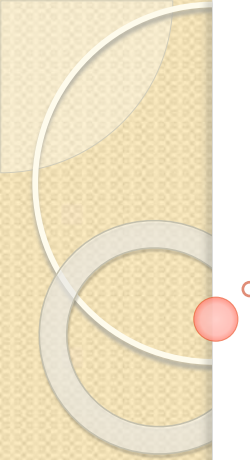




# Tax Update for Practitioners

ICAEW Virtually Live

Rebecca Benneyworth MBE BSc FCA



# Finance Act 2020 key issues

# Corporation Tax rates

- Confirmed that the main rate will remain at 19%
  - Planned reduction to 17% announced by George Osborne will not now happen
  - As indicated previously
- Rate for Financial Year commencing 1 April 2021 will also be 19%
- HMRC's systems not updated so hold back on filing for post 31 March periods

# R & D Expenditure credit

- Claimed by large companies
  - And SME's doing research for large entities
  - Aka "Above the line" credit
- Rises from 12% to 13% for expenditure incurred on or after 1 April 2020
- Consult on whether eligible costs should include investments in data and cloud computing

# Employment Allowance

- Increase from £3,000 to £4,000 in 2020/21
- Remember that access to this is restricted to small entities from April 2020
  - 2019/20 employer NIC total does not exceed £100,000
  - (With connected companies)
  - (And state aid rules apply!)

# Capital allowances

- SBA up to 3% from 2% - April 2020
- 100% FYA on cars restricted to ) emissions from April 2021
  - Main pool for 50g and less
- Capital allowances in Enterprise zones continued for another year
- Note that AIA reduces on 31 December
  - Or will it?

# Tax advice

- Call for evidence
  - Seek evidence about providers of tax advice, current standards upheld by tax advisers, and the effectiveness of the government's efforts to support those standards
  - Give taxpayers more assurance that the advice they are receiving is reliable
- ICAEW has responded in detail

# BIK : Ultra Low emission cars (< 5 l g/km)

- 0% rate for zero emission cars, followed by 1% then 2%
- Cars with emissions between 1 and 50g/km (hybrid)
  - Need to provide zero emission range
  - Available on the EU Certificate of Conformity
  - Varying benefit in kind rate depending on the zero emissions range
  - Runs from 2% to 14%



# Pensions Annual Allowance

- Taper for high paid employees remains
- But to reduce the impact there are three changes
  - Threshold for adjusted income (which includes employer pension contributions) increases from £150,000 to £240,000
  - Basic income threshold rises from £110,000 to £200,000
  - Minimum annual allowance after taper is £4,000

# Pensions annual allowance impact

- Salary level as shown
- £30,000 employer pension contribution
- No unused relief brought forward

Salary:	£150,000	£160,000	£180,000	£250,000	£300,000
OLD AA	£25,000	£20,000	£10,000	£10,000	£10,000
OLD Tax Liability	£2,250	£4,500	£9,000	£9,000	£9,000
New AA	£40,000	£40,000	£40,000	£20,000	£4,000
New Tax Liability	NIL	NIL	NIL	£4,500	£11,700
(Decrease) / Increase	(£2,250)	(£4,500)	(£9,000)	(£4,500)	£2,700

# Loan charge review

- Implementing recommendations
- Only applies to loans made between December 2010 and 5 April 2019
- Will not apply to years before 2016/17 if full disclosure was made
- Split charge over 3 years from 2018/19 to 2020/21
- Interest amendments
- Refunds of voluntary restitution will be made – claim by 1 October 2021

# Loan charge

- ICAEW Tax Faculty still aware of some issues with older loans
- HMRC issued more information this week
- Tax Faculty may need to do a further webinar on this topic
  - Watch for announcements

# Homeworking payments

- An exemption for payments by employers to employees in respect of time spent working from home
- Not a deduction for employees if no payment made
- Increases from £4 per week to £6 per week

# CGT : Entrepreneurs' relief

- Lifetime limit reduced from £10 million to £1 million
  - 85% of claimants will be unaffected by the change
  - Cost saving around £6 billion over next 5 years
- Relief renamed Business Asset Disposal Relief
- Watch anti-forestalling rules!

# CGT : Main residence changes

- As previously announced
- Reduce final period to 9 months
- Abolish letting relief for most
- Late elections for main residence where the owner has interest in a second property with virtually no value (rented)
- Maximum 24 month initial period in exceptional circumstances

# VAT

- Changes to the Agricultural Flat Rate Scheme (AFRS)
- Changes from 1 January 2021
- Income limit for scheme (from farming related activities) £150,000
- Maximum income limit £230,000
- Non farming income > £85,000 means ineligible for the scheme – register for VAT as normal



# SDLT

- Premium rate for non-resident purchasers
- Additional surcharge of 2%
  - Effectively a 5% surcharge as likely to own property elsewhere in the world
- Effective 1 April 2021
- Transitional rules for exchange of contracts before 11 March 2020 but completion after 1 April 2021

# Crown Preference is back!

- Where tax has been deducted or received by a business it is to be subject to Crown Preference
- PAYE, employee NIC, VAT and construction industry scheme deductions
- No preferred status in respect of taxes due by the business – employer NIC, income or corporation tax
- 1 December 2020



# Personal liability for directors

- Three scenarios where directors, shadow directors or participators may become personally liable for company debts
- Also applies to members and shadow members of LLP's
- Tax avoidance or evasion by the company
- Repeated insolvency
- Facilitation of tax avoidance or evasion (current legislation)

# Personal liability notices

- Schedule 13 FA 2020
- Only in relation to debts arising on or after Royal Assent (22 July 2020) or acts on or after that day
- Rights of review, appeal etc

# Avoidance or evasion

- Company has engaged in tax avoidance or evasion (by deliberate inaccuracy on a return)
- Company is or likely to be subject to insolvency procedure
- Individual enabled this, was responsible for this or benefitted from it
- Likely tax liability on the avoidance or evasion which may not be paid

# Repeated insolvency

- Two or more companies to which the individual has a connection have become insolvent in the last 5 years
  - And HMRC was owed money
  - At least £10,000 and > 50% of unsecured creditors
- The person is connected to another company carrying on the same type of business

# Facilitation

- A facilitation penalty has been charged, or Tribunal process to charge a penalty has begun
- The company is subject to insolvency proceedings
- There is a likelihood that the penalty will not be paid

# HMRC Admin by computer

- Dealing with a flaw in the law raised frequently by Tribunal
- “Something done” by an officer can be regarded as done is done automatically by a computer process
- This is to be regarded as always having been the case





# Other topical issues



# Off Payroll working

- Rolling out from April pretty much as previously predicted
- Detailed information on this on longer sessions from ICAEW over the next 4 – 6 months
- But as the delay was late being announced many have already prepared

# Job Retention Scheme V2

- Key points are :
- Calculation of usual hours is fundamental to flexible furlough claims
- Each calendar month must be claimed for separately
- Reducing Government contribution but keep payment to employees at 80%
- Penalties for deliberate incorrect claims
- PAYE debt for furlough is a disaster!

# Taxation of SEISS receipts

- Income of the trade or business
- On the day of receipt (do not spread) but always taxable in 2020/21 irrespective of client accounting date
- Cannot deduct “trading allowance” from the receipt
  - But not taken into account in arriving at relevant income for the purpose of trading allowance

# JRS overclaims

- Income tax is due on these at 100%
  - This is the mechanism to claw back fraudulent claims
- Notify liability by 90 days after Royal assent – 20 September 2020
- Failure to notify penalty
  - Treated as a deliberate and concealed failure
  - 100% penalty based on income tax due – i.e. 100% of the payment received



# Limited companies with JRS overpayments

- Additional personal liability notice **may** be issued to directors
- If the company is insolvent or likely to become insolvent
- In line with Sch 13 FA 2020

# VAT

- Reverse charge scheme in the construction industry delayed until March 2020
- But smaller builders and subcontractors who are VAT registered need to get this under way
- Consider monthly returns?
  - Repayment traders

# VAT - MOSS

- The membership of the EU arrangements under MOSS for electronically supplied services ends on 31 December
- Businesses will need to register in another member state to use MOSS
  - Probably Ireland
- Biggest issue – the de minimis no longer applies from 1 January 2021
  - So even a single supply should be dealt with through MOSS





# Proposed Environmental Measures – Company Car plans

# Motoring

- Road transport is responsible for 91% of the UK's greenhouse gas emissions
- Plug-in car grant extended to 2022/23
  - But reduced to £3,000 per new vehicle
  - And removed for cars > £50,000
- New money for plug in grant for vans, taxis, motorcycles to 2022/23
- Abolish “expensive car” VED for electric vehicles



# Charging infrastructure

- £500 million over 5 years on fast charging infrastructure
- Motorists never more than 30 miles from a rapid charger
- Rapid Charging Fund to help businesses connect chargers to electricity network
  - Targets set after a comprehensive review of vehicle charging infrastructure