Employment and Payroll Group update

Employment Tax

01 May 2019

A summary of the topics covered at the last Employment and Payroll Group meeting in March 2019.

ATT and CIOT representatives attended the Employment and Payroll Group (EPG) meeting in March. This group meets quarterly to discuss operational and policy issues and is a forum where members can raise concerns about payroll administration and employment matters.

A big focus of the March meeting was the current consultation into the Off-payroll working rules from April 2020. (Both the ATT and CIOT will be responding to this consultation and it is discussed in more detail elsewhere in this edition.) At the meeting, HMRC highlighted their concerns about the commerciality of the long chains of agencies between the end-client and the individual ultimately providing their labour. HMRC would also like to understand why the same individual may, over time, be provided to the end-user through a series of different agencies.

In turn, the group raised concerns about the practicality for the end-user of carrying out due diligence on all the agencies in the chain between it and the worker. It was also noted that, in some industries, engagers are already obliged to use licenced labour supply agencies and there was discussion over whether that would be sufficient due diligence for HMRC’s purposes.

Concerns were also expressed about the Check Employment Status for Tax (CEST) tool and ensuring that the promised updates to CEST are produced well in advance of April 2020.

Other areas discussed included:

Student loans – From 6 April 2019, employers may be required to make student loan deductions for new post-graduate loans as well as the existing Plan 1 and Plan 2 deductions. HMRC also apologised for the mix up over the new starter checklist for 2019-20 which now makes provision for a new employee to indicate that they are due to repay a post-graduate loan.

Payrolling of benefits in kind – HMRC has been disappointed by the low take-up by employers of the option to payroll benefits in kind and have identified five areas where it is considered improvements could be made to encourage more employers to take part. These include concerns over the quality of guidance, the inability to payroll all benefits in kind and that Class 1A still needs to be calculated at the end of the tax year.

HMRC is also concerned that since agents cannot apply to payroll on behalf of their clients, this may deter many smaller businesses dependant on their agent from taking this option up. While HMRC will be looking at whether agent registration is possible, optimism must be tempered by the fact that increasing functionality comes with a cost, which means that HMRC will need to gain approval for funding in the next Spending Review.

Optional remuneration arrangements (OpRA) – HMRC has become aware of various schemes being marketed which seek to avoid the OpRA rules and will in due course be issuing a warning to employers to prevent them from being taken in by such schemes. In the meantime, employers are warned to be aware of the old adage ‘if it looks too good to be true, it probably is’.

Feedback and comments on employment issues are always welcome to atttechnical@att.org.uk or technical@ciot.org.uk.

Past meeting minutes of the EPG can be found on GOV.UK.