

Submission to Welsh Finance Committee – Draft Budget 2019-20



Contents

About the Global Payroll Association	3
Contribution 13 th August 2018.....	3
Comments.....	4
Issues (past and present)	4
Tax codes.....	4
Administration	4
Education	5

About the Global Payroll Association

The Global Payroll Association (the GPA) is a “one-stop-shop” for global and in-country payroll professionals. Our focus is on promoting professionalism and compliance to payroll professionals globally by providing a growing library of support resources, including:

- Interactive training courses and e-learning
- In-country newsletters
- “GPA Live” via Facebook
- Social networking such as Twitter and LinkedIn
- Online payroll forums and helpdesks
- Legislation updates and
- Resource libraries

As part of this support, we are pleased to be able to contribute to government as and when our members indicate this is required. Our contributions are designed to reflect industry comments and / or matters we believe should be taken into consideration.

Contribution 13th August 2018

By email to seneddFinance@Assembly.Wales

Members have indicated that the GPA needs to make several points to the Finance Committee as part of their “Call for Information” to inform the October 2018 scrutiny of the Draft Welsh Budget. These are all concerning the Welsh Rates of Income Tax that will be introduced from April 2019.

As an executive summary of the points below, members have advised that they are positive about the sharing of Income Tax, as with that applying to Scottish taxpayers. This is a progressive demonstration of devolution in practice, reflecting the fact that not all countries within the United Kingdom operate the same and control from the UK Government from Westminster is not appropriate. However, members are pleased that overall control of taxation legislation is outside the remit of both the Welsh and Scottish Governments. This would make the UK taxation system administratively burdensome and difficult to control let alone cater for in payroll software.

However, as the sharing of Income Tax powers comes after the sharing that applied to Scottish Taxpayers, members believe that there are significant lessons to be learned. For example, comments received indicate that they are concerned about HMRC’s ability to define a Scottish taxpayer in the first place. If this happened with the Scottish regime and is still happening, it indicates that this will be an issue for identifying Welsh taxpayers.

The GPA is more than happy to expand on this short document and queries should be sent in the first instance to John Mackintosh at Contact@Globalpayrollassociation.Com.

Comments

We have divided our members' concerns into two areas:

1. Issues – being past and present issues surrounding the Scottish regime which members feel will be replicated with the Welsh regime, and
2. Education – being areas where members feel the Welsh and UK Governments and / or HMRC should be communicating with employers and individuals to prepare for the Welsh Rates of Income Tax regime

Issues (past and present)

Tax codes

- Members tell us that individuals who expected to be classed as Scottish for Income Tax purposes have, in fact, been classified as “rest of the United Kingdom” (rUK) taxpayers. This is despite representations to HMRC and declaring a Scottish address on the RTI submissions
- We have heard anecdotal reports that two Members of the Scottish Parliament (MSP) themselves have received rUK tax codes, despite the fact that MSPs are Scottish taxpayers regardless of where they live
- Members also report issues of employees who have two jobs but are classified as Scottish in one and rUK in another

All of this points to the fact that identification of a Scottish taxpayer is not robust and members are concerned that this may be replicated when Wales have their own tax sharing powers from 2019. Employers and payroll software can cater for Scottish “S” codes but only when HMRC issue them correctly in the first place.

Administration

Members advise they have not been separating out Scottish taxpayers on PAYE Settlement Agreements or employer compliance settlements with HMRC. All of this has a bearing on the amount of tax revenue allocated to Scotland. If this applies to Scottish taxpayers, the GPA feels it is responsible to point out this may apply to Welsh taxpayers.

We do not expect the administration of Welsh tax to be as burdensome as that for Scottish taxpayers, at least in terms of the tax deducted from employees, gathered by employers and paid over to HMRC. However, incorrect administration affects the money allocated to Wales by the UK government.

With regard to administration by employers and in software, the GPA would like to point out that timely notification of the rates of Welsh tax is important. Software is generally released to employers at least two months prior to the start of the tax year in April. Employers will expect this software to have been tested which itself takes several weeks. GPA members report that the timing of the Scottish budget means they are getting software “patches” towards the end of February at a time when they are preparing their payrolls for the first payday in the new tax year. Timing may be outside of the Committee’s control but is another thing the GPA wants to point out.

Education

Members say that most things are possible so long as the right guidance is provided in the right place in a timely manner. The places where they will expect this guidance and education is the following:

- HMRC's Employer Bulletin
- HMRC's Agent Update
- Social networking (Twitter and LinkedIn)
- Newsletters such as those provided by the GPA
- Government websites (UK and Welsh)
- Professional representative bodies such as the GPA

To summarise, the wide range of employers in the UK in the varying sectors means that communication, education and guidance has to be similarly wide and varying.

End of submission