HMRC’s Employment taxes forums

Employment Tax

01 November 2016

We round up three HMRC forum meetings from September: the Employment and Payroll Group; the IR35 Forum; and the Collection of Student Loans Consultation Group

Employment and Payroll Group (EPG)

The EPG is HMRC’s main employment taxes forum and generally focuses on high-level policy issues. It met in early September to discuss Making Tax Digital (MTD), salary sacrifice and IR35.

On MTD the focus was on employee/employer aspects such as HMRC wanting to minimise P800s (circa 6 million at present), making better use of RTI information to deal with changes in employment, multiple employments, and deal better with students etc. HMRC acknowledged that under MTD there would be more interaction with employees and this may result in more calls on employer time in consequence. In terms of agents, HMRC provided assurances that agent access was on the agenda, for example, international assignees and their employers, private client cases, etc.

As regards salary sacrifice concern was expressed about the changes proposed in HMRC’s consultation document, not least in terms of an April 2017 start date. Points raised included how discussions between employers and employees in regard to employees’ choices could take place by April 2017, what happens if flexible benefit packages are crystallised ‘as is’ but then subsequently the employee requests a change, having two employees with the same benefits taxed differently etc. The CIOT’s response to the consultation will be reported on in next month’s Technical Newsdesk.

Finally, on IR35 HMRC indicated that they intended to proceed with the changes for public sector workers from April 2017 despite reservations expressed from a number of quarters (including the CIOT and OTS). A new Employment Status Indicator (ESI) tool is in development which should deal with around 90% of cases. Concerns such as uneven competition within sectors between public and private, the shift of the secondary NIC burden from PSC to the engager, etc. were noted.

IR35 Forum

The Forum met in late September and unsurprisingly the consultation on ‘Off-Payroll working in the Public Sector’ was the main focus of attention.

Although the public consultation had closed HMRC was still speaking to people and promoting education and awareness in the public sector. It had over 200 written responses and held almost 40 round table events with about 300 organisations represented. The key issues for HMRC are:

- Creating the online tool necessary to underpin the categorisation decision
- Alternative definitions of what constitutes the public sector
- The potential for distortion between public and private contracts and pricing
- How pensions will work
- Practicalities

Collection of Student Loans Consultation Group (CSL)

The CSL met in early September and discussions included employer prompts and post-graduate loans.
Automated employer prompts are now sent to employers not making student loan deductions when HMRC expects them to do so. Prompts are issued after HMRC assess each payroll submission and they will send a total of two prompts to try and start employer deductions. If after two prompts, deductions have still not commenced, HMRC will telephone the employer.

New post-graduate loans became available from 2016/17 and will be repaid in the same way as student loans. Post-graduate loans will be repaid at the same time and on top of student loans. HMRC were advised that our preference for the stop/start

notice system for post-graduate loan repayments to be kept separate from the existing student loan stop/start mechanism. HMRC have carried out some work on whether this could be done from an IT perspective and as this looks feasible they are now looking at how they can take this forward.