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NEW FUEL RATES FOR COMPANY CARS

HMRC has announced the new fuel rates for company cars applicable to all journeys from 1 December 2018 until further notice.

The rates per mile are based on fuel prices and adjusted miles per gallon figures. For one month from the date of the change, employers may use either the previous or the latest rates. They may make or require supplementary payments, but are under no obligation to do either. Hybrid cars are treated as either petrol or diesel cars for this purpose.

Rates from 1 December 2018:

Engine size	Petrol	LPG	Engine size	Diesel
1,400 cc or less	12p	8p	1,600 or less	10p
1,401cc to 2,000cc	15p	10p	1,601cc to 2,000cc	12p
Over 2,000cc	22p	15p	Over 2,000cc	14p

SOCIAL SECURITY BENEFIT RATES 2019/20

One of the side effects of the early Budget this year was that there was no mention of the coming year's state pension rates in the Chancellor's speech. Similarly, the DWP failed to publish its standard table of future benefit rates a few days after the Budget, as it normally does.

All that was put right on Friday 23 November when the proposed benefit rates and pension rates for 2019/2020 were set out in a written Ministerial statement by the Minister for Family Support, Housing and Child Maintenance. Curiously this is not mentioned on the DWP website or included as an announcement, although it can be found by trawling through the DWP publications list.

The main numbers to note are:

- The new State Pension (aka single tier) will rise by £4.25 a week (2.6%) to £168.60. That increase was driven by the July rise in the average earnings element of the triple lock (CPI inflation was 2.4% for the year to September and RPI inflation 3.3%).

- The old State Pension (aka basic) will rise by £3.25 a week (also 2.6%) to £129.20, again on the triple lock principle.

- Additional Pension, Graduated Pension and other pension increments will rise by 2.4%, in line with CPI.

- The main working-age benefits, such as Employment Support Allowance, Jobseeker's Allowance, Income Support and most of Universal Credit remain frozen.

PENSIONS DASHBOARDS: FEASIBILITY REPORT AND CONSULTATION PUBLISHED BY THE DWP

On 3 December 2018 the DWP published 'Pensions dashboards: feasibility report and consultation'. This followed on from a round table discussion held on 27 November 2018 and a letter from Chair of the Work and Pension Select Committee, the Rt Hon Frank Field MP, to the Pensions Minister urging him to commit now to legislation compelling firms to provide customer data for the Pensions Dashboard.

The Pensions Dashboard plans to be a service which provides a single point online where people can access all their pensions information. In order to ensure that all pension information is available the Government has stated that it is prepared to legislate to compel schemes to provide their data. They have also committed to take steps to provide State Pension information via dashboards.

The proposals don't restrict the number of dashboards, but a central non-commercial dashboard is proposed to be hosted by the Single Financial Guidance Body (SFGB) to offer an impartial service, in particular to those that may not be targeted by the commercial offerings. This is seen as the starting point for the Pensions Dashboard with other commercial offerings to follow.

The Government is planning to help convene a delivery group consisting of experts from both the industry and Government. This group is proposed to be led and steered by the SFGB, with Government working with the regulators to ensure consumers are protected.

In addition to the dashboard the Government is proposing a single Pension Finder Service (PFS) and will compel schemes to provide their data to this service. The industry delivery group will also be responsible for the delivery of this service.

The report states that as a minimum, pensions dashboards can help to:

- increase individual awareness and understanding of their pension information and estimated retirement income;

- build a greater sense of individual control and ownership of pensions;
- increase engagement, with more people taking advantage of the available advice and impartial guidance;
- support the advice and guidance process by providing people with access to their pensions information at a time of their choosing;
- reconnect individuals with lost pension pots, benefitting the individual and industry; and
- enable more informed user choices in the decumulation phase (the point when a decision is made by a saver on how to access their savings) by making it easier to access the information on which to base these decisions.

As announced in the Autumn Budget the Government committed to funding for 2019/20 to help fulfil its facilitation role. However, the Government states that the cost of the governance structure should be met by the pensions industry and the industry should also fund:

- the development and delivery costs of the dashboard infrastructure, such as the PFS and identity verification;
- the development of a non-commercial, consumer-focused dashboard hosted by the SFGB; and
- any new regulatory functions related to dashboards.

COMMENT

The Pensions Dashboard, if produced well, should bring increased clarity to consumers. Many consumers lose track of historic pensions and don't understand what they might now be worth. However, this will be a lot of work for the pensions industry, especially for those who are less technologically advanced. In addition, those with closed books of business may not feel quite as compelled to get involved and so legislation may be needed.

OTS IHT SIMPLIFICATION REVIEW

The Office of Tax Simplification (OTS) has published the first part of its IHT review, covering mainly administrative aspects of the tax.

Back in February, when the OTS published a letter setting out the scope of its 'IHT General Simplification Review', it said its aim was to publish a report in Autumn 2018 with "specific simplification recommendations for government to consider". At the time, this looked likely to feed into the Autumn 2018 Budget.

However, the OTS schedule went somewhat pear-shaped because:

- The volume of responses received by the OTS prompted it to decide on two separate reports: one covering administration aspects; and the other technical tax issues (due in Spring 2019); and

- The Chancellor redefined the Treasury's idea of Autumn Budget timing to October in the wake of Brexit battles (which have already forced the Government to make changes to its Budget proposals).

On Friday 23 November the OTS published its first report 'Overview of the tax and dealing with administration'. Across 82 pages the report:

- Sets out basic data about the tax and its administration;

- Examines the feedback received (including 3,000 survey responses, 500 personal emails from members of the public and 100 formal written responses); and

- Makes proposals on improving the administration.

The data included:

- Each year, fewer than 25,000 estates in the UK are liable for inheritance tax. This is less than 5% of all deaths, although only 53% of the survey respondents got this figure correct – just over a quarter thought that the proportion of estates paying IHT was 20% or more;

- Around half of all estates submit an IHT return, even though less than 1 in 10 of those returns ultimately yield any IHT;

- HMRC puts the IHT 'tax gap' at around £600m, a relatively high percentage compared with other taxes.

The OTS predictably heard many complaints about the administrative burden, including:

- For many executors, the forms could not be submitted on line;

- Too much detail was demanded when no tax was payable;

- HMRC guidance was difficult to negotiate and at times conflicting:

- The deadline of six months following the month of death for paying tax due was too short and inconsistent with the 12 months deadline for returning the IHT forms (which had to be completed to calculate the tax);

- Paying tax before probate was granted created problems for some executors as borrowing was potentially expensive;

- There was no standardised process for banks and other financial institutions to allow executors to access information or to release funds;

- HMRC did not issue automated payment receipts; and

- Form IHT 100, which deals with lifetime IHT payments, was basically not fit for purpose.

Unsurprisingly, the OTS's key recommendation (of eight) was that 'The government should implement a fully integrated digital system for Inheritance Tax, ideally including the ability to complete and submit a probate application'.

The idea of HMRC digitising a tax system will doubtless cause a few groans given the painful progress of Making Tax Digital. In fact, in 2014, HMRC started a project to
put the IHT forms online but, in April 2018, it announced that the project would be delayed. So far it has only digitised the short from (IHT 205), which covers excepted estates.

The OTS recognises that digitisation will be a long-term task and its second recommendation is that in the interim 'HMRC should make changes to the current forms to reduce and simplify the administration of estates, including introducing a very short form for the simplest estates and updating the conditions that must be met to be able to complete a short Inheritance Tax form'.

NICs ON TERMINATION PAYMENTS

The Government has previously announced that the rules for income tax and employer NICs will be aligned, so that employer NICs will become payable on termination payments above £30,000. The introduction of this measure has been delayed yet again.

The Government has now issued an update confirming that it is delaying the introduction of employer-only National Insurance contributions on termination payments above £30,000 to 6 April 2020.

THE DISGUISED REMUNERATION LOAN CHARGE: LORDS URGE GOVERNMENT TO RE-THINK

The Economic Affairs Committee report on 'HMRC Powers: Treating Taxpayers Fairly' requests changes be made to the disguised remuneration loan charge.

Broadly, some disguised remuneration schemes involve using a loan, or other payment, which is unlikely to ever be repaid, to reward employees, directors or contractors, via a third party, such as a trust or other vehicle, instead of salary or other taxable income or benefits.

Loans made on or after 6 April 1999, and which remain outstanding at 5 April 2019, will attract a tax and National Insurance charge – a loan charge.

The amount subject to tax and National Insurance will be the outstanding loan amount on that date. Loan amounts repaid before that date will not be subject to the new loan charge, subject to certain anti-avoidance provisions which are designed to ensure that a genuine repayment has been made.

To avoid (or mitigate) the loan charge it was necessary to register an interest with HMRC and provide all required information by 30 September 2018.

The House of Lords' Economic Affairs Committee has now recommended that "the loan charge legislation is amended to exclude from the charge loans made in years where taxpayers disclosed their participation in these schemes to HMRC or which would otherwise have been "closed"."

It has asked HMRC to "urgently review all loan charge cases where the only remaining consideration is the individual's ability to pay and establish a dedicated helpline to give those affected by the loan charge advice and support."
And it has urged HMRC to act on this well in advance of the loan charge coming into effect in April 2019.

COMMENT

The fact that the Lords have examined this and have identified a number of ways in which the charge will cause financial difficulty to some taxpayers, will be welcome news for many.

The Loan Charge Action Group, along with a good number of MPs, had raised concerns around the potential size of the loan charge and effects on the wellbeing of individuals where HMRC pursues employees and contractors for payment, rather than the employer, or the promoter of the scheme.

JUDICIAL REVIEW – WOMEN'S STATE PENSION AGE

On 30 November 2018 a campaign group, called Backto60, won the right to a Judicial Review of the Government's handling of a rise in their state pension age from 60 to 65.

The group argue that women born in the 1950s have been disadvantaged by the increase of their state pension age from 60 to 65. In addition, they argue that they were not appropriately notified about the change.

The DWP has resisted calls to compensate for the change and dispute the call for the Judicial Review.

On 23 November, Djuna Thurley and Richard Keen published a House of Commons Briefing Paper, Number CBP-7405, on the same subject. This document is extensive, running to 60 pages, but in the summary the document states:

'The Government argues that the changes in the 2011 Act were debated at length and a decision made by Parliament, as part of which a concession was made to limit the impact on those most affected. It says it will "make no further changes to the pension age or pay financial redress in lieu of a pension.'

This clearly shows the stance of the Government on this subject.

COMMENT

This is clearly an area of concern for many women reaching a state pension age that has moved without their knowledge. The issues are, should the Government have done more to make them aware of the change and if in fact the change was discriminatory in the first place. We will have to await the outcome of the Judicial Review to establish what will happen next.

SCOTLAND RAMPS UP THE INCOME TAX DIFFERENCE WITH THE REST OF THE UK

The Scottish Government has revealed a further tweaking of its income tax structure, hitting those with high incomes

The Scottish Government presented its Budget for 2019/20 on 12 December. Derek Mackay, the Cabinet Secretary for Finance and the Constitution, chose to move the income tax system further away from the rest of the UK by:

- Increasing the starter (19%) and basic (20%) rate bands in line with inflation (2.5%); and

- Freezing the higher rate tax threshold. Because of the increases to the first two Scottish tax bands and the rise in the personal allowance of £650 (ie. £12,500 less £11,850) for 2019/20, this means the intermediate (21%) rate band *shrinks* by £945.

The proposed 2019/20 tax bands are:

Band Name	**Tax Rate %**	**Taxable Income £**	
		2018/19	**2019/20**
Starter	19	0 - 2,000	0 - 2,050
Basic	20	2,001 - 12,150	2,051 - 12,445
Intermediate	21	12,151 - 31,580	12,446 – 30,930
Higher	41	31,580 - 150,000*	30,931 - 150,000*
Top	46	Over 150,000*	Over 150,000*

* Those with more than £100,000 adjusted net income will see their personal allowance reduced by £1 for every £2 over £100,000.

When looking at this table, there are several factors to consider:

- These rates and bands only apply to non-savings, non-dividend income. For dividends and savings income, Westminster-set rates and bands apply.

- Westminster also sets the personal allowance (£12,500 for 2019/20), which Scotland adds in when publishing its tax bands. Thus, the basic rate (20%) band ends at £24,945 in the Scottish tables.

- The starting rate band provides just £20.50 of tax savings at most - £2,050 @ 1%. We commented last year that it hardly seemed worth the effort, a view echoed by others since.

- The Scottish higher rate (41%) threshold will stay at £43,430 against a rest-of-the-UK (RoUK) figure of £50,000 for 2019/20 (with a 40% higher rate applying).

- The scales mean that, to quote from the Scottish Budget document '…55% of Scottish taxpayers continue to pay less than they would if they lived elsewhere in the UK'. There is an obvious corollary for the remaining 45%.

- The gap between the Scottish and RoUK higher rate thresholds mean that the earnings band in which full National Insurance contributions *and* Scottish higher rate is payable (with an effective total marginal rate of up to 53% [41% +12%]) has more than doubled to £6,570.

- For somebody earning £50,000, the net result is that in 2019/20 their Scottish income tax bill will be £9,044 against £7,500 in the rest of the UK.

- The Scottish National Party does not have a majority in the Scottish Government, so the proposals could change. This has happened for the last two years, although the freezing of the higher rate threshold may avert any adjustment this time around.

THE LORDS ASK FOR A REVERSAL TO THE NEW 12-YEAR ASSESSMENT TIME LIMIT

The House of Lords' has asked for new HMRC powers to review offshore tax matters going back 12 years, instead of the current 4 years, to be removed from the Finance Bill.

A letter to the Chancellor from the committee chairman of the succinctly named, Finance Bill Sub-Committee of the Economic Affairs Committee, Lord Forsyth, noted 'deep and consistent' opposition to the measure among witnesses interviewed by the committee in its review of the 2018 Finance Bill. Several said the new power's impact would not be limited to the wealthy, as claimed by HMRC, but would affect thousands of ordinary people as well, including elderly people on modest incomes.

Lord Forsyth's letter to Philip Hammond described the measure as unnecessary and undesirable, saying it would place unreasonably onerous and disproportionate record-keeping obligations on taxpayers. He asked for it to be either withdrawn entirely or replaced by another measure that was more proportionate and targeted.

The proposals to extend the time period over which HMRC can go back and assess tax on undeclared offshore income, gains and chargeable transfers to 12 years, received a somewhat less than favourable reaction when it was first consulted on in February. Nevertheless, HMRC said in July that it would go ahead with introducing this measure from 6 April 2019.

If introduced as is, (and that seems less likely after the Lords' intervention), it will increase the tax assessment time limit to 12 years for 'non-deliberate' offshore non-compliance, from the existing time limits of 4 years, or 6 years where the loss of tax is due to carelessness, after the end of the year of assessment (or date of the chargeable transfer) to which it relates.

Where the taxpayer has sought to 'deliberately' evade tax, the time limit will remain at 20 years.

COMMENT

The above proposals followed on from another assessment time limit extension related to offshore non-compliance introduced by the 'Requirement to Correct' (RTC) rules. The RTC rules extended the time limits for assessing income tax, capital gains tax and inheritance tax related to offshore non-compliance committed before 6 April 2017, so that for any tax that HMRC could have assessed on 6 April 2017, it will continue to be able to assess that tax until the later of 5 April 2021 and the date on which an assessment can be raised using the normal rules.

INCOME WITHDRAWAL RATE FOR DECEMBER 2018

The appropriate gilt yield, used to determine the 'relevant annuity rate' from HMRC's tables for an adult member commencing income withdrawals (or reaching an income withdrawal review date), in December 2018 is 1.75%.

We would like to take this opportunity to wish all our readers a happy Christmas and a prosperous New Year.