Welcome to our round up of news of interest to clients working in HR and employment taxes. Our summary is arranged according to those items of interest to reward professionals, those working in employment taxes and payroll and those working in global mobility.

The last Spring Budget A reminder that the Chancellor, Philip Hammond, will deliver the last Spring Budget, next week on 8 March. While some measures may be kept back for the first Autumn Budget later in 2017, we may see further draft legislation issued on Budget day itself in advance of the Finance Bill due on 20 March, possibly with responses to outstanding consultations or technical notes in areas where guidance is not yet available. Join us on 9 March 2017 at 3:00 pm for our next Tax Focus webcast where Claire Hooper, Chris Sanger, David Kilshaw and the EY ITEM Club’s Martin Beck will discuss the economic backdrop to the Budget, the implications of the tax measures announced and the progress of the ongoing changes to be included in Finance Bill 2017. Please click here if you would like to register for this webcast.

Employment law

Robots in the workplace: the future? With the rapid development of robots and artificial intelligence (AI), countries around the world are seeking to create a framework for the use of AI and robotics to fully realise their economic potential and guarantee a standard of safety and security. In addition, last month the European Parliament approved a resolution tasking the European Commission with drafting a European Union-wide legislative framework governing the use, creation and potential taxation of robots and AI. Our employment law alert looks at what might happen as organisations embrace the increasing use of robots and AI in the workplace and seek to facilitate a harmonious working environment for humans and robots alike.

Reward

Exercise of share scheme options In this First-tier Tribunal case it was held that unapproved employee share options are not treated as ‘cash-settled options’ for CGT purposes. However, the provisions introduced to dis-apply market value following the case of Mansworth v Jelley, were applicable. As such, the capital loss claimed by the taxpayer on exercise of his unapproved share options was denied. Please click here to read the full case transcript.

Employment taxes

Off-payroll working in the public sector – technical note Following publication of its recent guidance on off-payroll working in the public sector, HMRC has now published a technical note regarding this aspect of reform of the intermediaries legislation (IR35). Click here to go to the relevant page on the Government's website.

Global mobility

UK The Society for Trust and Estate Practitioners (STEP) has published a Guidance Note which gives further clarification of HMRC’s view of various aspects of the draft legislation on the taxation of non-doms. The note is based on email exchanges
with HMRC as well as clarification of certain points by HMRC speakers at a tax conference. The note covers points on rebasing, mixed fund cleansing, offshore trusts and UK residential property. We will be looking at some of the key points covered by the STEP Note and some of the practical actions to be considered before 6 April 2017 in our upcoming Non-dom newsletter. Please speak to your usual EY contact if you would like to receive a copy of the STEP Guidance Note.

India In a recent ruling an Indian tax tribunal held that activities such as negotiations, marketing, sales and the use of business premises of a group company, created a taxable presence in India for the non-Indian employer of international assignees performing those activities. Employers with liaison offices in India should review the nature of activities performed by international assignees posted to India before the assignment starts and also review any supporting documentation as part of an exercise in mitigating any associated risks. Group entity operations need to be conducted at arm's length and multinational companies with several group entities with extensive presence in India should review the nature of operations and documentation in respect of their activities in India. Our Mobility: tax alert provides further details.

Italy The 2017 Italian budget law has confirmed the extension of the special inbound tax regime to include self-employed individuals, currently only employees are eligible. In addition, from 2017 onwards, the taxable income assessable in Italy of individuals who qualify for the special tax regime is reduced to 50% (from 70% previously) for the tax year in which they transfer their tax residence to Italy and the following four years. An existing preferential qualification for the regime for EU citizens who hold a university degree has now been expanded to include citizens of countries with whom Italy has signed a double taxation agreement or a tax information exchange agreement. Employers should ensure that their assignment and global mobility policies are clear as to whether the company or the employee may benefit from the associated reduction in tax that these incremental incentives may bring. Our Mobility: tax alert looks at the changes in more detail.

Immigration

Belgium There are a number of changes to Belgian immigration legislation that will apply with effect from 1 March 2017 and over the course of the remainder of this year and through 2018. These changes relate to fees on residence applications, newcomer’s declarations for long term residence applications (and the integration requirement) and delays in the incorporation of the Single Permit and Intra-Corporate Transfer directives. In addition employers are reminded of the new requirement to record identification of non-EEA nationals and should ensure that they retain copies of all identification cards. Our Mobility: immigration alert looks at the changes in more detail.

Australia The results of an independent review of the Temporary Skilled Migration Income Threshold (TSMIT) for the subclass 457 visa programme, which was conducted in early 2016, have now been released. The report does not propose any major change but recommends the maintenance of the TSMIT framework and a return to annual indexation. The current TSMIT of A$53,900 has remained unchanged since July 2013, however, if the Government accepts the recommendation it is likely that an increase to the TSMIT will take effect from 1 July 2017. Despite a continuing fall in subclass 457 visa application rates and a decreasing population of visa holders in Australia, the publication of the report is at a time of heightened sensitivities around the subclass 457 visa and ongoing integrity reform is expected. In this context employers should ensure they are aware and compliant with all their obligations as business sponsors. Our Mobility: immigration alert provides further details.

Tanzania The Tanzanian Government has recently issued a public notice which requires all non-nationals to submit their work permits to the nearest Labour Office for verification before 21 March 2017. After this date the Labour Commissioner will conduct special labour inspections to ensure all working non-nationals in Tanzania hold valid work permits. Employers should ensure they can comply with this deadline, prepare for the upcoming inspections and ensure the appropriate documentation is in place for all their employees. Our Mobility: immigration alert gives further details.

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