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March Newsletter

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HMRC publishes guidance on MTD for ITSA for sole traders and landlords.

HMRC has published guidance on the Making Tax Digital for Income Tax Self Assessment (MTD for ITSA) requirements for sole traders and landlords.

MTD for ITSA will require businesses and landlords with qualifying income to maintain digital records and update HMRC each quarter via compatible software.

In the guidance, HMRC stated that MTD for ITSA will be introduced in two phases:

- from April 2026 for those with qualifying income over £50,000
- from April 2027 for those with qualifying income over £30,000.

HMRC said that MTD will exploit 'the opportunities offered by digitalisation to make it easier for everyone to get tax right'.

It said that digitalising government tax services helps to reduce the risk of unintentional customer errors; saves taxpayers time when they submit their tax returns; supports wider productivity and less time managing paperwork; and enables HMRC to better tailor its services to its customers.

In its latest guidance, HMRC estimates an average transitional cost of £115 for businesses mandated to use MTD for ITSA. Businesses within the £30,000 to £50,000 threshold are estimated to incur an average cost of £350 while those above £50,000 may incur an average cost of £285.

Over one million miss self assessment deadline.

Over one million self assessment taxpayers missed the filing deadline at midnight on 31 January, according to data published by HMRC.

A record 11.5 million taxpayers did file their 2022/23 self assessment tax returns by the deadline.

HMRC's figures also showed that 1.1 million missed the deadline.

'The final day saw 778,068 beat the clock to complete their return.

The peak hour for filing on 31 January was between 16:00 and 16:59 when 61,549 taxpayers submitted their returns. 32,958 filed between 23:00 and 23:59.

HMRC has urged anyone who missed the deadline to submit their tax return as soon as possible – late filing and late payment penalties apply for those who failed to submit by the deadline. It stated that there are many ways to pay, including online, using the HMRC app, by bank transfer or via a Time to Pay payment plan.

Myrtle Lloyd, Director General for Customer Services at HMRC, said:

'Thank you to the millions of self assessment customers and agents who met the deadline. Anyone who has yet to file and is concerned that they cannot pay in full may be able to spread the cost of what they owe with a payment plan. Search 'pay your self assessment' on GOV.UK to find out more.'

HMRC warns self assessment taxpayers as scam referrals rise.

HMRC is warning people to be wary of bogus tax refund offers following the self assessment deadline on 31 January.

The tax authority says that fraudsters could set their sights on self assessment taxpayers, with more than 11.5 million submitting a tax return by last month's deadline.

HMRC warns that taxpayers who completed their tax return for the 2022/23 tax year by the 31 January deadline might be taken in by an email, phone call or text message offering a tax rebate.

These phishing scams are designed to use personal details for selling on to criminals, or to access people's bank accounts, says HMRC.

The warning comes after HMRC responded to 207,800 referrals from the public of suspicious contact in the past year to January. This is a 14% increase from the 181,873 reported for the previous 12 months. More than 79,000 of those referrals offered bogus tax rebates.

Kelly Paterson, HMRC's Chief Security Officer, said:

'With the deadline for tax returns behind us, criminals will now try to trick people with fake offers of tax rebates.

'Scammers will attempt to dupe people by email, phone or texts that mimic government messages to make them appear authentic.'

Double-cab pickups go back to being vans as guidance reversed.

Just a week after HMRC released new guidance that classed double-cab pickups as cars rather than vans, the government reversed the decision.

On 19 February, HMRC confirmed that it's reversing the updated guidance announced on 12 February, meaning that double-cab pickups will continue to be treated as goods vehicles rather than cars.

The government said it reversed course after listening to concerns from farmers and the motoring industry on the impact of the changes to the tax treatment.

The government has acknowledged that the 2020 court decision and resultant guidance update could have an impact on businesses and individuals in a way that is not consistent with the government's wider aims to support businesses.

Double-cab pickups will continue to be goods vehicles for tax purposes and the tax on benefits in kind will not increase when employers provide these vehicles to their employees.

Nigel Huddleston, Financial Secretary to the Treasury, said:

'We will change the law at the next available Finance Bill in order to avoid tax outcomes that could inadvertently harm farmers, van drivers and the UK's economy.'

Pension income needed to retire rises.

The amount needed for a single person to have a moderate retirement has risen to £31,300, according to the Pensions and Lifetime Savings Association (PLSA).

The rising cost of living and an increased importance on socialising following the pandemic had pushed up the income required by £8,000, the PLSA said.

The PLSA uses evidence from focus groups to make the estimates, and they are intended as a guide for those planning their retirement savings.

The calculations are pitched at three different levels - minimum, moderate and comfortable - and are developed and maintained independently by the Centre for Research in Social Policy at Loughborough University.

They estimated that a single person needed £14,400 a year for a minimum lifestyle, and £43,100 a year for a comfortable retirement.

Couples required a joint £22,400 at the minimum level, £43,100 at a moderate level and £59,000 at a comfortable level.

Nigel Peaple, Director for Policy and Advocacy at the PLSA, said:

'The cost of living has put enormous pressure on household finances over the last year and, as the research shows, this is no different for retirees.'

More than 500 firms named and shamed for underpaying staff.

The government has named and shamed over 500 UK employers for underpaying their employees.

524 businesses were named for failing to pay the minimum wage to pay 172,000 workers, with offending employers ordered to pay nearly £16 million plus an additional financial penalty.

The National Living Wage (NLW) is set to rise to £11.44 an hour from 1 April 2024.

Offending employers include major high street brands, the government said. It stated that anyone entitled to be paid the minimum wage should receive it, and that enforcement action will be taken against employers who do not pay their staff correctly.

Patricia Rice, Independent Commissioner at the Low Pay Commission (LPC), said:

'Since its introduction nearly 25 years ago, the National Minimum Wage (NMW) has played a vital role in protecting the earnings of the lowest-paid workers in the UK. At a time when the cost of living is rising, it is more important than ever that these workers receive the pay to which they are entitled.

'NMW underpayment not only cheats workers of their rightful due, it leaves compliant firms undercut by those who do not abide by the law. By naming the firms responsible for significant underpayment, we raise awareness of the nature and the scale of underpayment and encourage all employers to ensure that they fully comply with the law.'

Latest guidance for employers.

HMRC has published the latest issue of the Employer Bulletin. The February issue has information on various topics, including:

- 2024 National Insurance contributions rate changes.
- End of year reporting.
- Basis period reform.
- Simplifying the reporting of income tax and National Insurance contributions on benefits in kind.
- Help for Households.
- Upcoming changes to Paternity Leave and Pay.

Advisory fuel rates for company cars.

New company car advisory fuel rates have been published and took effect from 1 March 2024.

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.

HMRC guidance states that the rates only apply when you either:

- Reimburse employees for business travel in their company cars.
- Require employees to repay the cost of fuel used for private travel.

You must not use these rates in any other circumstances.