

# Office of Tax Simplification

**Readout of the Employee Benefits and Expenses Consultative Committee  
12 November 2013, 100 Parliament Street, Room G44**

## Attendees

### **Committee**

Rt Hon Michael Jack (Chair, OTS)  
Jane Page (HM Treasury)  
Anne Palmer (HMRC)  
Jackie McGeehan (HMRC)  
Hugo Gillibrand (HM Treasury)  
Tony Page (Telefonica)  
Simon Parsons (Ceridian UK Ltd/ British Computer Society)  
Trevor Blackmur (Association of Taxation Technicians)  
Andy Richens (Bishop Fleming)  
Andy Read (Balfour Beatty)  
John Hampton (BT/ CBI)  
John Wilson (Beer and Pub Association)  
Colin Ben-Nathan (KPMG/ CIOT)  
Jackie Petherbridge (The Payroll Practice/ FSB)  
Emanuel Meyer (Meyer Consultancy)

### **OTS**

John Whiting  
Jeremy Sherwood  
Suzy Giele  
Theresa Dendy  
Tracey Bowler  
Michael Wilson  
Jayesh Patel

## **1. Updates**

- Michael Jack and John Whiting provided an update about OTS's meeting with the Exchequer Secretary (David Gauke MP) since the previous EBE consultative committee. The Minister gave positive feedback regarding the EBE review. Anne Palmer confirmed that work regarding the 'Quick Wins' was progressing well – in line with the suggested timescales published in the Quick Wins paper.

## **2. Travel & Subsistence**

- The sub-committee looking at travel and subsistence had discussed a number of possible fundamental changes to the current system. However, the balance of views is that the current system works well most of the time and there are just a few problem areas that need to be reformed.
- How to simplify the system for people working at more than one workplace is a key issue. Committee members commented that whatever the change, it was crucial for small businesses to be able to understand. An example (brought to light at a recent stakeholder meeting) of employees that are currently affected by the rules for multiple workplaces is university lecturers. This is because they often have to travel between university campuses located far apart (in

different regions). Committee members commented that the current rules for such situations were too ambiguous.

- Committee members commented that work patterns are becoming more complicated, and hence, the rules are becoming an increasing cause for concern. It was noted that clarity was also essential for employers to be able to comply.
- With regards to reform, a decision needs to be reached about whether we would like to see changes to the underlying legislation or just guidance (or both).
- The OTS has prepared a short paper setting out examples to illustrate the problem of dealing with travel between more than one workplace. This paper also presents two possible solutions to consider. Michael Wilson will circulate the paper to members of the committee for their advice. Anne Palmer also agreed to the idea of using/ exploring HMRC as an example of a large organisation with different working patterns from which to draw examples and think about potential solutions.
- It was noted that some people seek to make use of agents that are known to take a more relaxed approach to applying the rules. Clarity on the rules could hinder such practices. It was also commented that the HMRC practice of considering London as one workplace needs to be addressed. Further, it was commented that booklet 490 should be updated.
- Another more general aspect to consider is what the government want to achieve with regards to labour mobility and the extent to which the tax system can and should support this.
- There was some discussion about the extent to which tax rules influence commercial reality. 23 month contracts were suggested as proof of behaviour change influenced by the tax rules.
- There was some discussion about benchmark scale rates. It was suggested that getting rid of them would create more problems because employers would have to estimate costs (or retain receipts). This would be particularly problematic for operating salary sacrifice schemes. One idea was only applying the rates for salary sacrifice schemes, but using receipts for all other situations.
- A separate issue highlighted by a committee member was the need to resolve the differing treatment of company owned accommodation compared to staying in a hotel.

### **3. HMRC administration**

- Theresa Dendy outlined some issues the OTS was researching around payrolling benefits.
- There was also discussion about the interactions between payrolling of benefits and Universal Credit. In particular, whether payrolling means that benefits in kind would be taken into account when calculating UC entitlements (currently this is not the government policy).
- Members of the committee commented that guidance should be available for employers about how to payroll effectively (for instance, what to do if you change a car in-year). Members also commented that it was useful to have a 'catch-up' return after the year end (as with the current P11D process).

- Suzy Giele outlined some issues the OTS was working on around PAYE Settlement Agreements (PSAs) and, separately, the £8,500 threshold. With regards to the latter, committee members identified charities, volunteers, care workers, small employers, students, and priests as groups that might be affected by any changes, although the increase in the personal allowance to £10,000 should be taken into account. There were questions about what would actually be gained by removing the threshold (and whether it was better to keep it). It was also suggested that introducing a small benefits tax free allowance would mitigate the impacts of removing the threshold.
- The idea of a 'universal dispensation' (on the HMRC website) was suggested. A key feature would need to be the ability for individual employers to propose new items, which if approved, can be added to this 'universal dispensation' (for all employers). It was also suggested that HMRC could send out an email to employers each time the list is updated with a new item.

#### **4. 'Big picture' issues**

- Tracey Bowler explained that more work on this part of the review would take place over the coming weeks. But that some early ideas related to looking at increasing employee knowledge (to make the job of the employer easier), or even going one step further by introducing a universal tax return. Tracey confirmed that an overarching view on what should be taxed as a benefit will be an area that the OTS will continue working on.

#### **5. AOB**

- Tracey updated the group with regards to publication dates. The final report(s) will be published in January. More specific information, including about future meetings and circulating draft versions of the report, will be provided via email.