

# Ellacotts Tax Newsletter – May 2018

Our newsletter this month includes: tax planning opportunities if you intend to live in the border areas of Scotland or Wales; a change in the tax treatment of certain payments in lieu of notice; details of who can or cannot qualify for the minimum wage; and circumstances that may change your entitlement to tax credits.

Our next newsletter will be published on Thursday, 7th June 2018.

## Location is everything

Wales have their own stamp duty regime from April 2018, the Land Transaction Tax (LTT).

Regarding property purchases, this can create interesting differences for individuals buying in the border areas of Wales/England. For example:

Consider Llanymynech, a village that straddles the border between Powys (Wales) and Shropshire (England). The amount of stamp duty payable on an identically priced house, say £179,000, would cost the buyer £1,080 in Stamp Duty Land Tax if bought in the English side of the village, but no Land Transaction Tax would be payable for an equivalently priced house on the Welsh side of the village. A definite incentive to buy in this price bracket the Welsh side of the border.



## Who qualifies for the minimum wage



As you would expect there are a range of conditions that affect the answer to this question. We have reproduced below a summary of the main conditions to be observed.

Workers must be at least school leaving age to get the National Minimum Wage. They must be 25 or over to get the National Living Wage.

Contracts for payments below the minimum wage are not legally binding. The worker is still entitled to the National Minimum Wage or National Living Wage.

Workers are also entitled to the correct minimum wage if they are:

- part-time
- casual labourers, for example someone hired for one day
- agency workers
- workers and homeworkers paid by the number of items they make
- apprentices
- trainees, workers on probation
- disabled workers
- agricultural workers
- foreign workers
- seafarers
- offshore workers

Apprentices are entitled to the apprentice rate if they're either:

- under 19
- 19 or over and in the first year of their apprenticeship
- Apprentices over 19 who have completed the first year of their apprenticeship are entitled to the correct minimum wage for their age.

The following types of workers aren't entitled to the National Minimum Wage or National Living Wage:

- self-employed people running their own business
- company directors
- volunteers or voluntary workers
- workers on a government employment programme, such as the Work Programme
- members of the armed forces
- family members of the employer living in the employer's home
- non-family members living in the employer's home who share in the work and leisure activities, are treated as one of the family and aren't charged for meals or accommodation, for example au pairs
- workers younger than school leaving age (usually 16)
- higher and further education students on a work placement up to 1 year
- workers on government pre-apprenticeships schemes
- people on the following European Union programmes: Leonardo da Vinci, Youth in Action, Erasmus, Comenius
- people working on a Jobcentre Plus Work trial for 6 weeks
- share fishermen
- prisoners
- people living and working in a religious community

### Construction drawn into VAT reverse charge process

If you are claiming tax credits make sure that you keep an eye on changes that may affect the amount you receive.

Your payments can go up if:

- your income goes down by more than £2,500
- your benefits stop or go down
- you start getting personal independence payment (PIP), disability living allowance (DLA) or other disability benefits for yourself or a child
- you have a child
- your childcare costs go up



You should report these changes within 1 month to make sure you get everything you're entitled to. Payments can't usually be backdated any further than this.

Your payments can go down or stop if:

- your income goes up by more than £2,500 - report this straight away to reduce the amount you're overpaid
- you haven't renewed your claim
- your award notice shows you've been overpaid
- you stop getting PIP, DLA or other disability benefits for yourself or a child
- your child is now 16, 18 or 19 and you haven't told the Tax Credit Office they're in approved education or training
- your childcare costs go down
- you or your partner start claiming Universal Credit

## Making Tax Digital



Up to 5 April 2018, certain payments in lieu of notice were not taxable, primarily, those not contractually required to be made.

This is no longer the case.

Employers will now need to pay Income Tax and Class 1 National Insurance contributions (NICs) on an element of all termination payments from 6 April 2018, whether or not they are contractual payments.

The element that is now chargeable to Income Tax and NIC is the amount of the termination payment that represents payment in lieu of notice (PILON). This change applies to payments, or benefits received on, or after, 6 April 2018 in circumstances where the employment also ended on, or after, 6 April 2018. This follows an announcement at Budget 2016 that government would introduce rules to prevent employers from manipulating the system.

This measure is intended to bring fairness and clarity to the taxation of termination payments by making it clear that all PILONs, rather than just contractual PILONs, are taxable earnings.

All employees will pay Income Tax and Class 1 NICs on the amount of basic pay that they would have received if they had worked their notice in full, even if they are not paid a contractual PILON.

This means the tax and NIC consequences are the same for everyone and are no longer dependent on how the employment contract is drafted or whether payments are structured in some other form, such as damages.

## Tax Diary May/June 2018

**1 May 2018** - Due date for corporation tax due for the year ended 30 July 2017.

**19 May 2018** - PAYE and NIC deductions due for month ended 5 May 2018. (If you pay your tax electronically the due date is 22 May 2018)

**19 May 2018** - Filing deadline for the CIS300 monthly return for the month ended 5 May 2018.

**19 May 2018** - CIS tax deducted for the month ended 5 May 2018 is payable by today.

**31 May 2018** - Ensure all employees have been given their P60s for the 2017-18 tax year.

**1 June 2018** - Due date for corporation tax due for the year ended 31 August 2017.

**19 June 2018** - PAYE and NIC deductions due for month ended 5 June 2018. (If you pay your tax electronically the due date is 22 June 2018)

**19 June 2018** - Filing deadline for the CIS300 monthly return for the month ended 5 June 2018.

**19 June 2018** - CIS tax deducted for the month ended 5 June 2018 is payable by today.