

# NEWSLETTER MARCH 2016

## ADVISORY FUEL RATES FOR COMPANY CARS

New company car advisory fuel rates have been published which took effect from 1 March 2016. The guidance states: 'You can use the previous rates for up to one month from the date the new rates apply'. The rates only apply to employees using a company car. The advisory fuel rates for journeys undertaken on or after 1 March 2016 are:

| <b>Engine size</b> | <b>Petrol</b> |
|--------------------|---------------|
| 1400cc or less     | 10p           |
| 1401cc - 2000cc    | 12p           |
| Over 2000cc        | 19p           |
| <b>Engine size</b> | <b>LPG</b>    |
| 1400cc or less     | 7p            |
| 1401cc - 2000cc    | 8p            |
| Over 2000cc        | 13p           |
| <b>Engine size</b> | <b>Diesel</b> |
| 1600cc or less     | 8p            |
| 1601cc - 2000cc    | 10p           |
| Over 2000cc        | 11p           |

Other points to be aware of about the advisory fuel rates:

- Employees driving employer provided cars are not entitled to use these rates to claim tax relief if employers reimburse them at lower rates. Such claims should be based on the actual costs incurred.
- The advisory rates are not binding where an employer can demonstrate that the cost of business travel in employer provided cars is higher than the guideline mileage rates. The higher cost would need to be agreed with HMRC.

If you would like to discuss your car policy, please contact us.

## BENEFITS AND EXPENSES – BESPOKE SCALE RATES

From 6 April 2016 there are a lot of changes to the way in which benefits and expenses are reported to HMRC. HMRC have set out the maximum tax and NICs free allowances that can be paid by employers to employees for subsistence. Subject to qualifying conditions, the amounts are set out below:

| <b>Minimum journey time</b> | <b>Maximum amount of meal allowance</b> |
|-----------------------------|---|
| 5 hours                     | £5                                      |
| 10 hours                    | £10                                     |
| 15 hours                    | £25                                     |

*Where a meal allowance of £5 or £10 is paid and the qualifying journey in respect of which it is paid lasts beyond 8pm a supplementary rate of £10 can be paid.*

Employers may choose to reimburse employees for the actual costs incurred. However where employers wish to use bespoke rates other than those set out above, they will need to apply for approval from HMRC for bespoke rates.

HMRC have issued an online application form to allow employers to request approval for these bespoke amounts. This should state the rate that the employer wishes to pay and also needs to demonstrate that the amount is a reasonable estimate of the amount of expenses actually incurred by the employees.

To establish these amounts, HMRC have confirmed that the employer should carry out a sampling exercise to verify the actual expenses incurred by employees. We would be happy to advise you on the sampling which would need to be carried out for your business. In addition, employers will need to have a checking system in place which ensures that the payments or reimbursements are only made on occasions where the employee would be entitled to a deduction from their earnings and that the employees have actually incurred and paid the amounts. Once approval has been given by HMRC, they will issue an approval notice which sets out the date from which the approval is given and what expenses are covered. It will also state the date when the approval notice ends which will be no later than five years from the start date. Please do get in touch if you would like help with benefits and expense reporting or agreeing Bespoke rates.

#### **TRIVIAL BENEFITS EXEMPTION**

From April 2016, where trivial benefits are provided to employees they may be exempt from tax if certain conditions are met. The conditions are:

- the cost of providing the benefit does not exceed £50
- the benefit is not cash or a cash voucher
- the employee is not entitled to the voucher as part of a contractual arrangement (including salary sacrifice)
- the benefit is not provided in recognition of particular services performed by the employee as part of their employment duties
- where the employer is a 'close' company and the benefit is provided to an individual who is a director, member of their household or their family, then the exemption is capped at a total cost of £300 in a tax year.

If any of these conditions are not met then the benefit will be taxed in the normal way subject to any exemptions or allowable deductions.

One of the main conditions is that the cost of the benefit is less than £50, if the cost is above £50 the full amount is taxable, not just the excess over £50. The cost is the cost of providing the benefit to each employee not the overall cost to the employer. Where the individual cost for each employee cannot be established, an average could be used.

Further details on how the exemption will work, including family member situations, are contained in the Government guidance. However if you are unsure please do get in touch before assuming the trivial benefit you are about to provide is covered by the exemption.

#### **CHANGES TO THE TAXATION OF SAVING INCOME**

There are significant changes to the income tax rules from 6 April 2016 which affect the taxation of savings income.

From 6 April 2016, if you are a basic taxpayer you may be able to receive up to £1,000 in savings income tax free. Higher rate taxpayers will be able to receive up to £500.

Savings income includes the following:

- interest from bank and building societies accounts
- interest from credit union or National Savings and Investment accounts
- income from government or company bonds
- interest distributions from authorised unit trusts
- most types of purchased life annuity payments.

As a result of this from 6 April 2016 interest will be paid gross rather than net which is the current position for most interest paid to individuals. Net payments are received after deduction of the basic rate of tax of 20%. Interest from ISAs is not included in your Savings Allowance (SA) because it is already tax free.

No action is required to claim the allowance. If the amount of savings income you receive is higher than the allowance, banks and building societies will provide details to HMRC and they will amend your tax code to collect any tax due. If you complete a Self Assessment tax return you should carry on doing this as normal.

If you have any queries on the changes to income tax please do get in touch.

#### **AUTO ENROLMENT SUCCESS FOR SMALL BUSINESSES**

More than 90% of the first small employers required to put their staff into a workplace pension have now complied with the law.

Around 12,000 small and micro employers became subject to the new legal requirements last summer and the vast majority have put their eligible staff into a pension. For the small numbers that did not comply, the Pensions Regulator (TPR) used their powers of enforcement action.

Although compliance with the rules remains the norm, TPR has noted that smaller employers are more likely to leave things to the last minute and they are therefore more likely to receive a compliance notice which could lead to a fine.

Since the start of auto enrolment:

- 4,818 compliance notices have been issued
- around half of these (2,596) were issued between October and December last year
- a total of 1,594 £400 Fixed Penalty Notice fines have now been issued to employers
- just over a thousand (1,021) Fixed Penalty Notices were issued in the last quarter of 2015.

Compliance notices act as a warning and give employers a deadline to meet their duties and avoid a fine.

If you would like details on what you are required to do as an employer to meet your auto enrolment obligations then please get in touch.

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