

Notes of Meeting held at 30 Millbank, London on 19 November 2015

Customer: Independent Parliamentary Standards Authority (IPSA)

Attendees:

[Names redacted]

1. The meeting opened with introductions before moving to the agenda items;

Taxable Expenses

2. [Name redacted] outlined the problems IPSA would have in complying with HMRC's request to put taxable expenses payments to MPs through the IPSA payroll.

- a. It was very important that MPs expenses were not confused in any way with salary costs
- b. MPs salary and expenses were published and IPSA were concerned that expenses, if added to salary, could be misconstrued as a pay increase in the media.

[Name redacted] asked how the details are published and whether IPSA could make the distinction between salary and taxable expenses clear i.e. even if HMRC requirements are to include with salary through payroll then IPSA could still publish separately. [Name redacted] felt this would still be an issue for IPSA.

3. Some discussion followed as to the categories of taxable expenses at issue i.e. currently reported on P11Ds (no NICs paid)
 - a. [Name redacted] gave some examples of the expense categories and a brief summary of her review of the one month's sample expenses (October 2014) supplied by IPSA.
 - b. [Name redacted] and [Name redacted] had been in correspondence regarding the sample and had agreed that
 - There were a large amount of expenses which appeared to be covered by HMRC dispensation or exemption but that had been incorrectly included under one of the taxable categories.
 - Some categories e.g. Disability, Security could be further reduced by IPSA considering the relevant HMRC exemptions.
 - There was some possibility that further expenses could be dispensed or if not may be included on IPSA's PAYE Settlement Agreement where the conditions for inclusion were met i.e. expenses were "minor" or "irregular" in nature

It was agreed that with some further work by IPSA, with support from [Name redacted], the occurrences of taxable expenses could be greatly reduced. It was also acknowledged, however, that there would always be some taxable expenses remaining

that should have tax and Class 1 NIC deducted through payroll e.g. Parliamentary Accountancy

- c. [Name redacted] also wanted to confirm that where IPSA met taxable costs direct, rather than reimbursing costs met by MPs e.g. central booking hotels, travel tickets then this would result in a chargeable benefit in kind; reportable on form P11D. The payroll issue would not apply, although NIC would be due going forward.

[Name redacted] didn't think there would be many of these directly met costs in the taxable categories, but will check the position.

Action point:- IPSA to tighten up expense claims/categories by Mid - January; working with [Name redacted] as necessary to determine correct tax treatment.

Action point:- IPSA to determine if any chargeable benefits in kind arise in respect of direct met costs and ensure correctly reported P11D/P11D(b) with Class 1A NICs where appropriate.

Action point:- HMRC can review their position by the end of January once the amount of expenses still taxable after IPSA's review has been determined.

4. IPSA confirmed that a previous seminar presented to the MPs by HMRC had been well received. It was agreed that HMRC will look to arrange a similar event, to include HMRC Policy colleagues.

Action Point:- [Name redacted] to make initial contact with IPSA regarding content requirements of a potential presentation.

5. At this point, as a way forward had been agreed regarding the taxable expenses issue [Name redacted] left the meeting.
6. Some further discussion continued regarding the taxable expenses; [Name redacted] was keen to establish a deadline of April 2016, at which date any remaining taxable expenses should be paid through payroll, with tax and Class 1 NICs deducted. [Name redacted] said it would prove impossible to amend their systems in time to comply with this date.
7. [Name redacted] confirmed that IPSA's systems were being updated for the end of 2016-17. He also confirmed that the new system could be configured to comply with HMRC legislation.
8. Some discussion followed as to a possible temporary arrangement for 2016-17 only, to ensure that the correct tax and NICs paid by IPSA. HMRC Policy will discuss this with colleagues.

Action Point:- HMRC to explore the possibility of a temporary arrangement to collect the tax and NICs due on taxable expenses for 2016-17 only. This would, however, be dependent on IPSA having systems in place from April 2017 to deduct PAYE tax and NICs correctly on taxable expenses.

Action Point:- IPSA to confirm that they will have systems in place by April 2017 to deduct tax and NICs through payroll on taxable expense payments.

[...]

9. [...]

Excess mileage payments

10. [Name redacted] (previous CRM) had requested a report of IPSA's review of excess mileage paid in the meetings Jan/Feb 2015. [Name redacted] confirmed he had followed up this request and found 5 MPs' staff paid excess payments over HMRC approved amounts.

11. After consideration of the following;

- the total amount paid was relatively low
- the MPs' staff were dealt with under a separate PAYE scheme, and
- IPSA's assurances that only HMRC approved rates were paid going forward

it was agreed that HMRC would take no further action regarding these excess payments for previous years.

12. Meeting ended with all agreeing that there had been suitable progress and that HMRC and IPSA now had a way forward, with target dates, to settle the taxable expenses issue.

[Name redacted]

8 December 2015