

# employment taxes and incentives

Our services to RPs

RPs need to find innovative ways to retain and motivate a committed workforce, while keeping costs under control and complying with HMRC payroll taxes and reporting obligations. Are you ready to avoid the new fixed penalties for delayed monthly remittances of PAYE and CIS?

Is your organisation taking full advantage of the government's 'tax breaks' to maximise employee reward and choice? Are you aware that most flexible employment packages cost less to provide than straightforward salaries? Do you run your payroll efficiently and comply with your year-end reporting obligations? Are you ready to avoid the new fixed penalties for delayed monthly remittances of PAYE and CIS? Are you confident that if HMRC paid you a call it wouldn't find anything materially wrong?

These are just some of the key questions all employers should be addressing in order to control costs, meet reporting obligations and retain productive employees.

## The compliance problem

Complying with the myriad rules and regulations that govern the employer's payroll taxes and expenses and benefits compliance regime is notoriously difficult. HMRC is aware of this, which is why it has a team of compliance inspectors responsible for educating employers, and collecting arrears.

Most employers in the registered provider of social housing (RP) sector are aware of the recent issues surrounding living accommodation provided to wardens on assisted housing schemes (now extended to include caretakers). This is an example of a typically 'technical' point that appeared to defy common sense, and yet led to substantial settlement demands from HMRC.

Have you considered whether you could be at risk from an HMRC inspection? Do you believe that you are compliant? One of our employment taxes experts can perform a 'health check' to assess your processes and advise on any necessary action.

## Case study

One of our clients in the sector contacted us recently for advice concerning resident wardens in their assisted housing schemes. They were aware of a general concern about possible living accommodation benefits and that HMRC was known to be taking an interest. The circumstances were such that the claim to exempt status for living accommodation could not be sustained and, in addition, the associated benefit of free heat and light (that would not have been exempt) had been overlooked. This advice prompted our client to ask us to carry out a general compliance review which identified scope for improvements in administration but no further matters of concern. We made an unprompted disclosure concerning the wardens' benefits to HMRC and negotiated a favourable financial settlement that included liability for just two years and no penalties at all.

## Flexible remuneration packages

In terms of flexible benefits, sacrificing salary in exchange for employer pension contributions is a headline grabber as substantial savings can be achieved for both the employer and employee. However, flexible arrangements that involve at least some tax exempt benefits can be even more effective. At the last count, we identified 15 separate employee benefits that could provide tax and/or National Insurance contribution (NIC) savings as part of a flexible benefits package.

There are an infinite number of taxable benefits that could be offered as an alternative to cash that would provide an increase in net reward for the employee – and this is most marked for those with modest earnings.

If you have looked into this before, but been put off because of perceived difficulties surrounding your pension arrangements, think again as there may be a solution available. Our experts in the field can advise you on the possibilities.

## Termination arrangements

Redundancy, which is always a difficult process to manage, also impacts on the morale of remaining staff. Inevitably, cost drives the process, but do you make the most effective use of limited resources to structure packages – taking maximum advantage of the legislation, custom and practice?

Details of redundancy settlements will circulate among employees; retained staff can be influenced by what you have done for those who are departing. The bigger you can make the net payment from the funds available the better the effect on retained staff will be.

We can help you throughout this difficult process and, can, on your behalf, obtain HMRC's advance agreement to the tax and NIC treatment.

## Form P11D reporting dispensation and the PSA

Most employers are familiar with the concept of a P11D reporting dispensation. Issued by HMRC, it eliminates the need to include items on form P11D for which a claim to relief from employment tax would be allowed. If you do not have a dispensation, you should; if you have one but do not know where it is (or, perhaps, what it says) you may not realise that it is out of date or does not cover all the allowable employee expense items.

We can help you assess the situation and apply on your behalf – either for a dispensation to be issued or to obtain an updated version. It could save you time and effort in the long run.

Additionally, do you provide expense payments and/or benefits to employees that don't satisfy the strict rules for relief from employment tax? Perhaps you are careful not to provide such payments or benefits – even though you'd like to for employee morale purposes – for fear of creating a tax liability that your employees would have to pay. There is a mechanism available that allows an employer to take over the employees' tax liability on certain expenses and benefits.

We could assist you in deciding whether a PAYE settlement agreement (PSA) would be advantageous and in making the necessary application to HMRC.

## The way forward

If you think we might be able to help with any of these matters, get in touch with a member of our Employment Taxes and Incentives team (see below for details) to discuss your options.

## For further information:

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