

Other taxes

(Lecture B1187 – 16.13 minutes)

Employment allowance

The allowance will increase to £4,000 p.a. from April 2020. This is now only available if secondary class 1 contributions in the previous year were less than £100,000. The £100,000 limit will apply across connected employers so none of the connected employers will be able to claim the allowance where total secondary contributions are £100,000 or more. If the secondary contributions are less than £100,000 then the connected employers can choose which one of them will claim the allowance.

Employing armed forces veterans

From April 2021, no employers' national insurance will be charged on earnings up to the upper earnings limit (currently £50,000) for employers of armed services veterans in first year of civilian employment.

Extended neonatal leave

The Government is planning a new entitlement to neonatal leave and pay for employees whose babies spend an extended period in neonatal care. No details are available yet.

Digital services tax

The Government will impose a 2% tax on the revenues of certain (very large) digital businesses from 1 April 2020. This will apply if the business has global revenue exceeding £500 million and UK revenue exceeding £25 million, and will not be payable on the first £25 million of UK revenue. Businesses will pay the DST on an annual basis, consistent with draft legislation published in July 2019.

The Government will repeal DST once an appropriate global solution is in place for taxing digital services in country of consumption not supply.

Red diesel

A broad removal of the entitlement to use red diesel and rebated biofuels was announced. The removal will not take effect until April 2022 and the relevant legislation is expected to be introduced by a future Finance Bill. Exceptions are to be made for the agriculture and rail sectors as well as for use in non-commercial heating. A consultation will take place later this year which will present other sectors with the opportunity to put forward a case for their continued entitlement to use red diesel and rebated biofuels.

Plastic Packaging Tax

The Government confirmed the introduction of a plastic packaging tax. The idea was posited in Budget 2018 and a consultation took place in 2019. Now paving legislation will be introduced in Finance Bill 2020 and a further consultation on the detailed policy design has been launched. The consultation closes on 20 May 2020.

Tax avoidance

General measures

HMRC is to publish a new strategy to deal with promoters of avoidance schemes. This will be aimed at disrupting the supply chain by making it harder for firms to promote schemes as well as making it clearer to potential users that HMRC will challenge these sorts of arrangements.

Following the review of the loan charge by Sir Amyas Morse the Government announced that it would introduce further measures to tackle marketed tax avoidance. No details of what is intended have been announced but it has been confirmed that draft legislation will be published in July 2020.

Notification of difference of view

From April 2021 large businesses will be required to notify HMRC when they take a tax position that HMRC is likely to challenge.

The concept will draw on international accounting standards which many large businesses already follow.

There will be a consultation soon on the detail.

Tax conditionality

From 2022 firms in the private hire and scrap metal businesses will only be able to obtain or renew a licence to operate if they can show that they are properly registered for tax. The Government will consult on whether or not it can be used more widely for all Government awards and authorisations. The rules will apply only in England and Wales but HMRC will work with the devolved administrations to extend the principle across the whole of the UK.

Raising the standards

HMRC will call for evidence as part of a project to raise the standards of tax advice. At the moment taxation is not a regulated profession in the UK with standards set by the professional bodies. There is no sign that HMRC wishes to move to become a regulator of tax advisers, but it clearly wants to have a closer involvement in the way that standards are set and monitored.

Limited liability partnership (LLP) returns

Legislation will be introduced with retrospective effect to ensure that where an LLP operates 'without a view to profit', HMRC can nevertheless amend the LLP members' returns. The vast majority of LLPs operate with a view to profit, and these will not experience any change at all.

HMRC debts in an insolvency

PAYE collected from employees, CIS deductions and VAT collected from customers will be preferential debts for HMRC to recover from 1 December 2020.

Other tax liabilities will remain unsecured and rank with other unsecured creditors equally.

Automated notices and penalties

The Government will legislate to confirm that HMRC may use automated processes to issue taxpayers with notices to file tax returns and to issue penalty notices.

This will apply prospectively and retrospectively and is in response to cases that HMRC has lost at Tax Tribunals where judges have held that the requirement that a notice or penalty be determined by an Officer of the Board of HMRC meant that automatic notices and penalties were not valid.

Registration/de-registration limits

There are no changes to the VAT registration and de-registration limits, which remain at £85,000 and £83,000 respectively.

Zero-rating

Digital publications will be zero-rated from 1 December 2020. This will cover e-books, e-newspapers, e-magazines and academic e-journals.

Women's sanitary products will also be zero-rated, this time from 1 January 2021.

VAT on imports

Postponed VAT accounting will apply on imports of goods after Brexit.

Import VAT will be accounted for on the VAT return for period in which date of importation occurs, showing output VAT owed to HMRC and the potential recovery of this VAT as input VAT in Box 4.

At present, VAT on imports must be paid over to HMRC first, then recovered later.

New rules on 'call off' stock

Call off stock is stock held in another EU country for a single customer.

Previously, the company would have to have registered in the customer's country and charge local VAT to the customer when the stock was called-off.

The only exception to this was where the customer agreed to treat the movement of stock into their country as an acquisition by them, whereby they accounted for the VAT to their local tax authority. In this case, the UK supplier could use the foreign customer's VAT number to zero-rate the movement of goods.

The new rules apply from 1 January 2020.

An intra-community supply only takes place when the customer takes the stock (this means that an EC Sales List report will now be needed). There is therefore no need to register in other country, nor use the customer's VAT number.

If stock is not called off within 12 months of arrival, the supplier must register in the customer's country and treat the subsequent supply to the customer as a domestic supply in that country.

Agricultural flat rate scheme

There are new conditions for entry and exit into the AFRS from 1 January 2021 (aligning the criteria with the VAT Flat Rate Scheme).

A business can join the AFRS when their annual turnover for farming related activities is below £150,000.

They must notify HMRC once annual turnover for farming related activities exceeds £230,000, to be deregistered from the scheme and register for full VAT instead.

If turnover exceeds £85,000 for non-farming related activities, the business will still be required to register for VAT and will be ineligible for the AFRS.

Domestic reverse charge – construction services

The Budget confirms that the rules postponed from 1 October 2019 will go ahead from 1 October 2020. It will apply to CIS-type construction services from a VAT registered supplier (sub-contractor) to a VAT registered customer (contractor), where the customer will recharge the service to an end user.

Where reverse charging applies, the supplier does not charge VAT. Instead, the customer charges itself VAT at the appropriate rate (5% or 20%). It declares output VAT in Box 1 of return and recovers it as appropriate as input VAT in Box 4.

The net value is put in Box 6 of the subcontractor's VAT return whilst the main-contractor will put the net amount in their Box 7.

SDLT changes

There will be a 2% SDLT surcharge on non-UK residents purchasing residential property in England and Northern Ireland from 1 April 2021.

Qualifying housing co-operatives will be relieved from ATED and the 15% flat rate of SDLT on purchases of dwellings over £500,000. SDLT relief in England and Northern Ireland will take effect from 11 March 2020. UK-wide ATED relief from 1 April 2021 with a refund available for 2020/21.

ATED rates

ATED rates will be increased from April 2020 by 1.7% (CPI increase to September 2019).

Budget 2020 notes prepared in collaboration with Malcolm Greenbaum