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Tax Matters

Spring 2016

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HMRC phishing scams and how to avoid them

As HMRC moves more of its services online, fraudsters are exploiting this transition by targeting taxpayers with bogus or fake emails. Known as 'phishing', these communications are designed to encourage people to impart sensitive personal or financial information which can then be used for fraudulent purposes. With an increasing number of people falling victim to such scams, HMRC has released updated guidance on how to recognise genuine contact from its agents.

Genuine contact from HMRC

Firstly, remember that HMRC will never send notifications of a tax rebate by email, nor will it ask you to disclose personal or payment information via email. There are, however, some occasions when the Revenue will make digital contact. Some examples include:

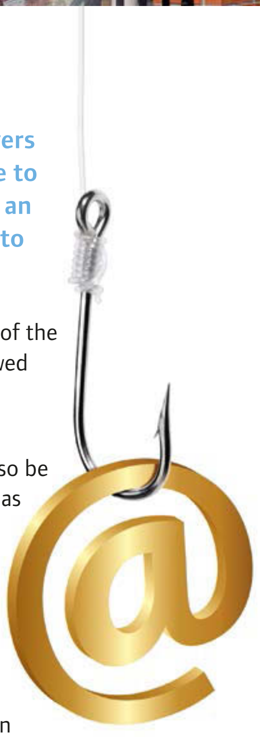
- Trade statistics import/export data emails
- Employer Bulletin emails
- Tax credits letters from Concentrix
- Tax credits – SMS text or voice prompts
- VAT Mini One Stop Shop (MOSS) emails
- Agents online self-serve email invitations
- PAYE notices and reminders
- Educational emails
- Debt management and banking text messages
- Inheritance tax online registration and application emails
- VAT emails including VAT returns, VAT registration and VAT debt reminders
- Annual Tax Summary email alerts.

Recognising fraudulent emails

Phishing emails often appear very convincing, but there are a number of signs which can help you to determine whether an email is fraudulent.

A fraudulent email is likely to have an incorrect 'From' address. The sender's email address will often be very similar to a genuine HMRC address, for example the plausible refunds@hmrc.gov.uk, in order to mislead the recipient. More examples of some of the false email addresses frequently used can be viewed online at **https://goo.gl/3QLfie**.

Common greetings such as 'Dear Customer' may signify that the email is bogus, and you should also be cautious of any emails demanding urgent action, as criminals will often use such tactics to encourage an immediate response.



Links and attachments pose another potential threat. Phishing emails will often include a link to a webpage replicating those on the HMRC site. Although the page appears genuine, it may display fields requesting personal information or bank account details. You should also exercise caution when it comes to attachments in an email, as these may contain viruses designed to steal confidential information from your computer.

Reporting scams and suspicious contact

Any suspicious emails should be forwarded to **phishing@hmrc.gsi.gov.uk**. If you believe you may have disclosed personal information by mistake, contact HMRC at **security.custcon@hmrc.gsi.gov.uk**. Meanwhile, details of any misleading websites should be reported to Action Fraud – see **www.actionfraud.police.uk** or call 0300 123 20 40.

By remaining vigilant and following the above guidance, it is possible to minimise the risk of falling victim to phishing scams. For more information visit www.gov.uk/topic/dealing-with-hmrc/phishing-scams.

Ringing the changes: new rules for benefits in kind and expenses

Remuneration by way of benefits can be an attractive option for many employees. However, 6 April 2016 sees the introduction of a number of changes to the tax treatment of employee benefits in kind and expenses, as we explore below.

Removal of the income threshold

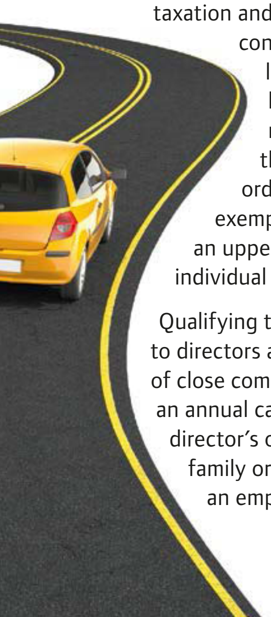
Benefits in kind are currently assessed on all directors and employees whose combined salary and benefits are £8,500 or more. From 6 April 2016, this threshold for the taxation of benefits in kind will be removed, meaning that all benefits will be taxable regardless of an individual's total earnings.

Statutory exemption for reimbursed expenses

From 6 April 2016, a new statutory exemption will apply for certain expenses reimbursed to an employee. All employees will automatically receive tax relief on qualifying expenses payments, meaning that employers will no longer need to apply for a dispensation in order to avoid reporting non-taxable expenses using forms P11D. Existing dispensations will cease to have effect. Should an employer wish to pay a set rate to employees for certain expenses, rather than reimbursing the actual costs incurred, they will need to apply to HMRC for approval.

Trivial benefits

From 6 April, a statutory exemption will remove trivial benefits in kind from taxation and national insurance contributions (NICs). New legislation introduced by HMRC has set out a number of conditions that must be met in order for a benefit to be exempt, including imposing an upper limit of £50 on each individual benefit.



Qualifying trivial benefits provided to directors and other office holders of close companies will be subject to an annual cap of £300. Where the director's or other office holder's family or household member is also an employee of the company, they will be subject to a £300 cap in their own right.

Employer-provided cars

Employer-provided cars are amongst the most popular benefits in kind and are subject to their own rules. The taxable benefit for an employee who has use of a company car is calculated by multiplying the car's list price by an emissions-based percentage, based on bands of CO_2 emissions, and with a 3% surcharge applying to diesel cars.

From 6 April 2016 there will be a 2% increase in the percentage applied by each band, with similar increases to come into effect in 2017/18 and 2018/19. For 2019/20 the rate will increase by a further 3%. The 3% diesel supplement was expected to be removed from 6 April, but will now be retained until April 2021.

Some key benefits in kind

Other popular benefits include:

- contributions to registered pension schemes
- certain childcare provisions and workplace nursery places provided for the children of employees
- meals provided in a staff canteen, and drinks and light refreshments at work
- parking provided at or near an employee's place of work
- in-house sports facilities
- payments for additional household costs incurred by an employee who works at home
- removal and relocation expenses up to a maximum of £8,000 per move
- the provision of a mobile phone.

Payrolling benefits and expenses – the new online system

'Payrolling' benefits and expenses allows employers to collect PAYE tax on employee benefits in kind through their payroll.

The Finance Act 2015 included legislation to formalise the practice of payrolling, allowing employers to voluntarily report and deduct tax on employee benefits in kind in real time from the start of the 2016/17 tax year. Employers who wish to do so from the 2016/17 tax year onwards must register with HMRC's new online Payrolling Benefits in Kind (PBIK) service by 5 April 2016.

National insurance contributions

There is no change to the process for reporting and collecting employer-only Class 1A NICs which are paid at 13.8% on the value of most benefits. Employers would still need to complete a P11D(b) after the end of the tax year, but must ensure that they include the values for both payrolled and non-payrolled benefits in kind.

Please contact us if you would like further advice on employee benefits in kind and remuneration packages.

The new Scottish rate of income tax

The Scotland Act 2012 gave the Scottish Parliament landmark new powers to set an annual rate of income tax for Scottish taxpayers. The Scottish rate of income tax (SRIT) comes into effect from April 2016.

Under the new regime, with effect from 6 April 2016, taxpayers who are deemed to be resident in Scotland will pay two types of income tax on their non-savings income.

The main UK rates of income tax will be reduced by 10p for Scottish taxpayers, and the Scottish Parliament will levy the SRIT in its place. The Scottish Parliament has the choice of whether to reduce or increase the SRIT beyond 10p and there are no lower or upper limits.

In its draft Budget on 16 December 2015, the Scottish Government announced that the SRIT would be set at 10p in the pound for 2016/17.

What the changes mean

Where an individual is deemed to be a Scottish taxpayer by HMRC on account of where they live, or reside, the new rules will trigger a change in PAYE procedures, and this could affect employers that are based outside Scotland. A new 'S' prefix will be introduced to the tax code of Scottish taxpayers, and payroll software must be able to apply variable rates of SRIT.

Determining an individual's tax status

Where a taxpayer lives either in Scotland or elsewhere in the UK, determining whether or not they are a Scottish taxpayer will be a simple process. If an individual has one place of residence, within Scotland, they will be a Scottish taxpayer.

For those who have more than one place of residence in the UK, it will be necessary to determine which has been their 'main place of residence' for the longest amount of time during the tax year. Should it not be possible to identify a main place of residence, it will be necessary to calculate the number of days spent in Scotland compared with those spent in other parts of the UK. The answers to these questions will determine whether or not an individual is deemed to be a Scottish taxpayer.

Keeping records

While many individuals will not need to keep additional records, for some it will be advisable to retain certain records and documents to help determine their taxpayer status. This may include a range of evidence, from household bills, subscriptions and local parking permits, to club memberships, GP registrations and bank statements.

Future changes

With additional devolutionary measures in the pipeline, business owners are advised to ensure that they keep abreast of the latest developments.

This article is for guidance only and it is always advisable to seek professional assistance.

The 2015 Autumn Statement: a Round-up

The combined Autumn Statement and Spending Review included a number of significant announcements, some of which are outlined below.

Business measures

Business rates

The Government will extend the doubling of Small Business Rate Relief for a further year from 1 April 2016. It will also legislate to allow local government to keep the rates they collect from business, give councils the power to cut business rates, and grant elected city-wide mayors the power to levy a business rates premium for local infrastructure projects.

Apprenticeship levy

The new apprenticeship levy, effective from April 2017, will be set at a rate of 0.5% of an employer's wage bill and will be paid through PAYE. Each employer will receive an allowance of £15,000 to offset against their levy payment.

Diesel company cars

The three percentage point differential between diesel cars and petrol cars was set to be removed in April 2016. However, it will now be retained until April 2021, when EU-wide testing procedures will ensure new diesel cars meet air quality standards even under strict 'real-world' driving conditions.

Employment intermediaries

The Government will legislate to restrict tax relief for travel and subsistence expenses for workers engaged through an employment intermediary, such as an umbrella company or a personal service company. Following consultation, from April 2016 relief will be restricted for individuals working through personal service companies where the intermediaries legislation applies.

Personal measures

State Pension

The Chancellor confirmed that the starting rate for a full new State Pension will be set at £155.65 per week, to take effect in April 2016. The basic State Pension will be increased by the 'triple lock' for 2016/17, meaning a full basic State Pension will rise to £119.30 a week.

Pensions auto-enrolment

The Government will delay the next two scheduled increases in automatic enrolment minimum contribution rates by six months each, to align these changes with the start of the tax year.

Tax-free childcare

The upper income limit per parent will be lowered from £150,000 to £100,000 and the minimum income level per parent will be increased from the equivalent of eight hours to 16 hours at the National Living Wage.

Help to Buy

The Chancellor announced the extension of the Help to Buy: Equity Loan scheme to 2021 and the creation of a special London Help to Buy scheme.

Stamp duty and second properties

Additional measures will affect owners of second properties. From 1 April 2016, higher rates of Stamp Duty Land Tax (SDLT) will be charged on purchases of additional residential properties (above £40,000), such as buy-to-let properties and second homes. In its draft Budget in December, the Scottish Government confirmed that similar changes will be applied to the Land and Buildings Transaction Tax (LBTT) in Scotland. These higher rates will be three percentage points above the current rates of duty.

Meanwhile, the Government intends to consult on changes to the SDLT filing and payment process to come into effect in 2017/18, including a reduction in the filing and payment window from 30 days to 14 days.

For more information on how the measures could affect you and your business, please contact us.

Tax Round-up

New online Personal Tax Accounts officially launched by HMRC

HMRC has officially launched its new digital Personal Tax Accounts (PTA) system.

The digital resource is intended to be used in a similar way to online banking. The new online accounts will enable people to access their individual tax information and will provide the option for taxpayers to make payments at any time during the year.

PTAs have been created with the aim of supplying individuals with 'real-time' overviews of their tax affairs. Taxpayers will also be given the option to discuss tax matters via a virtual assistant or web chat facility.

However, experts have highlighted that under HMRC's new digital initiative, around four million of the UK's self employed, landlords and small businesses will be required to update HMRC at least quarterly, rather than on an annual basis.

By April 2016, every personal taxpayer is expected to have a PTA, along with millions of small businesses.

Changes to the Gift Aid Small Donations Scheme

The Gift Aid Small Donations Scheme (GASDS) allows charities and Community Amateur Sports Clubs (CASCs) to claim a top-up payment equal to the 20% basic rate of income tax on small donation income where it would be difficult to obtain a Gift Aid declaration from the donor – for example street collections.

It operates separately to the Gift Aid scheme and applies to small cash-only donations of £20 or less.

The maximum annual donation amount which can be claimed through the GASDS is set to rise from £5,000 to £8,000 from 6 April 2016. First announced in the March 2015 Budget, the change effectively means that charities and CASCs will be able to claim Gift Aid style top-up payments of up to £2,000 a year.

The Government expects around 6,500 charities to benefit from the increased limit.

To make a claim under the GASDS, the charity or CASC must have existed for at least two complete tax years and have made a Gift Aid claim in at least two of the last four tax years, with no more than two years' gap between claims. Additionally, the organisation must not have incurred a penalty on a Gift Aid or GASDS claim in this or the previous tax year.

For more information on tax-efficient charitable giving, please contact us.

Tax Tip

Renting out a room?

Did you know that under the 'rent a room' scheme, income from letting furnished rooms in your main residence is exempt from tax if the gross annual rent does not exceed £4,250 (£2,125 if you share the income) in 2015/16. Furthermore, from April 2016 the level of rent a room relief will be increased to £7,500.

If you are letting to lodgers who live as part of the family, there will be no loss of capital gains exemption. Otherwise, there may be some restriction.

Certain rules apply – please contact us for more information.

Reminders for your Spring Diary

March

2 Last day to pay any balance of 2014/15 tax and Class 4 NICs to avoid an automatic 5% late payment penalty.

31 End of Corporation Tax financial year.

End of CT61 quarterly period.

Filing date for Company Tax Return Form CT600 for period ended 31 March 2015.

April

5 Last day of 2015/16 tax year.

Deadline for 2015/16 ISA investments.

Last day to make disposals using the 2015/16 CGT exemption.

14 Due date for income tax for the CT61 period to 31 March 2016.

19/22 Quarter 4 2015/16 PAYE remittance due.

30 Normal annual adjustment for VAT partial exemption calculations (monthly returns).

May

1 Start of daily penalties for 2015 online Tax Return not yet filed. Additional penalties may apply for further delay.

3 Submission date of P46 (Car) for quarter to 5 April.

31 Last day to issue 2015/16 P60s to employees.