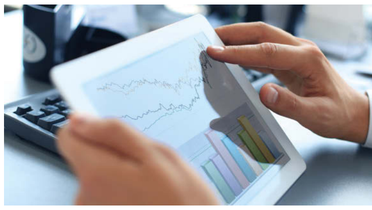
wilkestranter

CHARTERED ACCOUNTANTS

Brook House Moss Grove Kingswinford West Midlands DY6 9HS
T: 01384 295500 enquiries@wilkestranter.co.uk
www.wilkestranter.co.uk



NEWSLETTER

Issue 1 2025

Work expenses

Claims for PAYE employment expenses not reimbursed by the employer now automatically face greater scrutiny by HMRC.

Each year, many employees claim tax relief for job-related expenses, such as subscriptions to professional bodies, business mileage, or travel and subsistence costs, and evidence of expenses must now be provided when a claim is made. This is part of a clampdown on ineligible expense claims, and the new approach sees HMRC checking and confirming eligibility before claims are progressed.

From 23 December 2024, there is a new online iForm to use both to claim and submit evidence. The online route comes after some months where claimants have had to download form P87 from gov.uk, and submit it postally. Whilst postal claims can still be made, HMRC expects that the online route will make life easier.

Claims for Flat Rate Expenses for uniform, work clothing and tools can be made online, and though not requiring evidence, will also face greater scrutiny.

Employees claiming expenses of more than £2,500 do so via self assessment. Though there is no change to the actual procedure involved for this, HMRC advises that it has begun compliance projects looking at claims submitted under self assessment, checking their eligibility and asking for further evidence. Supporting evidence should therefore be carefully retained in all cases.

Double cab pick-ups: all change again

It's been a long and winding road for a final decision on the tax treatment of double cab pick-ups (DCPUs).

Just when it looked as if the question had been settled, Autumn Budget 2024 put it back in the headlines.

Where these vehicles stand as regards the benefit in kind rules and capital allowances has been debated in the courts for some years. The position before the Budget was that DCPUs with a payload of one tonne or more were to be treated as goods vehicles — an announcement made in an abrupt U-turn at the start of 2024.

The Budget announcement resets the position, and revised criteria apply from 1 April 2025 for Corporation Tax (CT) and 6 April 2025 for Income Tax. HMRC will evaluate a vehicle's 'primary suitability' at the time of manufacture to decide whether it should be classed as a car or a goods vehicle. HMRC's view is that DCPUs are usually equally suited to carry passengers and goods, so there is no 'predominant' suitability. Thus most, if not all, DCPUs will be treated as cars.

Transitional provisions soften the immediate impact.

Benefit in kind treatment: Where an employer has purchased, leased or ordered a DCPU before 6 April 2025, the current tax treatment applies until the earlier of: the date the vehicle is disposed of; the date the lease expires; or 5 April 2029.

Examples

- An employer leasing a DCPU on 10 December 2024 falls under the current rules until the earlier of: the date the lease expires or 5 April 2029.
- An employer buying a DCPU on 10 January 2024, and trading it in on 10 April 2025 for another DCPU, falls under the current rules until the date of trade-in. The second DCPU purchased, however, falls under the new rules. It is classed as a car and a car benefit charge will arise.

Capital allowances: Transitional arrangements also apply here. Where expenditure is incurred as a result of a contract entered into before 1 April 2025/6 April 2025, and the expenditure is incurred on or after those dates but before 1 October 2025, the current rules will apply.

Nothing changes as regards VAT. For VAT purposes, DCPUs are classified based on payload. Anything under one tonne is classified as a car, and anything of a tonne or more, as a van.

Please talk to us for further information or advice on any aspect of business motoring.

SDLT: what makes property uninhabitable?

HMRC has recently turned down a high number of claims for Stamp Duty Land Tax (SDLT) refunds. The claims were made on the grounds that a property in need of repair was unsuitable for use as a dwelling.

In HMRC's opinion, more than 95% of such claims are wrong. HMRC has highlighted where it thinks the bar really is, and has warned taxpayers not to be misled by repayment agents offering to put in refund claims.

Small minority only

HMRC's view is that only a small minority of properties are likely to be considered 'not suitable'. These are essentially properties with structural problems so serious that they are dangerous to live in or work on. Uninhabitable doesn't mean property in need of repair or renovation. A recent decision at the Upper Tier Tax Tribunal underlined the fact that:

- being suitable for use as a dwelling isn't the same as being ready for immediate occupation
- it's important to assess to what extent the building has the fundamental characteristics of a dwelling, and is structurally sound
- whether a property has been used as a dwelling previously will be relevant to considering whether it is suitable for use as a dwelling
- the question to consider is whether the works of repair and renovation needed mean that the building no longer has the characteristics of a dwelling.

Making it concrete

In HMRC's view, the following do not make a property unsuitable for use as a dwelling:

- temporary removal of bathroom or kitchen facilities before sale
- substantial repairs needed to windows, floors or roofs
- replacement boiler and pipework
- unsafe electrical wiring
- the need to switch services back on
- infestation by pests
- the need for damp proofing or damage to plasterboard
- flood damage.

The basics

SDLT is paid on the purchase of property over a certain price in England and Northern Ireland. For residential properties, it starts to apply at £250,000: £425,000 for first-time buyers purchasing a residential property worth £625,000 or less: and £150,000 for non-residential land and properties.

Thresholds for residential property fall from 1 April 2025. They become £125,000 for residential properties; and £300,000 for first-time buyers purchasing a property worth £500,000 or less.

A higher 5% rate applies from 31 October 2024 on the purchase of additional properties; and different rules apply again if you are not UK resident. Scotland and Wales have different regimes.

We can help

There can indeed be occasions where a purchase is eligible for a refund of SDLT, although there is always small print to watch. If, for example, you buy an 'additional' property before selling what was previously your main residence, it may be possible to apply for a refund for this higher rate of SDLT. Do please contact us for further information.

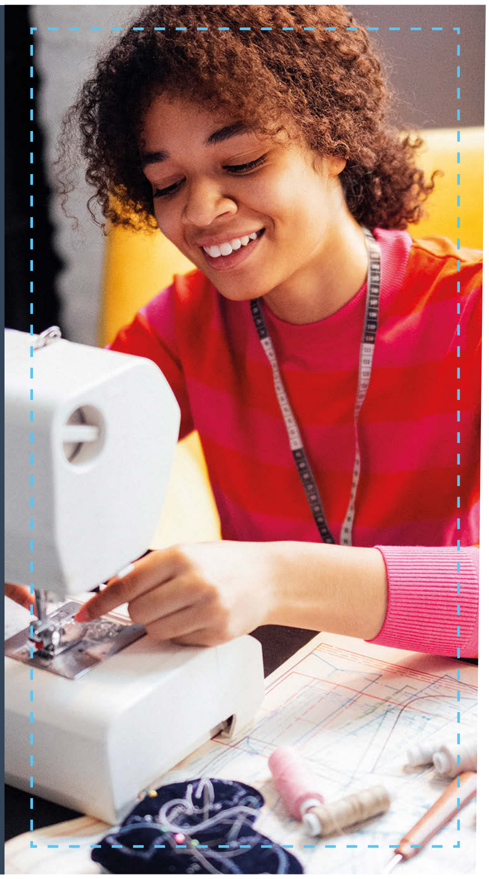
Extra income: trade or hobby?

HMRC has a new online checker to help those with sources of income outside PAYE decide if they need to register for self assessment.

Whether it's letting out land or property through an online marketplace; or creating online content and earning through advertising or sponsorship on social media channels, income classed as trading is potentially taxable, and it's important to make sure you're on the right side of the rules.

HMRC's tool can be used if you sell goods or services; rent out land or property; or create online content. It takes users through a series of yes/no questions, signposting to HMRC guidance, and finally suggesting whether they should register for self assessment and complete a tax return.

It's all part of HMRC's drive to make sure taxable income doesn't slip through the net. As such, it sits alongside other developments, like the new rules from January 2024, requiring the operators of digital platforms like Airbnb and Etsy to provide yearly reports on those using them. Reports are now needed unless users earn no more than 2,000 euros, or make fewer than 30 sales per year. It doesn't follow, however, that where no report is made, there is no tax liability: and while HMRC's online tool for additional income certainly makes a starting point, we recommend taking professional advice. If you have any queries in these areas, we are always on hand to help.



EMPLOYMENT STATUS: KEEP ON TOP OF THE GAME

Employers will be aware how important it is to make sure you have got the employment status of workers right. But how do you know for sure?

It's hard. Just how hard, was evidenced by a case at the Supreme Court brought by Professional Game Match Officials Ltd (PGMOL), a company providing referees for top football fixtures.

With no statutory definition of 'employment', case law is all-important, and the question ultimately to be decided here is whether the relationship between PGMOL and the referees is an employment relationship. At stake is the question of whether PGMOL is responsible for Income Tax and National Insurance on match fees paid to referees.

Determining factors

Case law has suggested a contract of employment is indicated by a three-stage test:

- mutuality of obligation: broadly speaking, this means the hirer is obliged to offer work; and in return for payment, the worker is obliged to accept it, and carry it out in person
- the worker is subject to control
- other factors present are also consistent with a contract of employment.

In practice, the tests are difficult to apply. Here, referees were appointed to a 'National Group' on an annual basis. Referees in the group were offered work via a software system, with weekend games usually offered the Monday before. They were free to turn work down, though they might have to explain why, and they could back out of a game before arriving on match day. PGMOL was also free to make changes after a match was accepted. Accepting a match created an individual contract for that match.

How it played out

The Supreme Court remit was confined to mutuality of obligation and control, and only as regards contracts for individual matches, not the season as a whole. The Court found that 'the minimum requirements of mutuality of obligation and control necessary for a contract of employment were satisfied' - at least for the aspects of the relationship it was tasked to consider. The verdict, however, set the bar lower than many had expected. As regards control, for instance, it said 'sufficient control consistent with an employment relationship may take many forms and is not confined to the right to give direct instructions'.

It's not the end of this particular story, as decisions on other aspects still have to be made. But it will be important to keep this case in view when making employment status decisions. For further help in this finely balanced area, please contact us.

Child Benefit: need-to-know

Since 6 April 2024, higher income thresholds have applied for the High Income Child Benefit Charge (HICBC), putting Child Benefit payment back on the map for some claimants, and opening the door to a first-time claim for others.

The Charge and your options

The HICBC now applies where an individual claims Child Benefit, and they or their partner have adjusted net income over £60,000. It claws back Child Benefit at a rate of 1% for every £200 of income between £60,000 and £80,000. From £80,000, all financial benefit of payment is lost. Note that as the Child Benefit recipient isn't necessarily the same as the person liable to the HICBC, there is potentially the situation where one partner has received Child Benefit, but the other partner effectively has to repay it.

To avoid the hassle of the HICBC, but keep entitlement to National Insurance credits contributing towards State Pension, you can 'claim' Child Benefit but opt out of payment. This also ensures the child automatically gets a National Insurance number at age 16.

HMRC has now made the opt-in opt-out process easier with a new online system on gov.uk. It can be used to opt back in to receiving payments for the current tax year or previous two tax years. But you must already be claiming Child Benefit to use the online service: and it can't be used if payments would be completely clawed back by the HICBC.

Home Responsibilities Protection: HMRC seeks 'lost' claimants

State Pension entitlement could be understated for some people who became parents between 6 April 1978 and May 2000 and claimed Child Benefit. Women now in their 60s and 70s are most likely to be impacted.

The mix-up arises because, in some cases, an earlier scheme called Home Responsibilities Protection (HRP), designed to protect State Pension entitlement, wasn't linked to National Insurance records.

HMRC is trying to identify those affected, writing to those it thinks might be eligible for HRP, with a view to recalculating entitlement to State Pension where needed. Anyone with concerns should check their National Insurance record for gaps. At the end of the day, any 'missing' HRP has to be applied for. The page 'Apply for Home Responsibilities Protection' on gov.uk outlines what to do.

VAT: HMRC'S VIEW OF THE PITFALLS

HMRC has recently issued new, detailed Guidelines for Compliance for VAT.

'Help with VAT compliance controls' aims to help businesses understand HMRC's expectations and minimise errors. The Guidelines don't change the law: rather, they give HMRC's view on complex, widely misunderstood or novel risks.

Though relevant to any VAT-registered business using invoice (rather than cash) accounting, HMRC says the Guidelines are unlikely to apply equally to all businesses. Businesses will need to consider what they mean for them individually, with an eye to the size, structure and complexity of their own organisation.

The Guidelines highlight some of the systems and processes that may impact overall VAT compliance, such as sales, purchases, and preparation of the VAT return. They are split into ten sections. Each highlights potential areas of risk, sets out good practice and suggests actionable control points to reduce the risk of errors.

Aiming to improve compliance

HMRC says its aim is to help any business review its systems, and put controls in place to improve compliance. Where a business identifies risks, HMRC says it expects it 'to work towards improving compliance and to review those systems and processes more often. This will help to reduce the risk of VAT assessments, interest and penalties'.

Common areas of error

Employee expenses: This section includes three key areas where mistakes are often made: motoring expenses, mobile phones and business entertainment. With regard to business entertainment events, it recommends that appropriate VAT rates should be available and correctly applied so that:

- 100% of VAT is reclaimable if event attendees are employees
- no VAT is reclaimable if event attendees are UK non-employees (for example business contacts, clients or prospective clients)
- VAT is apportioned if event attendees are employees and non-employees.

Suggested good controls here are:

- having a process for identifying attendees (as employee or non-employee)
- VAT on non-employee entertaining is automatically blocked
- automatic input tax apportionment based on split of employees and non-employees
- training for expense system users and managers on high-risk VAT areas like business entertaining.

Making Tax Digital (MTD): Recommendations for good practice to support MTD reporting are included in the sections on VAT reporting and manual adjustments. Though the VAT account records have to be kept digitally, and any tax adjustments recorded in the functional compatible software, it's only the total for each type of adjustment that is thus kept: not the details of the underlying calculations. HMRC stresses that calculations made outside the functional compatible software supporting VAT adjustments should still be kept separately for audit trail purposes.

End to end accuracy

Ultimately, the issue is the integrity of the figures on the VAT return. Businesses need to be confident that the VAT compliance process, from end to end, is as risk-free and accurate as possible.

In HMRC's words, even if a business outsources its VAT compliance obligations, it can't outsource the risk. 'Legal responsibility and the potential for reputational damage' remain with the business.

We should be happy to help you review VAT compliance in the light of the new Guidelines, or to answer any questions you may have. Please do get in touch.

Paid help at home?

It's always best to check the responsibilities around tax and employment rights. There are two key questions to ask. What is the employment status of your worker, and how does that impact you?

If you hire someone who is neither self-employed, nor paid through an agency, you're likely to be considered their employer. This creates legal rights for the employee and responsibilities on your part. The rules apply to anyone working for you, from nannies to gardeners; and carers to personal assistants. Even where direct payments are received from the NHS or local council to pay for a carer, you can still be considered an employer.

As an employer, you are required to check that your employee has the right to work in the UK, and to register as an employer with HMRC. Auto-enrolment pensions duties can also apply. Paying at least the minimum wage; providing a payslip; and deducting tax correctly also become your responsibility. Rules on minimum wage eligibility have changed from 1 April 2024 for live-in workers, such as au pairs. The previous exemption from minimum wage entitlement has been removed and these workers are also now eligible for payment at minimum wage rates.

It is always important to take care over any question of employment status, and we are on hand to advise.