

An Employer View of Policy and Administration

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Ben Webb, General Electric
International Employment Taxes Manager



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Agenda

- Overview of UK Tax Administration
- A Selection of International Challenges
 - PAYE and NIC on Employment Related Securities for Inbound/Outbound IMEs
 - Net of Tax Credit Relief Scheme and NIC for Outbound IMEs
 - PAYE for Short Term Business Visitors

Overview of UK Tax Administration

- Maturity of Administration – Specialisation, but a Joined-Up View of the Taxpayer
- Senior Accounting Officer
- Employer Compliance Champions and Know Your Customer
- Consultation Including Expat Forum
- Easements
 - STBV Agreement - PAYE Relaxation for Inbounds
 - Net of Tax Credit Relief Scheme - for Outbounds
 - Modified PAYE - for Inbounds
 - Modified NIC - for Inbounds
 - Modified NIC - for Outbounds

ERS for Inbound/Outbound IMEs

- Current Rules for Taxation of Share Options and Other
 - For NIC, See Tax Bulletin Special Edition 2005...
- Incoming Rules for Tax and Consultation for NIC
 - Apportion Per the General Liabilities to Tax and NIC Respectively of Employee Grant to Vest
 - Simplification is Very Welcome, but Challenge of Different Values for PAYE and NIC Remains?
 - For Tax Equalised Inbounds, Modified PAYE and Modified NIC Easements Help – Extend Modified NIC to Non-Equalised Inbounds?
 - For Outbounds the Existing Modified NIC Would Generally Suffice to Support ERS

Net of Tax Credit Relief Scheme

- Provides for Employer to Reduce PAYE by Foreign Tax Withholding
- Underused? Why?
 - Requirements Taken Too Literally?
 - Software Problems with Advent of Real Time Information?
 - Concerns Over Robustness of Company Host Tax Payment and Communication Process?
 - NIC Issue Regarding Host Tax Benefits (Tax Equalised Employees) not Appreciated?

Net of Tax Credit Relief Scheme

- NIC on Host Tax Benefits (Tax Equalised Employees)
 - If Non-Resident but Liable to NIC, Host Tax a Benefit Subject to NIC
 - If Resident and Liable to NIC, in Round the Benefit is Host Tax Beyond the Credit the Employer Will Recover
 - If Net of Tax Credit Relief Scheme In Place
 - If Operated Correctly

	Ignores Host Tax	Include Host Tax With No Credit	Ignore Host Tax on Grounds of Net of Tax Credit Relief Scheme	Ignore Host Tax and Include Excess Foreign Tax in Compensation in a Year-End Review
Total compensation including hypo and foreign tax	100.00	115.00	115.00	115.00
Remove foreign tax			100.00	100.00
UK tax	40.00	46.00	40.00	40.00
GUP net tax	26.67	30.67	26.67	26.67
Total taxable and NICable	166.67	191.67	166.67	166.67
	"Head in the Sand" approach. Underpayment of NIC in the round, if employee NR or host tax greater than UK tax.	Compliant employer seeks to include host taxes in compensation but has not found a means of effecting Approach 3 or Approach 4/unclear on technical grounds/not perceiving the NIC overpayment.	The approach potentially offered by the Net of Tax Credit Relief Scheme	A practical alternative via year-end payroll correction or extension of modified NIC to resident outbounds, enabling employer to subject to NIC any host tax which exceeds any tax credit?

PAYE Relaxation for Inbound STBV

- Pre-Agreement is Now a Requirement
- New Text for Agreement
- Section 689 ITEPA 2003 'Host Employer' Only Requires Management and Control, Economic Employer Requires More

Concluding Comments

- Mature and Effective Administration, Compliance Somewhat Taxpayer Driven?
- Established Consultative Arrangements – How to Focus on Greatest Issues and be More Intuitive?
- Useful Easements Could be Better Still?



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