

A question of legality

Welcome to the third outing for our free reader enquiry service. If you have a question on a legal, planning, tax, or business rates subject you'd like answered, then get in touch

Q I understand that farms are being targeted by the Inland Revenue's Employer Compliance Department and that the main area of attack is the perceived private use of employees such as gamekeepers and others. Is this correct and what action should we take?

A If you have not had a PAYE visit in the past three years, I would recommend your

accountant or yourself carry out a "payroll health check" to see if the payroll would pass inspection. If this shows up a problem, you can then set about ensuring that conditions, paperwork and answers to any potential enquiries are in place and that your system would survive an inspection.

Key areas include gamekeepers (ie how much – if any – of a shoot is paid for days or is the whole shoot simply a private interest?), job-related accommodation, pool vehicles for staff and contractors who might not be genuinely self-employed.

Inspectors will look at payment of expenses and wages to staff and for cash payments including those made to self-employed and casual staff. They will also check for any weaknesses in the business record-keeping systems as well as reviewing payment of expenses, petty cash and in the case of limited companies, dividends and directors' loan accounts.

To run your own check, start with the expenses and benefits provided and check these against forms P9D and P11D year-end returns – check

Continued from previous page for any omissions. Common problem areas include vans provided to employees which are also used for private motoring, and the payment of cash bonuses.

Inspectors will also be looking at whether PAYE has been paid where applicable on cash payments; for example, to beaters.

If you find a problem, talk to your accountant to sort this out before any PAYE visit, but be prepared to make a disclosure to the visiting officers.

■ Answered by Julie Butler FCA, Butler & Co, Alresford, Hants



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