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Off-Payroll Working in the Private Sector

HMRC has published a second consultation looking at the reform of the off-payroll working rules in the private sector from April 2020.

Under the proposals this will see responsibility for determining whether an engagement falls within the 'IR35' regime moving from the worker's Personal Service Company (PSC) to the end user (including where PSCs are engaged via an agency).

Where an employment relationship is deemed to exist the end user would be responsible for operating PAYE/NIC on payments made to those PSCs if it pays them directly. In other words, the rules treat the worker as a deemed employee for tax purposes. In addition, the fee payer must also account for employer's NIC and potentially the Apprenticeship Levy otherwise the agency would be responsible for applying PAYE/NIC to those payments based on the end user's 'IR35' determination.

These changes will take effect from April 2020 and are limited to large and medium sized enterprises that engage contractors through PSCs.

Small businesses engaging contractors through PSCs will be exempt from the new rules. This is to be based on the Companies Act 2006 definition of "small" requiring at least two of the following three conditions to be met: annual turnover not exceeding £10.2m; balance sheet total not exceeding £5.1m; and not more than fifty employees.

Where an engager is found to be small the current rules will continue to apply, meaning the responsibility for determining if IR35 applies (and calculating and paying the tax) will remain with the individual worker providing services through their intermediary company.

The proposed rules suggest introducing a requirement on the engager to provide the worker (and other parties in the supply chain) with the result of the IR35 review and, where requested, the reasons behind the decision.

It is proposed that engagers pass down the labour supply chain the reasoning behind the end user's status determination, as well as the decision itself.

In addition, there is a proposal that HMRC should be able to transfer the tax and NIC debts arising from non compliance from any party in the chain back to the first agency and potentially to the end client.

HMRC have advised that they intend to improve the Check Employment Status Tool (CEST) guidance so organisations can confidently make employment status determinations that people working through intermediaries will be able to see and understand.

Although we do not yet have the final rules, April 2020 is not that far away and it is imperative you consider the potential impact to your business.

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New VAT Rules for Building Firms - ‘The Reverse Charge’

In just over six months builders, contractors and other trades associated with the building industry will have to get to grips with a new way of accounting for VAT.

Essentially building firms will be required to charge themselves VAT when they buy building related services from other firms. This is referred to as a ‘reverse charge’.

Example

Subcontractor A undertakes groundwork services for contractor B. Currently firm A charges VAT at the appropriate rate on the invoice it issues to firm B, B pays the VAT to A and A pays it to HMRC.

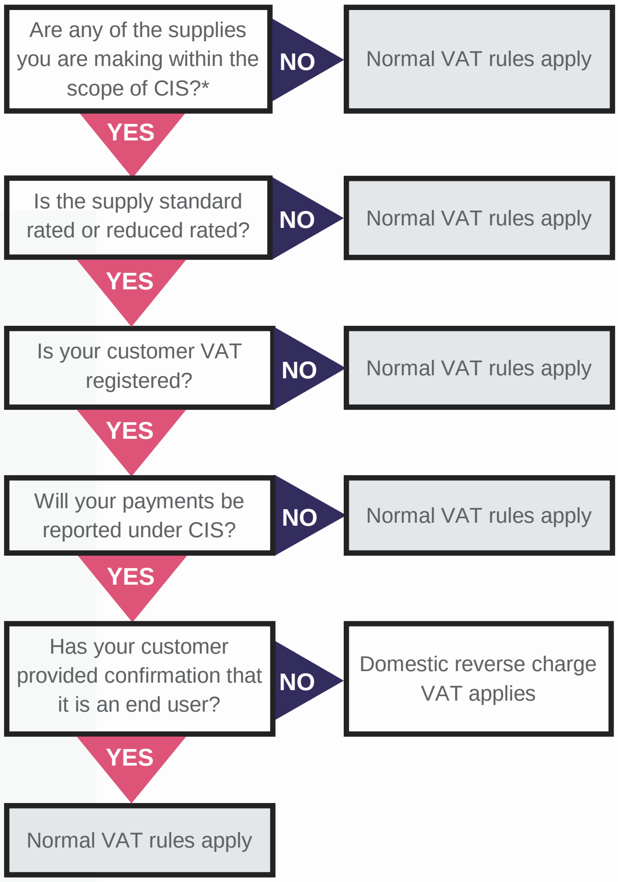
From 1 October 2019 under the reverse charge rules, subcontractor A issues an invoice to contractor B stating that its services are subject to a reverse charge - so A does not charge VAT. Firm B adds VAT to the cost of the work undertaken by A and includes this as output tax within its own VAT records. B claims the same amount of VAT on the same return as input tax, meaning there is no net payment due to HMRC.

This new reverse charge will not apply if contractor B is the 'end user' who will sell the newly completed building to the final customer. It also does not apply for transactions between connected companies (e.g. within a group of commonly owned businesses) or where the supplier and customer are landlord and tenant. If the services concerned would be zero rated for VAT purposes, the reverse charge is not relevant.

To prepare for the reverse charge you should check whether your regular customers are VAT registered and record their VAT numbers. Also enquire whether your customer would be an end user in the supply chain.

We can help you check whether your accounting software will cope with this new reverse charge.

VAT reverse charge for building and construction services flowchart



* Construction Industry Scheme

Live-in Workers

Where it is necessary for a member of staff to live at his place of work, such as housemaster in a boarding school, the provision of accommodation is not treated as a taxable benefit for the employee.

However, where it is only customary rather than necessary for a member of staff to live at or close to his workplace, the provision of accommodation will be a taxable benefit unless three conditions are met:

- The accommodation is provided for the better performance of the employee's duties;
- The employment is one in which it is customary for employers to provide living accommodation to a particular class of employee; and
- The employee is a representative occupier.

HMRC is paying particular attention to the Customary Test, which must be applied across the trade sector as a whole, not just to the specific employer. If fewer than half of employees in that type of employment are provided with living accommodation, provision of accommodation is not considered customary.

If you have staff who are not being taxed on employer provided accommodation, those arrangements should be reviewed without delay.

Pension Health Check

When did you last consider your pension contributions?

Now is a good time to plan whether you will make sufficient pension contributions in the tax year and to check whether you will be in danger of exceeding your annual pension contributions allowance which would lead to a tax charge.

Your annual allowance is normally set at £40,000, expanded by any unused annual allowance from the previous three tax years. However, a lower Money Purchase Annual Allowance (MPAA) of £4,000 may apply if you have accessed your pension savings from a defined contribution (money purchase) pension scheme.

The MPAA does not apply if you took your benefits as:

- a small pot lump sum;
- a pension commencement lump sum where no pension income was taken; or
- income from a capped drawdown arrangement.

The MPAA is not expanded by unused annual allowance from earlier years and once the lower level of allowance is in place it cannot be removed. The MPAA was reduced from £10,000 to £4,000 on 6 April 2017, increasing the risk of exceeding the allowance in 2017-18 and later years.

We can help you plan whether you need to pay a pensions tax charge in respect of your pension contributions.

Making Tax Digital (MTD)

Separating the facts from the fiction

Your VAT software does not have to be cloud based and you do not need to keep your entire VAT accounting system on one software program.

All VAT registered businesses with annual taxable turnover exceeding £85,000 must comply with the Making Tax Digital (MTD) rules for VAT periods beginning on or after 1 April 2019. However, a few businesses have been deferred until the period that begins on or after 1 October 2019. If you are in the latter group you should have received a letter from HMRC explaining this.

There are two requirements for MTD:

- To keep your VAT records in a digital format; and
- Submit VAT Returns using MTD compatible software.

This is neither as complicated nor as difficult as it first seems. If you already record transactions on a spreadsheet or some form of accounting software you are already meeting the first MTD requirement.

If you currently use a spreadsheet based system you will need to buy some new MTD software to read the relevant VAT totals from the spreadsheet and submit them to HMRC as your VAT Return. This type of bridging software is not expensive.

Your VAT software does not have to be cloud based and you do not need to keep your entire VAT accounting system on one software program. As long as there are digital links between different pieces of software or spreadsheets your VAT accounting system can be made up of several software elements.

You do not need to upgrade to the latest version of your accounting software to allow you to submit VAT Returns under MTD. Most accounting packages allow you to download the data into a spreadsheet format (CSV) which can be read by bridging software in order to submit the VAT Return.

We can help you choose the most appropriate MTD software for your business. There are around one hundred MTD compliant products already on the market and another two hundred in development, so there is plenty of choice.

Structures and Building Allowance (SBA)

The cost of acquiring your business premises may be written off in your accounts but for many years those costs have been disallowed for tax purposes so there is no tax relief until you sell the building.

In October 2018 the Government introduced SBA to relieve the costs of constructing or altering buildings to be used for business purposes. The costs incurred are spread over fifty years with a flat 2% of the total cost deducted from profits each year. A claim can only be made when the building is brought into use for the trade.

Stamp Duty Land Tax Changes

New deadlines

The Government has shortened the period for paying Stamp Duty Land Tax (SDLT) from thirty days to fourteen days after the effective date for land or property transactions completed on or after 1 March 2019.

The deadline for submitting the Land Transaction Return reporting the SDLT payable has also been advanced to fourteen calendar days after the completion date, which does not allow much time to get the forms signed and submitted.

Be aware of this new deadline if you are buying a property in England or Northern Ireland. The deadlines for paying Land and Buildings Transaction Tax (LBTT) for purchases in Scotland and Land Transaction Tax (LTT) for purchases in Wales remain at thirty days from the completion date.

VAT: Brexit Realities

Where do you stand with VAT

Businesses which import or export goods will be aware of the difficulties that leaving the EU with no withdrawal agreement in place will cause them.

However, other businesses will also be affected by immediate changes to the VAT system.

EU VAT refunds

If you paid VAT on business expenses in another EU country during 2018 you would normally have until 30 September 2019 to reclaim that VAT. HMRC urged all UK businesses to submit refund claims for EU VAT before the UK leaves the EU as after that date any refund claims from UK businesses will have to be submitted directly to the tax authority of the country where the expense was incurred rather than to HMRC.

VAT MOSS

As of 1 January 2019 businesses with annual sales below £8,188 (€10,000) of digital services to non business customers in other EU countries no longer have to report those sales and pay VAT under the VAT MOSS rules. However, this de minimis turnover threshold does not apply to non EU businesses, which will be the position of UK businesses after the UK leaves the EU.

If your business continues to make sales of digital services to non business customers in EU countries after the UK leaves the EU, you will have to reregister for VAT MOSS as a non EU business in an EU country (i.e. not the UK). This also applies if you did not deregister from VAT MOSS in January as your VAT MOSS registration will automatically be cancelled when the UK leaves the EU.

Tradeshow Access Programme (TAP)

Do you, or are you thinking of, exporting from the UK?

Businesses exporting from the UK or investigating export opportunities can attend TAP's selected overseas trade shows and conferences and get grants to offset some costs.

The Department for International Trade can offer grants of between £500 and £2,500 to eligible businesses taking part in the programme.

Overseas trade shows can help you:

- gain essential market knowledge and make new contacts
- get advice and support from trade experts on how to maximise your presence

To find out if your business is eligible and for details of how to apply go to https://www.gov.uk/guidance/tradeshow-access-programme

Air Ambulance
Kent Surrey Sussex

Supporting

Air Ambulance
Kent Surrey Sussex

2019 WA Charity of the Year

This year we are proud to be supporting Air Ambulance Kent, Surrey, Sussex

Following the inception of the WA Charity of the Year in 2018 we are excited this year to be aiming our fundraising efforts towards Air Ambulance Kent, Surrey, Sussex.

In Kent, Surrey and Sussex around 2,500 people call 999 every day. AAKSS screen all of those calls and will send their crew to help people who are critically unwell or severely injured some of whom are in the most remote and challenging of locations.

It is rather fitting therefore that our first major fundraiser will be the rugged Yorkshire Three Peaks Challenge taking place in June. If you would like to support us please visit https://www.justgiving.com/fundraising/watsonsfundraising2019

We have already held a Pancake Sale, there's a Golf Day on the horizon and the Reebok Ragnar Relay again too which everyone enjoyed so much last year plus plenty more in the offing.

Follow us on Twitter (@WatsonsUK) and LinkedIn.

Dates for your Diary

2019

1 October	Due date for payment of Corporation Tax for p/e 31-12-18
31 October	Deadline for submitting paper 2018/19 Self Assessment Returns
1 December	New Advisory Fuel Rates (AFR) for company car users apply from today