

NEWSMILL

Employment status: time to review your workers?

New rules apply to the treatment of workers supplied through agencies or other intermediaries from April 2014.

The new rules affect the taxation of workers who have in the past been provided through an agency to the end client on a self-employed basis. Workers who are supplied through an agency and are subject to (or to a right of) supervision, direction or control by the end client, will be treated as the employees of the agency. The worker's earnings will be subject to PAYE and Class 1 employers and employees National Insurance Contributions (NIC).

The new rules also affect who is responsible for the deduction of PAYE and NICs. This may have an adverse affect for those who use agency-supplied labour, the worker or even the worker's company.

- If the intermediary is located in the UK it is obliged to deduct PAYE and NICs on the workers it supplies to UK businesses.
- If the 'intermediary' is located off-shore and the intermediary fails to tax workers, the end client, who is based in the UK may be liable to deduct PAYE and NICs in it place.
- If you are a worker and you supply your services via a partnership or personal service company (PSC) and you are under the supervision, direction or control of your hirer, the Agency rules now apply to you too. You may be an employee of your partnership for some contracts.
- PSCs are obliged to apply the rules known as 'IR35' to each contract they make to provide labour. The same tests of control apply in determining employment status, however under IR35 the liability to deduct PAYE and NICs falls on the PSC, which is required to account for a deemed payment under PAYE.

Employee (Share) Ownership Trusts: an exit route for owner managers?

Having worked hard to create a valuable company, how can you make a tax efficient exit?

From April 2014, provided that you have a ratio of at least 5 employees to 2 participating shareholders, shareholders may sell out their entire shareholding or at least a controlling interest in the company to its employees using an Employee Ownership Trust (EOT). The disposal is free of capital gains tax or inheritance tax for the shareholders.

The EOT holds shares on the employees' behalf and may then provide a tax and NIC free bonus of up to £3,600 p.a.

Your company will require sufficient distributable reserves to fund the trust to allow the share purchase. This may be an attractive route where company has surplus property standing at a gain to sell off as it allows sale proceeds to pass back tax free to the company's owners. For further details please contact us.

Tax Calendar

November 2014

- 19 Monthly CIS payments due.
- 19/22 Monthly PAYE/Class 1 NICs/student loan payments due.
19th for non-electronic payments, 22nd for online payments.

December 2014

- 19/22 Monthly PAYE/Class 1 NICs/student loan payments due.
19th for non-electronic payments, 22nd for online payments.

January 2015

- 05 End of tax quarter.
- 19/22 Third quarter PAYE and Class 1 NICs payment deadline.
Monthly PAYE/Class 1 NICs/student loan and CIS payments due.
19th for non-electronic payments, 22nd for online payments.
- 31 Deadline for online submissions of Self Assessment tax return for tax year ended 5th April 2014.
Deadline for paying 2013/14 Self Assessment 'balancing payments'.
Deadline for first Self Assessment payment on account for 2014/15.
Deadline for amending 2012/13 tax return.

February 2015

- 2 Quarterly submission of P46 (car) (for employees whose car and/or fuel benefit has changed in the quarter to 5 January).
- 19/22 Monthly PAYE/Class 1 NICs/student loan and CIS payments due.
- 28 Pay any 2013/14 tax due to avoid a late payment penalty.

March 2015

- 3 First 5% penalty surcharge on any 2013/14 tax due on 31st January 2015 which is still unpaid.
- 19/22 Monthly PAYE/Class 1 NICs/student loan and CIS payments due.
19th for non-electronic payments, 22nd for online payments.

Working from home – tax deductible expenses

Employees (including directors) and the self employed may work from home. What can be claimed?

Employees

- Employees should have a contract of employment requiring them to work from home before they can claim tax deductible expenses.
- If home-working is voluntary, HMRC won't accept a deduction for expenses, although the employer may still reimburse them for additional costs of working from home.
- HMRC allows an employer to make a flat rate, tax-free payment to an employee for home working without the need to keep receipts of £4 per week or £18 per month.
- Actual costs may be reimbursed if the employee completes an expense claim with receipts. No claims are allowed for rent/mortgage, council tax or water rates.



- Employers may provide equipment for an employee to work at home without a tax charge on the employee.
- Travel from home to employer's premises is not allowed unless, exceptionally, an employee is required to work at home.

Self employed

- Self-employed workers may claim any costs provided that they are 'wholly and exclusively' for the purpose of the business.
- Apportionment of expenses is permitted if a separate business proportion of any expense can be identified.
- Costs such as rent/mortgage, heat and light, can be apportioned between business and private use, on any reasonable basis.
- Since April 2013 the self employed may chose to use a 'flat rate' deduction for use of home costs instead of claiming their actual expenses. These are:
 - £10 per month for people working at home for 25-50 hours a month,
 - £18 per month for 50-100 hours,
 - £26 per month for 100+ hours.

Time to pay and debt recovery

January tax bills are approaching. If you think you might struggle to pay a forthcoming tax bill, consider contacting HMRC to make a time to pay agreement.

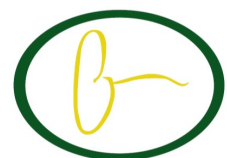
If you have made payments on account and your taxable income drops you may have already overpaid your tax for last tax year ending 5 April 2014.

If you can't pay in one go, contact HMRC Business Payment Support Service 0300 200 3835. Say why you need time to pay, and how much time.

Some rules on negotiating a time to pay agreement:

- HMRC will set a payment schedule. Twelve months is generally the maximum credit period.
- You must provide details of your income and expenditure details, and other financial information.
- Tell HMRC if your cash flow has been affected by factors outside your control (unexpected illness, supplier or customer going out of business).
- Interest is charged on late payment, however once a time to pay agreement in place there will be no tax penalties for late payment.
- Tell HMRC if unforeseen changes mean you can't keep time to your agreement.
- Time to pay is a one-off: you may not get it a second chance.
- Don't underestimate HMRC. If you can't agree time to pay, HMRC may seize goods without a court order (except in Scotland) or recover the debt through PAYE. As last resort it may petition to make you bankrupt.

If you have any queries in relation to any of the topics covered in this newsletter then please do not hesitate to contact us.



Carlson Suite, 4th Floor, Building 8
Vantage Point Business Village
Mitcheldean, Gloucestershire
GL17 0DD
01594 546 460
enquiries@millhallconsultants.co.uk

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