Seasonal work spells tax confusion

General Features



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Julie Cameron looks at how people on low incomes can face real tax problems from modern working arrangements

I was recently musing about the terms under which Santa's elves might work. For those who make toys, care for the reindeer or maintain Santa's bulging tummy, there must be a steady year round contract. Then, as the festive season approaches, Kris Kringle probably has need of additional workers to gear up to Christmas Eve, his busiest night of the year, finishing presents, packing sacks and checking the sleigh is in tip-top condition for the ultimate long-haul flight. So perhaps Santa Claus Ltd offers zero-hour and short term seasonal contracts. I wonder, then, what those elves do for the rest of the year – are they laid off on Christmas Day, or at the end of the 12 days; and is the tax credit system universal enough to extend to their magical world?

Back in the UK of 2018, we are told that for some, zero-hour contracts offer a better way to manage home and work responsibilities, but for all workers, whatever their occupation and wherever they live, such arrangements represent a precarious existence, with little financial security. And that is not even to start to consider tax status implications and workers' rights.

Holly in the woods

Holly was a typical zero-hours worker. In a recent tax year, she'd had six short term contracts obtained through agencies, but also claimed tax credits to ensure a reasonable standard of living. Her tax problems started when HMRC issued a P800 tax calculation showing she owed £2,036. This unfortunately coincided with correspondence from a different part of HMRC advising that her tax credit payments would be stopped and, as she had been overpaid credits, she would need to repay £5,252 of tax credits to HMRC.

Holly was facing £7,000 of debt due to HMRC, which she couldn't afford to pay, exacerbated by the drop in income following the withdrawal of her tax credits. She contacted HMRC who advised her that the P800 agreed to the RTI returns made by the employers. They (HMRC) passed the responsibility to Holly to query the amounts with those employers, none of whom she still worked for.

In desperation Holly got in touch with TaxAid. The charity worked through each listed employer and identified two errors: one involved employer error, the other being an incorrect brought forward figure from one employment to the next. It would have been apparent that the latter was incorrect, as it did not agree to previous employment totals, but there was no mechanism to correct this obvious error on the RTI information. It was this overstatement which had given rise to the withdrawal of tax credits and HMRC's claim for repayment of credits already awarded.

TaxAid contacted the employer in an attempt to get them to amend the RTI submissions. The employer confirmed the income level and HMRC accepted this for tax credit purposes. On the income tax side, the P800 assessment was left unpaid and a tax return issued. TaxAid completed this for Holly using information she supplied which resulted in self assessment of the correct income for the year. This cleared the PAYE debt, but the tax return was at risk of an enquiry because it was contrary to the information on RTI – Holly was not yet out of the woods, but TaxAid was there to help.

The charity provided Holly with specific instructions to pass to the employer in another attempt to amend the RTI return.

Eventually, 11 months after Holly had first contacted TaxAid, the employer finally corrected the RTI record, thus removing the risk of enquiry into Holly's tax return. Holly was overjoyed at this result.

Clara's nightmare

Holly's situation is typical of the difficulties of the 'lone taxpayer', trying to steer a way through an impenetrable maze of tax law and practice and the ways of HMRC. Workers often rely on the engager to get the tax right and Holly was at least fortunate that PAYE had been deducted and paid over. Many on this type of contract are told that they are self-employed and must sort out their own tax. Like Clara, who was engaged as a 'self-employed' call centre worker in 2013. As a layperson, Clara believed what she was told and registered as self-employed with HMRC. Initially, she and her co-workers had £5 a week deducted from their 'pay' allegedly to engage an accountant, but in reality the company was pocketing this sum. It was only when the company went bust that the workers approached ACAS for advice and learned that they should have been treated as employees and suffered tax under PAYE.

At this point, in December 2015, Clara contacted TaxAid. The charity suggested the former workers should write collectively to HMRC, explain the situation, asking HMRC to investigate and advise them what they needed to do. Clara eventually found work elsewhere, thinking that matters had been resolved, but 15 months later, in March 2017, she got in touch again. HMRC were chasing her for £3,000 self-assessment late filing penalties and, although she had written to them to try and sort it out, HMRC had not responded.

TaxAid established that a self-assessment record had been set up from the notification of self-employment Clara had made in 2013. Tax returns had been issued for three years to 2015/16 and late filing penalties charged for all years. Following intervention from TaxAid, HMRC found Clara's letter about her former employer and agreed to cancel the tax returns and the late filing penalties.

Without TaxAid, Holly's festive table would have looked lean and Clara might have had less presents under the tree. TaxAid and its sister charity Tax Help for Older People are there to assist those caught up in tax situations beyond their experience

and understanding – and when they can’t afford to pay for essential professional advice. Sadly, Santa’s elves are beyond the charities’ remit. Let’s hope the season of goodwill is extended all year round under a special Santa Clause.

Advice changes lives

Throughout the year, TaxAid and Tax Help for Older People provide essential tax advice to vulnerable people like Holly and Clara – people who urgently need professional help but can’t afford to pay for it.

Donate now and help deliver this vital service

We need:

- 1,000 supporters to give £100 a year (that’s just £8.50 a month)
- and 100 supporters to give £1,000 a year

Will you become one of the 1,000 (or one of the 100) and join our many supporters in the tax profession?

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