

BUDGET 2013: EMPLOYMENT TAX CHANGES

Chris Jones BA CTA (Fellow) ATT
Director of Tax Markets &
Learning Solutions
Tolley

Tolley®

Tax intelligence
from LexisNexis®

Fuel scale charge

- Car fuel scale charge multiplier becomes £21,100
 - An increase of £900 (4.5%)
- Typical family car: Ford Mondeo 2.0 Diesel Zetec
 - Say average 40 mpg = 8.8 miles per litre (40 x 0.22)
- Tax liability on fuel benefit: £21,100 x 19% = £4,009
 - At 40% = £1,604
 - At 20% = £802
- Private miles required to break even:
 - $£1,604/£1.45 = 1,106$ litres x 8.8 = 9,734 miles
 - $£802/£1.45 = 553$ litres x 8.8 = 4,867 miles

Employment taxes

- Employment allowance worth £2,000 available to all employers from April 2014
 - To be delivered through RTI
- Replaces the failed Regional Employer's NIC Holiday scheme
 - Less than 14,000 employers successfully claimed it
- Employment-related loans exemption to double to £10,000 from 6 April 2014
 - Very helpful given ongoing rise in cost of season tickets
 - Will also benefit OMBs and reduce the burden of P11D completion

Owner-employee shares

- Plans for new kind of employment contract called an employee-owner contract
- Exchange employment rights for rights of ownership in form of shares
- Will be given £2K to £50K of shares exempt from CGT
- Liable to tax and NIC on issue
 - First £2k exempt – to be included in Finance Bill 2013

Employment rights

- Rights under Employment Rights Act 1996 are reduced:
 - Request for study & training
 - Request for flexible working arrangements
 - Receive a redundancy payment
 - Limited protection for unfair dismissal
- Incorporated in the Growth & Infrastructure Bill
 - Blocked by the Lords on the evening of the Budget!

Enterprise Management Incentives

- 5% rule to be dis-applied for options granted on or after 6 April 2012
- Will apply where shares are sold on or after 6 April 2013
- The period over which the option is held continues to qualify towards the 12 months holding requirement
- “Disposal” to be extended to cover shares exchanged as part of a reorganisation

Tax-free Childcare Scheme

- To be phased in from autumn 2015
- Basic rate tax relief on up to £6,000 of eligible childcare costs per annum
 - So worth £1,200
- Available where both parents are working and not in receipt of tax credits or the Universal Credit
 - Provided neither parent earns over £150,000

RTI penalties

- No late filing penalties will apply to RTI returns in either 2012/13 or 2013/14
 - The existing penalty regime will apply if there are late returns at the year end
 - So the penalty will be £100 per 100 employees (or part thereof) per month late (or part month)

Late filing penalties from April 2014

- The first month in a tax year which is filed late will not be subject to a penalty
- After this a penalty will apply which takes into account the number of employees and the number of defaults in the tax year
- The penalty is triggered if the full payment submission is not made on or before the time of payment of the employee
 - but for employers with multiple paydays in a month
 - the legislation limits the number of penalties under this provision in respect of each tax month to one
 - Regulations will provide for the precise calculation of a penalty

A fairer regime from next tax year

- The first late payment in a tax year continues to be regarded as “not a default” for the purposes of this legislation (as now)
- For the first, second and third defaults in respect of the tax year
 - the penalty is chargeable at the time of the default at a rate of 1% of the tax comprised in the default
- For the fourth, fifth and sixth defaults
 - 2% of the amounts comprised in the default
- For the seventh, eighth and ninth defaults
 - 3% of the amounts comprised in the default, and
- For the tenth and subsequent defaults a penalty is chargeable at the time of the default at a rate of 4%
 - This allows for the late payment penalties to be issued during the year

To be consulted on

- Collection of Class 2 NIC through Self Assessment
- Increase in debts collectable via PAYE coding notice
- £500 tax free benefit for employers paying for health interventions to enable return to work
- Self-certification for advantaged employee share schemes
 - Not clear whether OTS recommendation on unapproved share schemes will be picked up
- New CGT relief for disposal of a controlling interest into an employee ownership structure
- Improvements to payroll giving