please contact us.

The income tax rates for Scottish taxpayers on income other than savings and dividend income are now expected to be as follows:

<b>Scottish Bands £</b>	<b>Band name</b>	<b>Scottish Rate</b>
0 - 2,000	Starter	19%
2,001 - 12,150	Basic	20%
12,151 - 31,580	Intermediate	21%
31,581 - 150,000	Higher	41%
Over 150,000	Top	46%

Scottish taxpayers are entitled to the same personal allowance as individuals in the rest of the UK which for 2018/19 is £11,850. The allowance is reduced by £1 for every £2 of adjusted net income in excess of £100,000. The bands and allowances are detailed in the P9X.

#### MINIMUM WAGE INCREASES

The National Minimum Wage (NMW) and National Living Wage (NLW) are the legal minimum wage rates that must be paid to employees. Employers are liable to be penalised for not complying with the NMW and NLW rules.

There are different levels of NMW and NLW, depending on age and whether the employee is an apprentice. The rates are due to increase from 1 April 2018 as shown in the following table:

	<b>Rate from 1 April 2017</b>	<b>Rate from 1 April 2018</b>
NLW for workers aged 25 and over	£7.50	£7.83
NMW main rate for workers aged 21-24	£7.05	£7.38
NMW 18-20 rate	£5.60	£5.90
NMW 16-17 rate for workers above school leaving age but under 18	£4.05	£4.20
NMW apprentice rate *	£3.50	£3.70

\*for apprentices under 19 or 19 or over and in the first year of their apprenticeship

There are no exemptions from paying the NMW on the grounds of the size of the business.

If you would like help with payroll matters please get in touch.

## PENSIONS AUTO ENROLMENT REACHES A MILLION EMPLOYERS

The Pensions Regulator has announced that the number of employers meeting their workplace pension duties has reached one million and that statistics show that approximately 9.3 million people are saving into a pension.

TPR's Director of Automatic Enrolment, Darren Ryder, said:

*'I am delighted we have reached this important landmark, which shows how far we have come since the start of automatic enrolment. By successfully meeting their responsibilities, employers have helped reverse the downward trend in workplace saving so that putting earnings into a pension has now become the norm.'*

*The continued support of the pensions industry, including pension and payroll providers and business advisers has been crucial to the success of automatic enrolment. The industry has helped us ensure employers have the tools, information and services they need to comply with the law.*

*We are now focused on the challenges ahead so that employers continue to understand what they need to do so that staff receive the pensions they are entitled to.'*

Minimum pension contributions are set to increase from 6 April 2018 and again in 2019.

<b>Period</b>	<b>Duration</b>	<b>Employer minimum</b>	<b>Total minimum contribution</b>
1	Employer's staging date to 5 April 2018	1%	2%
2	6 April 2018 to 5 April 2019	2%	5%
6 April 2019 onwards		3%	8%

Contact us if you would like help with auto enrolment.

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