HMRC’s Employment Taxes Forums

Employment Tax

01 May 2017

We round up four HMRC forum meetings from March: (i) the Employment and Payroll Group (ii) the Collection of Student Loans Consultation Group, (iii) Pensions Industry Stakeholder Forum and (iv) Construction Industry Scheme Operation Forum.

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 March to discuss Making Tax Digital (MTD), the Apprenticeship Levy, IR35 and Salary Sacrifice (SS).

As part of MTD, HMRC will be introducing ‘PAYE refresh’ from around late May 2017. This will result in HMRC starting to use PAYE information received through employers’ real time information (RTI) submissions to update PAYE notices of coding in year. In effect, where the RTI information suggests that personal allowances or tax reliefs are not being fully utilised (e.g. where there are multiple PAYE sources), HMRC will reallocate the allowances and issue revised tax codes. Individuals and employers can expect to see more frequent changes to tax codes in the future.

In regard to off-payroll working in the public sector and the new ‘IR35’ rules, HMRC advised that updated guidance and revised income tax and NICs legislation would be published on 20 March. The forum also discussed the new Employment Status Service (ESS) online tool following its private beta testing. ESS is designed to provide an opinion as to a worker’s employment status and HMRC confirmed that there will be tweaking to the questions as comments are received.

As regards SS (aka Optional Remuneration Arrangements), again HMRC advised that revised tax legislation would be published on 20th March along with the long-awaited draft guidance, giving many employers just two weeks to get to grips with the new rules. Confirmation was obtained that group income protection was omitted

in error from the draft legislation issued last December. However, job expenses including business mileage payments are to be brought into the new charge.

Lastly, the forum discussed the timing and delivery of guidance and policy with particular reference to the previous agenda items.

Collection of Student Loans Consultation Group (CSL)

The CSL also met in early March and discussions once again included employer prompts and post-graduate loans, as well as the new IR35 rules for public sector workers.

HMRC is preparing for an April 2019 start for the collection of post-graduate loans. As suggested by us they will keep the start, stop and employer prompt notices issued to employers in respect of post-graduate loans separate from other student loans notices (as post-graduate loan repayments will be separate from and on top of exiting student loan repayment obligations).

Employers can expect to receive electronic ‘prompts’ in May where no student loan deduction has been made from an employee’s earnings in April but HMRC has recorded that a start notice has been issued and was expecting to see a deduction record in the employer’s RTI submission.

As regards off-payroll working in the public sector, HMRC advised that where IR35 applies to a payment the worker (borrower) should comply with their student loan repayment obligations through his/her SA return. HMRC do not want the ‘fee-payer’ to make a Student Loan deduction from the deemed employment income payment. However, if a deduction is made in error, HMRC will retain this and pass it on to the Student Loans Company unless the worker asks for a refund. HMRC’s guidance will be updated in this respect and an article included in Employer Bulletin.

Pensions Industry Stakeholder Forum (PISF)

The PISF met at the end of March and the agenda included the Money Purchase Annual Allowance (MPAA), the Finance Bill changes to Foreign Pensions and the new overseas transfer charge/Qualifying Recognised Overseas Pension Scheme (QROPS)

changes.

The Finance Bill includes legislation to reduce the MPAA from £10,000 to £4,000 where an individual has taken benefits from their pension scheme. However, the new MPAA will not be added to HMRC's Annual Allowance calculator until at least July this year.

New FAQs providing answers to the questions that were most commonly asked during the technical consultation on the draft legislation on foreign pensions (FB 2017 Sch 3) published last December will be published by HMRC in April 2017. The Finance Bill amendments concern the removal of the 90% rules for foreign pensions, the taxation of lump sums from foreign pension schemes and 'section 615' pension schemes.

As announced on 8 March, transfers to QROPS requested on or after 9 March 2017 are taxable unless, from the point of transfer, both the individual and the pension savings are in the same country, both are within the European Economic Area (EEA) or the QROPS is provided by the individual's employer. If this is not the case, there will be a 25% tax charge on the transfer.

The QROPS changes also widen the scope of UK taxing provisions so that, following a transfer to a QROPS on or after 6 April 2017, they apply to payments out of those transferred funds in the five tax years following the transfer. HMRC confirmed that all ROPS had been contacted about the change and been advised that they must comply with the new requirements or be removed from the ROPS list.

Construction Industry Scheme Operational Forum (CISOF)

CISOF also met at the end of March and HMRC provided some updates on CIS changes.

May 2016 was the first month where all CIS returns were required to be filed online and HMRC advised that this generally went well with only a small volume of returns received in paper form in May (with numbers diminishing over the rest of 2016), although there was an increased number of late filing penalties issued.

HMRC also reported on some issues with the online verification service for large contractors arising from verifications only being valid for two years. As from April

2017 online verification is mandatory and messages to this effect are going out in the Employer Bulletins, Agent Notifications, letters going to contractors and Tweets.