POWER IN NUMBERS

ROTHMANS CHARTERED ACCOUNTANTS NEWSLETTER ISSUE 28 2019

ROTHMANS
everyone counts

OFF-PAYROLL RULES FOR THE PRIVATE SECTOR FROM APRIL 2020

The government has published draft legislation for the next Finance Bill including the rules for off-payroll working in the private sector. The new rules will apply from April 2020 and the effect of these rules, if they apply to intermediaries, typically Personal Service Companies (PSC), will be:

- The medium or large business (or an agency paying the PSC) will calculate a 'deemed payment' based on the fees the PSC has charged for the services of the individual.
- Generally, the entity that pays the PSC for the services must deduct PAYE and employee National Insurance contributions (NICs) as if the deemed payment is a salary paid to an employee.
- The paying entity will have to pay to HMRC not only the PAYE and NICs deducted from the deemed payment but also employer NICs on the deemed payment.
- The net amount received by the PSC can be passed onto the individual without the company deducting any further PAYE and NICs.

Please contact your Rothmans branch for advice on how these changes will impact your business.

For more information click **here**

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DIGITAL SERVICES TAX

From April 2020, the government will introduce a new 2% tax on the revenues of search engines, social media platforms and online marketplaces which derive value from UK users. However, this only applies when the group's worldwide revenues from these digital activities are more than £500m and more than £25m of these revenues are derived from UK users.

Jesse Norman, Financial Secretary to the Treasury and Paymaster General, said:

'The UK has always sought to lead in finding an international solution to taxing the digital economy. This targeted and proportionate Digital Services Tax is designed to keep our tax system in this area both fair and competitive, pending a longer term international settlement.'

Click **here** for the latest news
Click **here** for the latest publications

INSOLVENCY HIERARCHY CHANGES

From 6 April 2020, insolvency legislation will be amended to move HMRC up the creditor hierarchy for the distribution of assets in the event of insolvency. HMRC will be made a secondary preferential creditor in respect of certain tax debts held by a business (this includes individuals and partnerships) on behalf of their customers and employees. This includes VAT, PAYE income tax and CIS deductions.

The rules will remain unchanged for taxes owed by businesses themselves, such as corporation tax and employer National Insurance contributions.

In addition, directors and other persons connected to companies subject to an insolvency procedure will be made jointly and severally liable for amounts payable to HMRC by the company in certain circumstances. This will apply mainly in cases where the company has engaged in avoidance, evasion or 'phoenixism'.

For more information click **here**

UPDATED GUIDANCE ON SPOTTING HMRC SCAMMERS

HMRC has updated their list of example websites, emails, letters, text messages, WhatsApp messages and phone calls used by scammers and fraudsters to obtain an individual's personal information.

The guidance can be used to help you decide if a contact from HMRC is genuine and provides examples of the different methods that fraudsters use to get individuals to disclose personal information.

You can also read about how to recognise genuine contact from HMRC, and how to tell when an email is phishing/bogus.

Click **here** for genuine contact examples
Click **here** for phishing examples

TRUSTS WITH SMALL AMOUNTS OF SAVINGS INCOME

In the latest Trusts and Estates Newsletter, HMRC has confirmed the continuation of the interim arrangement for interest reporting.

In 2016, the requirement for payers to deduct tax at source on bank and building society interest was removed and income from these sources is now paid gross. Due to this change, trustees and personal representatives had increased reporting requirements.

HMRC introduced an interim arrangement so trustees do not have to submit returns, or make payments under informal arrangements, where the only source of income is savings interest and the tax liability is below £100.

HMRC has confirmed that these arrangements have been extended to include the 2019/20 and 2020/21 tax years. The situation will continue to be reviewed in the longer term.

Please contact your Rothmans Branch for help with trusts or if you need further information.

PAYE LATE FILING AND LATE PAYMENT PENALTIES

HMRC has confirmed that it will continue its risk-based approach to payroll Real Time Information (RTI) late filing and late payment penalties this tax year.

Rather than late filing and late payment penalties being issued automatically, HMRC will continue to issue them on a risk-assessed basis during 2019/20. HMRC has also confirmed that penalties for 2019/20 will be issued from September 2019.

The August issue of the Employer Bulletin confirms:

'HMRC will not charge penalties automatically for 2019/20, provided a Full Payment Submission (FPS) is filed within three days of the payment date. Where there is a pattern of persistent late-filing within three days of the statutory filing date, employers will be reviewed and may be charged a filing penalty as part of HMRC's risk-based approach.'

The deadline for cleared electronic payments is the 22nd of the month following the end of the tax month. For cheque payments or other non-electronic methods, payment is due by the 19th.

HMRC may charge interest on the amount outstanding for late payment, which will accrue until the total amount is paid. Please contact your Rothmans branch for help with payroll matters.

PRIVATE RESIDENCE RELIEF CHANGES

The government published draft legislation for the next Finance Bill including draft clauses on the changes to Private Residence Relief (PRR). The draft legislation is subject to consultation which closed on 5 September 2019.

Following consultation this Spring, changes are proposed to the Private Residence Relief (PRR) regime from April 2020. For properties that have not been occupied throughout the period of ownership, available deductions for capital gains tax purposes will be limited as follows:

- The final period exemption will be reduced from 18 months to 9 months (there are no changes to the 36 months that are available to disabled persons or those in a care home).
- Lettings relief will be reformed so that it only applies in those circumstances where the owner of the property is in shared-occupancy with a tenant. Letting relief will be restricted or curtailed for disposals on or after 6 April 2020, regardless of when the period of letting took place.

Brian Slater, Chair of CIOT's Property Taxes Sub-committee, said:

'HMRC need to put the 'PR' into 'PRR' and publicise these changes effectively.'

'Many home owners are still unaware that the final period exemption was reduced from 36 months to 18 months in 2014. A further reduction to just nine months is likely to bring more property disposals within the scope of CGT. Whilst the average time to sell a property is around four and a half months, there will be many exceptions due to regional variations, separation and divorce, and other complexities.' Another aspect of the relief which is also changing from 6 April 2020 is lettings relief, limiting it to narrowly defined circumstances in which the owner shares occupation of their house with a tenant.

Brian Slater continued:

'The practical effect of these changes will be that very few sellers will qualify for lettings relief if they sell their home after 6 April 2020. Further, any 'accrued' letting relief will be lost, as no apportionment can be made between gains attributable to pre and post 6 April 2020 disposals. Again, this change brings more disposals within the scope of CGT.'

Click **here** for changes on CGT
Click **here** for further info

CIS DOMESTIC REVERSE CHARGE FOR VAT – CHANGES DEFERRED UNTIL 1 OCTOBER 2020

HMRC have announced that the start date for the CIS Domestic Reverse Charge for VAT has been deferred for 12 months. The new legislation regarding the treatment of VAT in the construction industry will now take effect from 1 October 2020.

If you are a contractor or sub-contractor in the construction industry, the new rules may be relevant to your business. We have set out guidelines below about the changes to ensure that you are ready before they are implemented next year. If you have any further questions, please don't hesitate to contact us.

Will the domestic reverse charge apply to my business?

The rules will apply to VAT-registered businesses where payments are required to be reported through the Construction Industry Scheme (CIS). The domestic reverse charge does not apply for services supplied to non-VAT registered individuals or businesses, so work done for homeowners/domestic users should be invoiced in the standard way.

How does the domestic reverse charge work?

The domestic reverse charge means that sub-contractors will require their engaging contractor to handle and pay the VAT directly to HMRC for services they provide that are in the scope of CIS. The contractor receiving the specified service has to pay the VAT to HMRC instead of the sub-contractor. In turn, the contractor can recover the VAT (subject to the normal VAT recovery rules) i.e. the net effect being zero. Below, we have outlined some practical points for either the contractor or sub-contractor to be aware of:

Contractor:

Review your contracts with sub-contractors to decide if the reverse charge will apply to the services you receive.

- Account for the VAT on transactions with sub-contractors differently.
- Check your sub-contractor's invoice to ensure it states that the invoice is subject to the reverse charge.
- Include on your VAT return in both the output VAT (box 1) and the input VAT (box 4), invoices received from sub-contractors under the reverse charge.
- Communicate to your VAT-registered sub-contractors that you will be paying the net amount on the invoice.

Sub-contractor

- Confirm with your contractor that the reverse charge will apply, including confirming if the customer is an end-user.
- When making sales on which reverse charge accounting applies, you must show all the information normally required to be shown on a VAT invoice. You must also annotate the invoice to make it clear that the reverse charge applies and that the contractor is required to account for the VAT.
- Take steps to mitigate the cash flow impact of not receiving the VAT from the contractor.
- You could be a repayment trader rather than making payments to HMRC, due to not paying over the output tax. If this applies, it may be worth switching to monthly returns from 1 October 2020 to speed up VAT repayments from HMRC.

Click **here** for the published HMRC guidance and **here** for the HMRC's official announcement

Please contact your Rothmans branch if you have any questions on the rules before they are introduced next year or would like to discuss any issues in more detail.

(Above image) Olivia, Rob and Alisha

STAFF SUCCESS

We would like to acknowledge the achievements of the below members of staff, for their hard work and dedication to their studies.

The Partners are delighted with the results and would like to congratulate you on your efforts!

Chandlers Ford:

Elizabeth Potts
ACA Certificate level exams: Accounting, Assurance, Principles of Taxation, Management Information

Ryan Page
ACA Certificate level exams: Business & Finance, Management Information, Law

Tom Yates
AAT Level 4 exams: Management Accounting: Decision and Control, Management Accounting: Budgeting

Tom Davis (ACA part qualified following these passes)
ACA Professional level exams: Business Strategy, Business Planning: Taxation, Financial Management

Tom Stephenson
CTA exams: Application & Interaction

Joshua Harkins (ACA exam qualified following these passes)
ACA Advanced level exams: Corporate Reporting, Strategic Business Management, Case Study

Winchester:

Olivia Potter
Sage exam, in Level 2 AAT (achieved 100%!)

Rob Parker
ACA professional level: Audit and Assurance and Financial Accounting and Reporting

Alisha Parmar Webster
Level 4 AAT: Management Accounting and Budgeting

James Murphy
ACA and CTA - fully qualified under joint scheme after passing his final exams this summer

Southampton:

Timothy Sleath
Fully qualified after passing all ACCA exams

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