HMRC ERROR AFFECTS PAYMENTS ON ACCOUNT BILLS FOR SOME TAXPAYERS

Some taxpayers may not receive a bill for payments on account this month, and face paying a higher bill in January 2020.

The Association of Taxation Technicians (ATT) is advising individuals affected by an error with HMRC's systems to set aside money to pay the bill in full.

Most people who complete self-assessment pay their taxes in two instalments every six months, called payments on account.

These advance payments are based on the individual's tax liability for the previous year, and are paid in January and July, followed by a final balancing payment the following January.

But a system error at HMRC in January 2019 meant some taxpayers' self-assessment statements did not include their first payment on account.

Unless those affected contacted HMRC at the time, they will not receive a bill for their July payment on account, and will be billed the full amount of tax in January 2020.

Voluntary payments can be made, but there is a risk that HMRC will consider it an overpayment and automatically refund it.

Jon Stride, co-chair of the ATT's technical steering group, said:

"While it might be tempting to think that not receiving a tax demand is a good thing, all affected taxpayers must pay their 2018/19 bill in full by 31 January 2020.

"If a taxpayer does not make any payments on account during 2019, their tax bill in January 2020 could be significantly larger than they expect."

Get in touch to discuss payments on account.

MOST GIFTERS ARE 'UNCLEAR ON INHERITANCE TAX RULES'

Most people making gifts of money or assets are unaware of inheritance tax rules that might apply to them.

HMRC polled 2,090 people and found that only 25% of those who recently made a gift had a working knowledge of the rules.

Less than half (45%) were aware of the rules or exemptions surrounding inheritance tax when they made their largest gift.

Only 8% of gifters considered inheritance tax rules before making a gift, the research showed.

Inheritance tax will potentially apply on gifts where a donor dies within seven years of making the gift or on a chargeable lifetime transfer into a relevant trust or company.

Within these rules are exemptions, such as gifts to a spouse or civil partner, charity or a political party, while an annual exemption on gifts worth up to £3,000 applies.

Should the donor die within three years of making the gift, inheritance tax of 40% will apply if the estate is worth more than £325,000.

Gifts made between three and seven years before the donor's death are taxed on a sliding scale known as taper relief.

Among gifters who were aware of the rules, 18% said they were influenced by them when they made their largest gift.

More than a quarter (28%) of gifters had sought advice from either GOV.UK or professional tax advisers.

Talk to us to understand the rules on gifts.

NON-COMPLIANT EMPLOYERS FACE AUTO-ENROLMENT SPOT-CHECKS

Businesses that flout their workplace pension duties face being subjected to random spot-checks by the Pensions Regulator.

Employers that provide details to HMRC are having that data cross-referenced by the watchdog in an attempt to identify non-compliance with auto-enrolment.

The checks are designed to identify businesses that are failing to enrol eligible staff into a workplace pension scheme or that make incorrect, or no, contributions.

All businesses with staff aged between 22 and state pension age, and earning more than £10,000 year, have to be auto-enrolled into a workplace pension.

Those who fail to comply may be the subject of short-notice inspections, which began in May and will continue throughout the summer.

Darren Ryder, director of auto-enrolment at the Pensions Regulator, said:

"Our data and intelligence streams enable us to detect potential non-compliance and take swift action against employers.

"This allows us to target our resources in a very focused way as part of our role to protect pension savers.

"A minority of employers who ignore their responsibilities can expect a knock at the door from us, and enforcement action."

By law, employers have to take part in the spot-checks if the Pensions Regulator comes knocking.

Witholding information when asked, or obstructing an inspector, are criminal offences and may result in legal action or fines.

According to the Regulator in May 2019, more than 1.5 million businesses are complying with workplace pensions legislation.

While the figure represents the majority of UK employers, the number of fines being issued for non-compliance is rising.

The Regulator issued fines worth a total of £68,626,923 to employers that failed to meet their pension obligations in 2018/19 – up from £192,900 in 2014/15.

Employers that fail to comply with statutory notices for auto-enrolment initially receive a £400 fixed penalty notice.

Should they ignore that warning, an escalating penalty notice can fine employers between £50 and £10,000 a day.

Speak to us about your auto-enrolment duties.

CALLS GROW FOR DELAY IN EXTENDING IR35 TO THE PRIVATE SECTOR

Extending IR35 to the private sector could introduce "a complex web of new rules and liabilities throughout supply chains".

Medium and large companies in the private sector are set to be responsible for determining the tax status of contractors from April 2020.

With that date looming, the Association of Chartered Certified Accountants (ACCA) has called for a one-year delay in the expansion of the legislation.

It believes a stay of execution will provide enough time to allow a full appraisal of the proposed rules and consider the best way forward for HMRC.

Off-payroll rules were reformed for contractors in the public sector in April 2017, with the aim of preventing what the Revenue regards as 'disguised employment'.

Lilly Aaron, policy manager at ACCA Europe, said:

"On the surface, this legislation aims to tackle contrived working practices that may disguise the true nature of the relationship between a worker and client.

"In practice, however, this reform could create a complex web of new rules and liabilities throughout supply chains, causing confusion over employment status and where tax liabilities rest.

"There are a lot of lessons to be learned from these rules being introduced to the public sector [in 2017], and it is essential we get this right the first time for the private sector to give businesses some certainty."

The ACCA, the Chartered Institute of Taxation, and the Institute of Chartered Accountants in England and Wales previously flagged other issues with IR35 in the public sector.

These included the complexity of the off-payroll arrangements and the accuracy of the Check Employment Status for Tax (CEST) assessment tool.

Responses to HMRC's off-payroll working rules from April 2020 consultation recently closed, giving the Government plenty of food for thought.

Should no further changes be announced, the tax treatment of off-payroll work in the private sector will mirror that implemented in the public sector.

Contact us to discuss IR35.