

FEBRUARY 2016

Increase in the Flat Rate Expense Allowance for Healthcare Sector Workers

Certain healthcare employees, including those who work in care homes, who need to wear a uniform or specialised clothing for work and pay for the cost of laundering the uniform themselves are entitled to tax relief for this expense. It would be time-consuming and cumbersome for them to calculate and retain evidence of these small individual amounts, so HMRC provides the relief in the form of a flat rate expense (FRE). The allowance provides the relief by means of an adjustment in the annual tax code.

The government is increasing the FRE from 6 April 2014 for relevant healthcare employees as follows. The amounts have been calculated according to the annual cost of laundering uniforms for each occupation type and have been agreed with healthcare sector trade unions and representative bodies.

Laboratory staff, pharmacists and pharmacy assistants, uniformed ancillary staff, maintenance and grounds staff, drivers, parking attendants, security guards and uniformed receptionists: the current FRE increases from £60 to £80.

Nurses, healthcare assistants, midwives, chiropodists, dental nurses, occupational, speech, physiotherapists and other therapists, phlebotomists and radiographers, plaster room orderlies, porters, ward clerks, sterile supply workers, hospital domestic and catering staff: the current FRE increases from £100 to £125.

Ambulance staff on active service: the current FRE increases from £140 to £185.

What do I need to do?

If you are a Pay as You Earn (PAYE) employee, you do not need to take any action to claim the increase in tax relief. Where you have a FRE in your tax code, HMRC will automatically amend your tax code to take into account the increased amount due and make an adjustment for earlier years.

If you usually complete and submit a self-assessment income tax return, you will already have the existing FRE in your tax code for 2014/15 and 2015/16. You will be able to claim the increase in the FRE on your self-assessment return for 2014/15.

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If you have already submitted your return with the pre-increased amount, then you can write to HMRC with the amended figure within 12 months of the original deadline (2014/15 tax year: 31 January 2017; 2015/16: 31 January 2018): see <https://www.gov.uk/self-assessment-tax-returns/corrections> for further guidance. HMRC systems will ensure the

increase is adjusted for 2014/15 and this adjustment will carry forward for the 2015/16 tax year.

What will happen?

Where you have a FRE in your tax code, HMRC will automatically increase it to the new amount for your job from 2016/17. However, as the increase has been agreed from the 2014/15 tax year, HMRC will make an adjustment for 2014/15 and 2015/16. This will also include an amount in respect of interest for late payment of tax relief due for the 2014/15 tax year. These adjustments will be shown in your tax code for 2016/17.

Between February 2016 and the beginning of the new tax year (6 April 2016), HMRC will send out PAYE Coding Notices (called a P2) to advise customers of their new tax codes for 2016/17, which will include the earlier years' adjustment and interest for late payment. Issue of the PAYE Coding Notices may take several weeks. For more information on tax codes and PAYE Coding Notices, please visit: <https://www.gov.uk/tax-codes/what-your-pay-coding-notice-means>

The new FRE amount will automatically be carried forward to 2017/18 and later years if you continue to work in the healthcare sector and pay the cost of laundering your uniform yourself.

What do I do if I already receive a FRE in my tax code, but don't receive a P2 Coding Notice advising me of the increase?

If you already receive a FRE in your tax code, HMRC will automatically increase the amount and notify you of the change of tax code on a P2 Coding Notice. If you do not receive a P2 by 6 April 2016 or if you think your coding notice is wrong, then you can contact HMRC. Details can be found at: <https://www.gov.uk/tax-codes/if-you-think-youve-paid-too-much-tax>

How much should I expect to receive?

You will not receive a cash repayment for 2014/15 and 2015/16, but instead the changes to your 2016/17 tax code mean that you will pay less tax each month from April 2016. The FRE allowance is subject to tax at the appropriate rate for each individual: currently 20% (basic rate), 40% (higher rate) and 45% (additional rate).

For example, a nurse paying the basic rate of tax would receive £20 (£100 FRE x 20%) in tax relief for 2014/15. Under the increase, the nurse would receive £25 (£125 FRE x 20%) for 2016/17. The tax code for 2016/17 will also show a slight adjustment for the difference payable for 2014/15 and 2015/16.

What do I do if I qualify for tax relief but have not claimed it in the past?

If you qualify for tax relief but have not claimed a FRE in the past, there is an opportunity to claim the FRE by registering for HMRC's secure Personal Tax Account and making an on-line application using form P87. You will also be able to track progress on-line so you know when

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to receive a response from HMRC. You can claim for the current year and up to the preceding four tax years where you have incurred the expense.

- If claimed by 5 April 2016, claims can be made for the tax years: 2011/12, 2012/13, 2013/14, 2014/15 and 2015/16.
- If claimed after 6 April 2016, claims can be made for the tax years: 2012/13, 2013/14, 2014/15, 2015/16 and 2016/17.

Further information is available at: <https://www.gov.uk/tax-relief-for-employees>

Do I need to tell my agent?

You will not need to engage an agent to make a claim for the relief on your behalf. Where there is an existing allowance in your tax code, HMRC will automatically increase the FRE in the 2016/17 tax year and will include an amount in your tax code for earlier years. If you normally instruct an agent to help you complete your tax return, you will need to tell them the amount of the revised FRE.

What do I do if my employer provides laundry facilities at work?

You are entitled to claim the expense of laundering uniform only if you have to pay the expense yourself. You do not qualify for tax relief if your employer pays for the cost of laundering your uniform or provides laundry facilities at work, even if you choose not to use such facilities.

You can find more information about your tax code at <https://www.gov.uk/tax-codes>

