The Construction Industry Joint Taxation Committee

JTC

JTC NEWSLINE

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Umbrella companies

The next big thing coming in our direction from the Treasury is a raft of new proposals relating to the use of umbrella companies.

Start here, [the Treasury's consultation on tackling non-compliance in the umbrella company market]. The government says it has three aims in any changes:

- to deliver improved outcomes for workers,
- to support a level playing field in the umbrella company market, and
- to protect taxpayers from the significant revenue losses that currently arise from non-compliance.

At present the emphasis is on guidance and support, for example the "campaign" to tell people how not to become involved in tax avoidance schemes. To many of us this feels like the government saying "if you do something bad you will be punished" and when we respond with "what do you mean by something bad?" being told "well, you ought to know!" Making the requirements clearer should, therefore, be a good thing.

The ideas on which opinions are sought include

- defining umbrella companies in law (harder than it sounds) and then regulating them so that employment rights and payroll standards are mandated, or
- mandating due diligence – putting the "regulation" of umbrella companies into requirements imposed on the recruiters and clients in the labour supply chain, or
- deeming an employer (so that the company using the labour becomes responsible for any problems in the supply chain, whether they use an umbrella company in the mix or not)

There are also suggestions of increased powers to combat tax fraud but HMRC already has some powers that they have not used (there have, for example, been no prosecutions that I am aware of under the Corporate Criminal Offence legislation from 2017 which says, in effect, that if a company doesn't stop people who act for them from helping others to avoid paying taxes, the company can also be held responsible for breaking the law). It is possible that HMRC may wind up with the power to frighten the living daylights out of compliant companies but without the resources actually to prosecute the fraud-perpetrating companies which are its real target.

If you use umbrella companies, I recommend having a look at the consultation document and adding your voice to the discussion. There are 51 consultation questions (you don't have to answer them all) and the consultation is open until 29th August.

There is also an option for us, as the JTC, to meet with the relevant officials to make our views known: please contact me if you would be interested in taking this option forward. ■

CIS helpline

After the VAT and Self Assessment helplines were "paused" for the summer months you may have wondered whether the CIS helpline remained safe. There was a press headline that said it, too, was closing but when I looked into this further – trying to find an official announcement from HMRC – there was nothing to be found. After a little double checking with HMRC officials, I can confirm that the CIS helpline is still there if we need it.

An HMRC spokesperson told me:
"The Construction Industry Scheme (CIS) helpline remains open for customers.

"A trial to redirect Self Assessment queries from the helpline to HMRC's digital services will run between 12 June and 4 September 2023. More details can be found here.

"We're trialling a seasonal Self Assessment (SA) helpline to make more of our expert advisers available where they are most needed during the summer months.

"We are speeding-up the processing of VAT registration cases by closing this helpline, which mainly deals with callers wanting an update on their registrations. Processing VAT registrations quicker will provide a better service to customers than telling them when we'll complete their registration.

"Our online services, including the HMRC app and digital assistant, are quick and easy to use and have been significantly improved. I urge customers to explore these fully before deciding to wait to speak to us on the phone". ■

Tax Credits scam warning

If you claim Tax Credits you will know that the renewal deadline of 31 July is coming up. Fraudsters use these deadlines to push for your details because they know they can inject a sense of urgency that might stop you thinking through what they are asking.

HMRC's latest scam warning suggests common things to look out for include:

- emails or texts claiming your details aren't up to date and you risk losing out on payments that are due
- emails or texts claiming that a direct debit payment hasn't 'gone through'
- phone calls threatening arrest if you don't immediately pay tax owed
- claims that your national insurance number has been used in fraud
- emails or texts offering tax rebates or grants or support, or offering to "help" you with a claim that you could make yourself

Do I need to tell you that HMRC will ***never*** ring you out of the blue and threaten you with court action or arrest? If you get a phone call like that (or seeming to be from any other agency) that worries you, then you should politely ask the person to write to you instead, hang up the phone, write down everything you can remember about what they said, and talk to someone you trust or report the contact to Action Fraud.

HMRC is issuing tax credit renewal packs now. The HMRC guidance can be found here. ■

National Insurance numbers

If you need confirmation of someone's National Insurance Number, you no longer need to rely on seeing a confirmation letter from HMRC: people can now download and store their National Insurance number in the Apple Wallet of an iPhone (they hope to extend this to other phones in the future). Make sure your employee's name matches the name shown on the apple wallet, and it would be prudent to keep a screenshot. ■

Classification of diesel cars

You might find it prudent to double check that you have correctly classified any diesel cars that you have included in your car fuel benefit calculation.

In brief, if a diesel car meets the Euro 6d standard, it should be marked as “Car Type F” on form P11D. However, HMRC warns that some cars that don’t meet the Real Driving Emissions (RDE) 2 and Euro 6d standard are being wrongly recorded as Type F.

To avoid the 4% diesel supplement, a car must meet RDE 2 standards. So if a car that doesn’t meet this standard is marked as Type F instead of D, the Benefit in Kind charge will be out by 4% and be an easy target if you happen to be subject to an HMRC compliance check in the future. The good news is that all new cars sold since January 2021 should meet RDE 2 standards so any cars registered after 1 March 2021 don’t need to be double checked.

To be sure, double check the RDE for any Type F entries for diesel cars registered before March 2021. They should have RDE 2 recorded on the vehicle log book (V5C) or it can be verified by visiting the DVLA vehicle information page. If they don’t meet the criteria, they should be recorded as Type D. ■

VAT return errors

If you have made a mistake in your VAT return, there is an interesting online guide to whether you can correct the mistake in your next return or you need to report it separately on form VAT652. You don’t have to give any identifying details to use the online quiz. I tried it out, checking whether I needed to report a £50, £5000 or £50,000 error and it only asked for more information at the top end and only asked me to identify myself when I was ready to report my imaginary error. ■

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

Interest rates

From 11th July the interest rates for late payment of tax and for repayments were increased as follows:

- late payment interest rate — 7.50%
- repayment interest rate — 4.00% ■

Legislation Day

On Legislation Day, July 18, the government released draft legislation for next year’s Finance Bill and introduced consultations on future tax policy changes. The draft legislation is released so that commentators can check that it works as intended and of course none of it is set in stone. Although it is likely that the measures will be passed into law in due course please note that it isn’t law yet: parliament could still amend the Bill and of course an early General Election would mean all bets were off. That said, the main changes we can expect next year include:

- Pensions: some technical changes including the abolition of the pensions life-time allowance.
- Companies: Consultation on merging R&D Tax Reliefs into a single scheme.
- Inheritance Tax - restricting the geographical scope of Agricultural Property Relief (APR) and Woodlands Relief to the UK.
- Tax Avoidance: proposal to increase the maximum prison term for tax fraud from seven to fourteen years and tougher consequences for promoters of tax avoidance, including fines and disqualification orders.
- Plastic Packaging Tax: consultation on using a mass balance approach to determine the amount of chemically recycled plastic in packaging.
- Real Estate Investment Trust (REIT) Regime: technical changes to the REIT rules.
- Changes in HMRC Data Collection: future changes to employee hours reporting, dividend income reporting for owner-managed businesses, and self-employment information. ■