ONEZERO
accountancy

Changes for Contractors from 6 April 2016 now finalised

At long last the legislation has been published and, we together with our legal advisors Chartergates have now had time to work through it and determine the consequences.

The changes are summarised below and in addition we will be sending a questionnaire and/or calling all our contractors to gather information so that we can determine the most beneficial way for you to operate your company.

The changes affect all contractors operating through an intermediary. An intermediary is defined as an agency, an umbrella company or a personal service company (your own Limited company also referred to as a PSC).

Due to the legislation changes around Managed Service Companies there may be some changes in how the money moves around for some contractors.

There are two changes in legislation that apply to contractors:

1. Eligibility to qualify for tax relief on travel and subsistence expenses
2. Eligibility to receive tax and NI relief at source

Contractors Operating through an Umbrella

Umbrella contractors who operate under supervision, direction and control (SDC) – which will be the majority are no longer allowed to claim travel and subsistence expenses. A major shock and as a result many contractors will be better off incorporating as a Limited company.

Contractors Working Wholly Abroad via a Limited Company

The travel and subsistence legislation **does not** apply to you and the salary sacrifice will have little effect if any. We will be talking to all our overseas contractors in the coming days to explain.

Contractors Operating through a Limited Company Outside IR35

You can still claim expenses for temporary work places, provided the client operates from multiple locations and you are likely to move between these site either during the contract or to another site owned by the same client at the end of the contract (on a new contract) at a different location. If you are working for a client who only has one site you cannot claim and travel and subsistence expenses.

The liability for any errors is with the intermediary paying the worker, so the director of a PSC can be personally liable if they claim non qualifying expenses on a weekly basis or via their Self Assessment.

If you are eligible to claim, the timing of when you can claim and whether the expense is allowable for tax and NI is changing. This is referred to as expenses paid under a Salary Sacrifice Arrangement – i.e. you pay varies weekly as a result of expenses, such cost are now treated differently for tax and NI purposes.

What is fully allowable if you qualify?

- Approved mileage allowance i.e. the 45p/25p per mile.

- A few other cost such as incidental overnight expense, eye tests, training, use of home as office. (See our sample expenses policy and detailed list of qualifying expenses on our website – www.onezeroaccountancy.co.uk).

What about other costs not referred to above?

- Any other qualifying costs will be subject to tax and NI deduction when paid on a weekly basis and tax relief can only be claimed at the end of the tax year on your Self Assessment (something we will do for you). So you will be out of pocket on a weekly basis, but will get the tax refunded once a year.