

# Comment on...

## Tax News for Registered Social Landlords

### Indirect Tax

#### VAT Treatment on Installation of Energy Saving Materials

In June 2015, the European Court of Justice ruled that the UK has been applying the 5% reduced rate for the installation of energy saving materials too widely and in a manner which was not in accordance with EU Law.

The main outcome of this decision is that the 5% reduced VAT rate should only apply to supplies where there is a renovation or alteration of housing, not for the installation of energy saving materials.

In light of this decision, HMRC have published a Business Brief confirming that the UK Government will not implement any changes before the Finance Act 2016, which usually obtains Royal Assent in July.

Changes will only apply to future supplies. Organisations with housing stock (such as Housing Associations) should consider their own plans and if possible bring these plans forward in order to take advantage of the lower VAT rate whilst this is available.

If you are affected by these changes and require further information, please contact our Senior VAT Manager Iain Masterton on 0131 558 5800 or email [mail@chiene.co.uk](mailto:mail@chiene.co.uk).

### Employment Tax

#### Changes to Employee Dispersations

Changes coming into effect from 6 April 2016 will simplify the reporting of employees' expenses. New legislation will see an exemption for all paid or reimbursed expenses that are allowable as a

deduction. This will, in effect, scrap dispensations and the requirement to report allowable reimbursed expenses on forms P11d with a subsequent s336 business expenses claim.

The change is likely to significantly reduce the compliance burden for many employers. However, systems will have to remain in place to check the expenses claimed by employees and deductions that would normally be allowed for those expenses. Going forward, employers will have a responsibility to ensure they have robust processes in place and that they adhere to the latest legislation and HMRC guidelines.

Current dispensation agreements already in place with HMRC can be adhered to until they are repealed on 6 April 2016. The new exemption will not cover salary sacrifice arrangements that are in place where an employee gives up the right to receive earnings in return for payment or reimbursement.

### **Benefits in Kind**

Changes to the reporting of benefits in kind will also come into effect from 6 April 2016. These changes also aim to reduce the administrative burden of reporting taxable benefits in kind, as well as allowing benefits to be taxed during the year via payroll, as opposed to submitting a P11d form retrospectively. The processing of taxable benefits via payroll will be voluntary from the introduction of the scheme, to give employers the necessary time to make the transition.

The current earnings threshold of £8,500 for benefits in kind will be abolished, with benefits being taxable on all employees no matter the level of their earnings. The changes will also come into effect from 6 April 2016 with all taxable benefits being required to be reported to HMRC.

### **National Insurance for Under 25s**

From April 2016, employers will no longer be required to pay secondary National Insurance contributions on earnings up to the upper earnings limit (currently £42,385 - 2015/16 tax year) for employees under 25 years old. This makes it more attractive for employers to hire trainees or apprentices, in order to reduce their wage cost.

Employers will still benefit from the allowance for National Insurance contributions, which will be increased from £2,000 to £3,000 in April 2016.

For further information on Employment Tax issues, please contact David Smith on 0131 558 5800 or email [mail@chiene.co.uk](mailto:mail@chiene.co.uk).