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# Tax E – News

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Welcome to our tax newsletter, designed to keep you informed of the latest tax issues. We hope you enjoy reading these tax tips; and remember - we are here to help you so please contact us if you need any further information on any of the topics covered.

## HMRC GET HEAVY WITH THOSE USING TAX AVOIDANCE SCHEMES

Anyone with an open enquiry (or appeal) concerning a tax avoidance scheme may be issued with follower notices and accelerated payment notices under new legislation in Finance Act 2014. It is understood that 43,000 payment notices will be issued by HMRC (33,000 to individuals and 10,000 to corporates) and will cover about £7.1 billion of disputed tax. The vast majority of the notices will be issued over the course of 2014/15 and 2015/16.

By issuing a follower notice, HMRC are seeking to bring the enquiry to an end by requiring the taxpayer to make the necessary “corrective” amendments to his return (and pay the disputed tax) or face a penalty of 50% of the tax in dispute. Taxpayers will therefore have to consider matters carefully before deciding whether or not to capitulate and press on with litigation. If this applies to you please contact us straight away to consider what action to take.

Some lawyers have suggested that it may be possible to challenge a follower notice or an accelerated payment notice by way of an application for judicial review, to restrain HMRC from exceeding or abusing their powers under Article 6 European Court of Human Rights (right to a fair trial).



Experience shows that a significant number of taxpayers in the current environment do not wish to experience the hassle, expense and potential stress of litigation involving HMRC and will choose to settle by making the necessary amendments to their return, effectively bringing the enquiry to an end .

## CONSULTATION ON POSSIBLE CHANGES TO RULES ON EMPLOYEE’S TRAVEL

Many employees and employers find the current tax rules for dealing with travelling and subsistence claims difficult to understand. This is an area that the Office of Tax Simplification is seeking to make more comprehensible. Consequently, the treasury are consulting on possible changes to the rules, and the way that such expenses are reported. The government intends for any new rules to reflect, rather than drive, commercial decisions and that it will be responsive to 21st century working patterns. As is currently the case, any new system would not provide tax relief for private travel or ordinary commuting.



Note that unless the employer holds a dispensation from reporting such expenses, they need to be included on the employee’s or director’s end of the year Form P11d.

If the tax rules or reporting requirements change, we will get in touch to explain the implications for your business.

## BUSINESS TRAVEL FOR SELF EMPLOYED TRADERS

Following a recent case in front of the Upper Tier Tax Tribunal involving a doctor with a private practice (Dr Samadian), HMRC are applying the rules for business travel much more strictly.

The “wholly and exclusive” principle states that where there is both a business and a personal reason or benefit in meeting an expense, there is no tax relief for any of the expense. The doctor in question argued that as he was based at home (where he saw some of his patients and ran the business), the expenses of travelling to and from various hospitals and nursing homes should be an allowable business expense. Based on earlier cases, the Tribunal decided that the “habitual” journeys to two hospitals should not be allowed but less regular “itinerant” journeys to other locations would be allowed as a deduction.

Although this case involved a doctor, it has wide ranging implications for other self-employed individuals who operate their business from home and travel regularly to one or two locations. It will become increasingly important to keep a detailed mileage log of business journeys should HMRC challenge the deduction in the business accounts.



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## CHANGES TO CLASS 2 NICs COLLECTION

The National Insurance Contributions Bill was published on 18 July 2014. It will introduce legislation (which was consulted on last year) to reform the collection of Class 2 NICs by enabling the self-employed to pay their Class 2 contributions through self-assessment alongside their income tax and Class 4 NICs.

Liability for Class 2 NICs will arise at the end of each tax year and will be collected through self-assessment from April 2016 for the 2015/16 tax year onwards. This will replace the current method of collection of Class 2 NICs via direct debits or quarterly demands.

Taxpayers will also be able to make voluntary payments of Class 2 if their profits are below a certain threshold to retain their entitlement to certain state benefits



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## RTI PENALTIES START OCTOBER 2014

Earlier this year, HMRC announced that the penalties for late returns of payroll information (RTI) would start from October 2014 instead of April 2014. If you operate your own payroll, make sure that your RTI submissions are made on time to avoid an automatic penalty.

Remember that the RTI submission should normally be made on or before the date when the wages or salaries are paid to the employees.