Expenses & Benefits

Tax changes ease burden of compliance

Chris Floyd, tax specialist at Landers the Accountants, runs the rule over the new regulations that came into force in April.

Chris Floyd

MANY tax changes came into effect on April 6 this year. One of the more significant for employers is that dispensations from the reporting of expenses and non-taxable benefits have ceased to exist. HM Revenue & Customs will not issue new ones and any previous agreements no longer apply.

However, this does not change the tax position on reimbursed expenses or tax free benefits. New rules remove the need for a dispensation in many situations by giving a statutory exemption to the reporting of paid or reimbursed expenses.

In brief, employers will no longer need to report reimbursed business expenses on forms P11D where they do not give rise to a tax charge. This will reduce the compliance burden for the employer and will also reduce the claims that employees have to make to avoid being taxed on genuine employment expenses.

Satisfy

Employers must still keep detailed records of all expenses paid or reimbursed and will need to continue to check any expense claims or credit card bills to make sure that any non-business expenditure is either repaid in full by the employee or is reported as a benefit, either through the payroll or via a form P11D.

Common items that will are covered by the new exemption include:

- Travel, including associated subsistence costs;
- Business entertainment expenses;
- Credit cards used for business;
- Fees and subscriptions.

Where actual receipted subsistence is reimbursed, the employer only needs to satisfy themself that the expenditure was incurred by the employee as part of a qualifying business journey, or otherwise in the performance of their job. However, where a scale rate is paid - where there is a policy to pay a specified amount to any employee in a given situation - the exemption will only apply to amounts paid in accordance with the new legislation.

For example, where a scale rate is paid for subsistence, the amount paid must not exceed the limits in the Income Tax (Approved Expenses) Regulations 2015. For 2016/17 these are set as:

- £5 where the qualifying travel in that day is five hours or more;
- £10 where the duration of the travel is ten hours or more;
- £25 where the travel is 15 hours or more and is ongoing at 8pm;
- An additional £10 meal allowance can be paid where either the five hour or ten hour rate is paid and the travel is ongoing at 8pm;
- The word travel here means the amount of time away from the normal place of employment while on business – you do not have to be moving for the hours quoted.

Any previous agreements with HMRC to pay any rates different to these, or scale rate payments for other items of business expenditure, ceased to apply on April 6. Any employers wishing to continue with a non-statutory rate must apply to HMRC for approval. Where approval is given, it will last for a maximum of five years before it must be reviewed and renewed.

Employers must have in place a system for checking expenses. This process must ensure that where scale rates are paid the employee is able to produce receipts to HMRC if requested in order to confirm that there was some actual expenditure on each occasion where a scale rate payment was paid.

I encourage all employers to review their expense and subsistence policies to make sure they are in line with the new legislation, or to consider applying to HMRC for approval of bespoke scale payments.

Pensions

Make sure you maximise your retirement income

Tony Byrne

IF YOU are a business owner, approaching retirement with a pension or pensions and have already considered your retirement options then by now you should be feeling totally confused *writes Tony Byrne, managing director of financial advisers Wealth & Tax Management*. Why is this?

The myriad of pension options available at retirement is highly complex. To the average layman it must seem like you have to have a PhD to work it all out. Should you opt for Flexible Drawdown? Or should you choose an annuity? Or a mixture of both?

If you have a Self Invested Personal Pension or a Small Self Administered Scheme, you really need to take advice from a pensions specialist. If you do not and you choose the wrong option, the mistake could literally cost you thousands of pounds in lost income.

In a SSAS, for example, you can opt for a scheme pension rather than an annuity or drawdown. Potentially you could take a pension income higher than either of those two choices.

Also if you are married and your spouse has much less money in their pension in the SSAS than you, it is possible to pay them a disproportionately higher pension income at retirement.

Tax

Remuneration scheme laid bare as the taxman prepares to pounce on loan arrangements

Andrew Lawes, general practice partner at chartered accountants Mercer & Hole, looks at proposed legislation in the Budget that could push thousands of people into bankruptcy.

Andrew Lawes

FORMER Glasgow Rangers FC footballers could be forced to pay HM Revenue & Customs millions of pounds in back taxes if announcements in the recent Budget take effect.

The issue is around so-called disguised remuneration schemes. There are many types of such schemes, although most seek to pay an individual through an Employee Benefit Trust in the form of a loan that is not subject to income tax or national insurance.

These loans are often interest free and are designed so that it is unlikely they will ever be repaid, meaning the individual is free to use the money in the same way most people would use their salary.

It is proposed to pass legislation in the Finance Act 2017 to ensure that such arrangements will be taxable. Where such a loan is outstanding at April 5 2019 and has not already been taxed as remuneration, it will be subject to income tax and national insurance at that stage.

The previous legislation applied tax to loans made after the date the changes were announced (December 2010) but not to loans made before then.

Position

HMRC's guidance states that the PAYE will initially fall due on employers but where such PAYE cannot be collected it will look to employees for payment of the liability.

Needless to say, these changes will not only affect football players. Many people entered into such arrangements, including both employees and self-employed contractors, and some will now not be in a position to pay the back taxes or repay the loans.

This is a proposed piece of retrospective legislation that could lead to numerous bankruptcies.