

# Tax E-News

Welcome to the May edition of Tax E-News. We hope that you find this informative. Please contact us if you wish to discuss any matters in more detail.

## 2022/23 P11d FORMS TO BE SUBMITTED ONLINE

The deadline for filing the P11d forms to report benefits in kind in respect of directors and employees for 2022/23 is 6 July 2023. Note, however, that the original and amended reports must now be made online and paper returns will be rejected.

Forms P11D and P11D(b) returns must be submitted online through one of the following:

- PAYE Online for Employers
- PAYE Online for Agents
- payroll software that is recognised by HMRC

For employers or agents who need to submit up to 500 P11D and P11D(b) returns, the free HMRC PAYE online services can be used. For anything more, 3rd party software is required.

Remember that 'Trivial' benefits in kind provided to employees and directors do not need to be reported on form P11d. 'Trivial' benefits are those that:

- cost the employer £50 or less to provide;
- are not cash or a cash voucher;
- are not a reward for work or performance; and
- the employee is not contractually entitled to.

## PAYE SETTLEMENT AGREEMENTS ALSO ONLINE

Where benefits in kind are provided to employees that will usually result an income tax charge on the employee and a Class 1A national insurance (NI) charge on the employer. The rate to be used for 2022/23 is 14.53% because of the withdrawal of the 1.25% Health and Social Care levy part way through the year.

The income tax charge on the employee can be avoided by the employer entering into a PAYE settlement agreement (PSA) with HMRC, whereby the employer pays the income tax on the employee's behalf. Not all benefits provided may be dealt with this way. The benefits must be minor, irregular, or impracticable. Impracticable means that the expenses and benefits are difficult to place a value on or divide up between individual employees. An example would be the costs of a staff party where the £150 per head limit has been exceeded.

From 6 April 2023 there is a new online service available from HMRC for employers and their agents to apply for a PAYE settlement agreement (PSA). Employers and agents can also use the online service to amend or cancel an existing PSA. To support these changes, HMRC has updated its guidance on PSAs to include reference to the new online tools.

What can be included in the PSA depends on when you apply. If you applied for a PSA before the start of a tax year, you can include any expenses and benefits contained in the agreement. If you applied for a PSA part way through the tax year, you may need to report some items separately on form P11d.

Employers must pay any tax and class 1B NIC owed under a PSA by 22 October after the tax year that the PSA applies to (19 October if paying by cheque).

## HMRC PHASING OUT PAPER TAX RETURNS FOR 2023/24

As well as moving more and more employer returns online HMRC have announced that they will be phasing out paper self-assessment tax returns and encouraging individuals to file online. Individuals under

the age of 70 within self-assessment will no longer receive a paper form through the post or be able to download a form from HMRC's website.

HMRC have written to almost 135,000 taxpayers to let them know of the changes. From 6 April 2023 anyone whose individual circumstances mean they cannot file online will have the option to request a form by calling HMRC.

## **PENSION LIFETIME ALLOWANCE**

The latest Finance Bill will legislate the announcement in the Spring Budget that the lifetime allowance (LTA) charge is abolished from 6 April 2023.

Individuals will continue to be able to receive 25% of their pension savings as a tax-free lump sum when they become entitled to their pension benefits. From 6 April 2023, for most individuals, the tax-free amount will be capped at £268,275.

The £268,275 limit represents 25% of the 2022/23 LTA of £1,073,100. The LTA has changed many times over the years and has been as high as £1.8 million. This is a complex area, but taxpayers have been able to elect to protect their LTA at the higher amount. HMRC have confirmed that individuals who hold valid LTA protection can access a tax-free lump sum of more than £268,275. The exact amount will depend on which protection they hold.

Those who made a successful enhanced protection or fixed protection application prior to 15 March 2023, can also re-commence contributing to their pension scheme from 6 April 2023 without losing their protection. They are also able to enroll into new workplace pension schemes and transfer money between pension schemes from 6 April 2023 without losing LTA protection.

## **PENSIONS AND ESTATE PLANNING**

As a result of the pension reforms introduced by George Osborne which took effect from 6 April 2015, a drawdown pension fund has become an important part of estate planning. The fund itself is not subject to inheritance tax and, where the pensioner dies under the age of 75, there is no charge when the beneficiary draws the remaining capital. Where the pensioner dies over the age of 75 then the beneficiary is taxed at their marginal tax rate on any amounts drawn.

Where an individual has both ISA savings and a drawdown pension fund, they would generally be advised to spend their ISA savings in priority to drawing down on their pension as the ISA is subject to inheritance tax whereas their pension fund is not.

Again, this is an area where specialist advice is required but it should be noted that where the pension fund is used to buy an annuity, the annuity will lapse on the death of the annuitant, unless a joint life annuity is purchased.

## **CONSULTATION INTO POSSIBLE REFORM OF CONSTRUCTION INDUSTRY SCHEME**

The Government have announced a number of tax consultations on its Tax Administration and Maintenance Day, 27 April. These include measures designed to support the Government's ambition to simplify and modernise the tax system, tackle non-compliance, make the tax system fairer for taxpayers and to make the customs system work better for traders.

One of the consultations concerns possible reforms to the Construction Industry Scheme (CIS) involving payments to sub-contractors in the construction industry. That scheme has been the subject of several changes since it was first introduced in 1971 as a revenue protection scheme designed to address the risk presented by a sector with large numbers of workers paid in cash.

Sub-contractors that meet certain criteria are permitted to be paid gross, without tax deducted at source. One of the conditions for gross payment status (GPS) is that their business is compliant with direct tax obligations. In 2021 the VAT domestic reverse charge was introduced to prevent VAT abuse in the construction sector.

The current GPS tests may fail to exclude businesses that have committed VAT abuse. Consequently, HMRC propose to include compliance with VAT obligations, i.e. timely filing and payment, as part of the GPS tests.

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If these proposals affect you, we will keep you informed of the progress of this consultation, in particular the start date of any changes.

## DIARY OF MAIN TAX EVENTS

### MAY/JUNE 2023

Date	What's Due
01/05	Corporation tax payment for year to 31/7/22 (unless quarterly instalments apply)
19/05	PAYE & NIC deductions, and CIS return and tax, for month to 5/05/23 (due 22/05 if you pay electronically)
01/06	Corporation tax payment for year to 31/8/22 (unless quarterly instalments apply)
19/06	PAYE & NIC deductions, and CIS return and tax, for month to 5/06/23 (due 22/06 if you pay electronically)