The Construction Industry
Joint Taxation Committee

JTC

JTC NEWSLINE

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A boring Budget?

It will not have escaped your notice that there was no Budget Special issue of this newsletter to clue you in to immediate action you should take. That is because it was a very staid and sensible Budget with no nasty surprises and no immediate call to action. Sadly there were no pleasant surprises either (who had "abolish IR35" on their wish list?) and the main differences you will notice had already been announced. Corporation tax goes up from 19% to 25% and the Super-deduction 130% capital allowances revert to 100% (and someone pointed out to me the other day that the cash deduction isn't changing much as a result anyway: 130% deduction from 19% of tax = 24.7% as opposed to 25% which is what you get from a 100% deduction at 25% tax).

One thing hidden away amongst the many, many documents that were published alongside the actual Budget speech was a consultation on the future of tax administration. In other words HMRC's determination to move towards an "online first" world and away from letters and phone calls. At the same time, HMRC have written to the over 100,000 people who still file paper tax returns, encouraging them to move to online filing, and have removed the download links to paper tax returns – you now have to phone up and request a paper tax return if you want one. Those who are visually impaired or over 70 and have never filed online are the only people who will continue to receive paper returns automatically.

Is this the future we want? If you have time to read it, the consultation document can be found here and I would be interested in your feedback on whether there are any areas where it might be useful to develop an industry-wide response. ■

Rates and thresholds

There was an update to the handy page of rates and thresholds for employers on 17th March. There were no substantive changes and the update simply confirmed the finalisation of the Income Tax rates and thresholds for Wales for the tax year 2023 to 2024. Remember that while the personal allowances are the same for England, Wales, Scotland and Northern Ireland, and that Wales has, so far, kept its tax rates the same as England and Northern Ireland's, the rates and thresholds for Scottish taxpayers are slightly different. ■

Off Payroll Working (IR35)

HMRC published three new pages of guidance in March; for intermediaries and contractors providing services to the public sector or medium and large clients in the private sector, for intermediaries and contractors providing services to small clients in the private sector and for clients. I would be interested in hearing whether this guidance actually assists you in operating the system: my personal view is that surely it is time for a root and branch reform of these rules. ■

Voluntary NICs contributions

Another reminder that you now have until 31st July to make voluntary contributions to cover any incomplete years in your NICs record to secure the maximum possible state pension. The information you need can be found here but please don't leave it till the last minute – the deadline was extended from 5th April to 31st July partly because the numbers of people looking to check their record was swamping the HMRC service. ■

VAT and energy-saving materials

There have been minor changes to the rules in VAT Notice 708/6: Energy-saving materials and heating equipment. The change is in paragraph 2.5 with updated information about installations by subcontractors in Great Britain and Northern Ireland – if you are a business supplying another business, like a contractor working for a developer, you are not making a supply to a "qualifying person" so may need to apply the 60% test.

The ratification of the Windsor Framework also means that the time-limited zero rate for some energy saving materials will now apply in Northern Ireland as in other parts of the UK from 1st May. The full details are here. ■

Official rate of interest

The official rate of interest increased from 2% to 2.25% on 6th April 2023. This is the rate you use to calculate the Income Tax charge on the benefit of employment related loans and the taxable benefit of employment related living accommodation so you will need it to calculate the value of any benefit for the tax year 2023 to 2024. You also need to watch out for payments brought into tax for the first time because of the change.
The announcement is here and the full table of HMRC interest rates can be found here. ■

Plastic packaging tax

Final reminder that the deadline for registering, returning and paying any plastic packaging tax is 28th April.
Remember, this only applies if you manufacture or import more than 10 tonnes of plastic packaging in any one year, and if you are importing something that's packed in plastic it is only the weight of the packaging that counts, not the weight of the contents. But if you are a serious importer please do make sure you do due diligence of how your imports are packed and don't be caught out. You can read more here. ■

Employers: PAYE direct debits and time to pay arrangements

If you want to pay your PAYE by direct debit you need to be aware of the time lag in the process: the direct debit would need to be set up by 10th of the month for the payment to be taken out on 22nd. But you may not be aware that, even though it is HMRC that sometimes takes the direct debit payment after 22nd, nevertheless you might receive a notice telling you the payment is late. HMRC tells us "This is not a penalty but an advisory notice." Hmmm… They say they are "working on" the time lags in the system.

On the other hand, if you have PAYE arrears and need to make a "time to pay" arrangement you can do this online by logging in to your business tax account as long as you have enrolled for PAYE for employers. The conditions for doing it yourself online are

- you set it up within 35 days from the date it was due
- the PAYE debt is less than £15,000
- you have no other HMRC debts
- the debt does not include any penalties
- all your returns are in

If you try to make a time to pay arrangement and don't meet these criteria you will be asked to call HMRC and talk through your options with an adviser. Please don't be afraid to do this: provided you can get through, you will usually find they are open to reason. ■

Agricultural Land and Ecosystem Service Markets (for information only)

In the unlikely event that you have an interest in agricultural land or in "ecosystem service markets" (things like using land to sequester carbon by turning it into or keeping it as woodland or peatland) then there is a consultation and call for evidence which you can read here. ■

Super-deduction letters

It's reported that a "small number" of letters have gone out from HMRC about the super-deduction, the enhanced (130%) capital allowances available to companies which invested in new plant and machinery between 1st April 2021 and 31st March 2023.

There are two letters, one to companies that may have claimed the super-deduction on assets that were then leased out, and one to companies whose accounting period straddles 1st April 2021. Spending doesn't qualify for the super-deduction if it's for an asset that is then leased out so if that seems a possibility HMRC are asking for a revised return. The accounting period letter asks companies to look carefully at the date the contract to buy the relevant plant was entered into, as it won't qualify for the super-deduction if it was before 1st April 2021 and, again, a revised return would be needed.

The letters are part of the normal "one to many" campaigns HMRC run to try and address common errors in a cost-efficient way, without having to go through the whole rigmarole of opening an enquiry. If you receive one you should check with your accountant before you reply: it doesn't mean you have done anything wrong but you must be confident of your facts before you respond.

And please, don't be tempted to ignore the letter if you receive one. Half an hour with your accountant and a robust "no, I didn't"/"yes I did" will cost you a lot less time and energy than dealing with a full enquiry. ■

Stop press: It has now been reported that HMRC will bow to pressure from the tax profession and will continue to provide downloadable paper returns. The guidance here still says "Only fill in the short tax return (SA200) if HMRC sends it to you. You cannot download it, but you can read the guidance notes." **Watch this space.** ■

Coronavirus Job Retention Scheme: are your records in order?

You may well be thinking "not this again" but the Coronavirus Job Retention Scheme (CJRS) is back in the news because at the beginning of March the Public Accounts Committee (PAC) was extremely critical of HMRC. Apparently HMRC are winding down the CJRS task force by September from 1000 people to zero, with any further CJRS investigations folded into the rest of the compliance system. PAC are not happy about this: a sample quote from their report reads "HMRC's performance in recovering the £2.3bn incorrectly paid to employers claiming furlough for employees who continued to work has been woeful." They have required HMRC to write back to them with details of how they "will assess the cost-effectiveness of continuing compliance work after September 2023". What is the betting that the government's response may be a continued focus on CJRS compliance? (The full PAC report can be read here).

Why should you care? Not at all is the obvious answer – no-one who reads this newsletter made false CJRS claims, after all! However you might want to make sure not only that you operated the scheme correctly but that you documented what you did and the reasoning behind your decisions.

The expectation from HMRC is that you will have a full audit trail of who made what decisions and why, and that everything was reported correctly on the correct tax return.

The audit trail needs to be fit for purpose (in other words not "Fred did all that" "Where is Fred?" "He left last year…") If you haven't already, make sure you check you could stand up to a CJRS audit just in case. We are not done with CJRS yet, not until HMRC and the PAC are satisfied they have got our £2.3 billion back or lost it beyond recall. ■

Scottish Landfill Tax and Land and Buildings Transaction Tax

Up till now if you have needed to deal with either of these Scottish taxes and have given your accountant authority to deal with Revenue Scotland on your behalf you might have fallen foul of the 12 month "authority to act" time limit. Sensibly, the Department has now decided to do away with this and, once you authorise an agent to act for you, they will remain authorised unless you (or they) tell Revenue Scotland that you no longer wish them to represent you. The change was announced here and the up to date rules are here. Don't forget that appointing an agent does not give you a reasonable excuse for any delay: they are deemed to be acting on your behalf and the responsibility remains with you. ■

If you have any feedback or queries relating to any of the items in Newsline email: wendy.bradley.42@gmail.com