



March 2019

NEWSLETTER

How Many Weeks in a Year?

52, you may say, but there is actually an extra day, or two in a leap year. That means that weekly-paid employees can sometimes have 53 paydays in a year, as will happen in 2018/19 for employees paid on a Friday, because 6 April 2018 was a payday and so is 5 April 2019.

The PAYE system divides an employee's tax allowance into 52 weekly amounts but, where there is a week 53 payment, it gives an extra week's allowance, saving about £45.50 in tax for a basic-rate taxpayer. This will be reclaimed only where the employee has to submit a tax return, where the tax for the year will be recalculated without the extra week's allowance.

Year-end Wages Procedures

1. Give each employee a P60, which can be printed from payroll software; if you use HMRC's Basic PAYE Tools, you will probably have to download the 2019/20 update first.
2. An employee who has received benefits-in-kind (such as a company car or medical insurance) must be given a P11D, which must also be filed with HMRC by 6 July.
3. After updating payroll software, adjust employees' tax codes for the new year:
 - a) Apply any new codes issued by HMRC.
 - b) Increase codes with these suffixes by these amounts:

L codes by 65, for example 1185L becomes 1250L.
M codes by 71
N codes by 59
 - c) Do not alter codes with a K prefix or T suffix.

In all three cases, do not carry over any week 1 or month 1 markings.

4. Pay Class 1A NIC on benefits-in-kind by 19 July.

State Pension

I would advise anyone born before 1960 to get a state pension forecast at www.gov.uk/check-state-pension to understand the effect of the change to a flat-rate pension. This is particularly important for anyone who has been self-employed at any time or has had periods neither working nor claiming benefits.

Auto Enrolment

On 6 April 2019, contributions will increase to 8%, of which at least 3% must be paid by the employer. No further increases in contributions are planned. Remember that there are two ways that an employee can be given tax relief;

1. Basic-rate tax relief at source, which means that the employee's 5% contribution is reduced to 4%. This tends to be the default option used by pension providers, but is the better method only for non-taxpayers.
2. The net pay arrangement, where the employee's 5% contribution is deducted from gross pay before tax is calculated. This method has the advantage of also reducing the NI payable by both employee and employer.

It is important that the payroll program is set up to give tax relief by only one of those methods.

Brexit

At the time of writing, we still do not know where the country is going with Brexit. This uncertainty mainly affects businesses which import and export, who do not know whether there will be any change in customs procedures or the VAT treatment of transactions. There have been dire predictions of shops running out of certain goods in a no-deal Brexit, but past experience shows that such shortages are usually caused by panic buying.

MTD

Making Tax Digital is a project to make businesses submit figures to HMRC online and will eventually replace the traditional tax return. To begin with, only VAT figures will be sent this way, and only for businesses with a turnover over the VAT threshold of £85,000. MTD must be operated from the start of the first VAT quarter commencing after 31 March, so it could be 1 April, 1 May or 1 June depending on the business's VAT periods. I am contacting all clients whom I know will be affected by this change to give them any advice they need.

There has been no announcement from HMRC about whether the next stage of implementation, which can be no earlier than April 2020, will be to include the smaller VAT-registered businesses or extend the scope of MTD to Income Tax and Corporation Tax.