

## **Business Tax issues**

**(Lecture B1186 – 13.32 minutes)**

### **Employers and Covid-19**

The Government will be providing support for businesses with less than 250 employees as at 28 February 2020, in the form of a refund of Covid-19 related SSP costs.

The refund will cover a maximum of 2 weeks per employee.

The employer must maintain record of staff absences but a GP fit note will not be required (evidence of NHS 111 advice will be sufficient).

The support will start when regulations for SSP for self-isolators come into force.

There is no system that can repay employers for SSP at the moment but the Government is working on a solution to this.

There will be a 100% business rates discount for 2020-21 for small businesses (including leisure/hospitality sectors) to cater for the loss of business caused by the virus.

If a business is eligible for small business rate relief, they would not be paying rates anyway. For these businesses, £3,000 per business can be claimed from local Government to eligible businesses to meet ongoing costs.

A special Covid-19 helpline is being set up to make time-to-pay arrangements for tax liabilities.

There will be no late payment penalties or interest if a business faces administrative difficulties contacting HMRC or paying tax because of the virus.

### **Structures and Building Allowance**

The rate of Structures and Buildings Allowance is increased to 3% p.a. from 1 April 2020 for companies and 6 April 2020 for unincorporated businesses.

Businesses with accounting periods straddling these dates will need to time apportion the allowance accordingly.

### **Changes to allowances for cars from April 2021**

A 100% FYA will only apply to the purchase of a new zero-emission car from April 2021.

A car with emissions of up between 1 and 50g/km will qualify for 18% general pool writing down allowances and all other cars will only qualify for the 6% special-rate pool writing down allowances.

## **Other capital allowance changes**

The 100% FYA for zero-emission goods vehicles and natural gas and hydrogen refuelling equipment is extended until April 2025.

The 100% FYA on plant and machinery expenditure in Enterprise Zones is extended to 31 March 2021 (it was due to expire on 31 March 2020).

## **Car leases**

There is a 15% disallowance of certain car lease expenses in the profit and loss account.

This will apply to cars with CO<sub>2</sub> emissions of more than 50g/km for leases entered into from 1 April 2021. The disallowance currently applies to cars with emissions of more than 110g/km.

## **Annual investment allowance**

The Budget press releases confirm that the AIA will fall back from £1 million to £200,000 for expenditure incurred from 1 January 2021.

There are transitional rules that are particularly harsh when the AIA limit decreases.

Businesses therefore need to plan their capital expenditure carefully around end of the calendar year, or they could delay the availability of allowances significantly.

## **Off-payroll working in private sector**

The new rules for non-small customers utilising the personal services of workers operating through personal service companies were due to commence on 6 April 2020.

Since the Budget, chief secretary to the Treasury, has said that the government's IR35 tax reforms will be postponed for a year, being introduced in April 2021.

## **Construction Industry Scheme (CIS) abuse**

Legislation will be introduced in a later Finance Bill to prevent non-compliant businesses from using the CIS to claim tax refunds to which they are not entitled. The measure will allow HMRC to reduce or deny the CIS credit claimed on employer returns where the sub-contractor cannot evidence the deductions and does not correct their return when asked.

## **Rate of corporation tax**

As expected, corporation tax will remain at 19% from April 2020.

## **R&D expenditure credit**

This relief mainly impacts on large companies but can also apply to certain costs incurred by small companies that are not eligible for SME enhancement.

The tax credit is increased from 12% to 13% for expenditure incurred from 1 April 2020.

There will be a consultation on widening the scope of the tax credit to include data and cloud computing.

### **R&D for small companies**

The planned introduction of the cap on the payable tax credit in the SME R&D schemes will be delayed until 1 April 2021. Repayable tax credits were going to be capped at 3 x the PAYE liability for the accounting period.

The Government wants more time to think about circumstances where the cap would not apply.

### **Corporate capital losses**

From 1 April 2020, there is a restriction on the proportion of annual chargeable gains that can be relieved by brought-forward capital losses.

The £5 million loss allowance (group-wide) that has been claimable since 2017 can be used by capital or income losses each year at company's behest.

Certain companies in liquidation will be excluded from the new restriction.

### **Non-resident companies with UK property businesses**

Finance Act 2019 brings non-resident companies within scope of UK corporation tax from 6 April 2020 if they derive income from UK property.

FB2020 makes some amendments to the law.

Financing costs related to UK property incurred before a non-resident company starts carrying on a UK property business will be brought into account in the first period (if incurred within last 7 years).

The exception from notifying chargeability to corporation tax where all income suffers tax at source becomes conditional on that tax covering the company's liability.

### **Corporate Intangible Fixed Assets**

Intangible assets created before 1 April 2002 have traditionally been treated as capital assets for corporation tax purposes unless purchased from an unrelated party since then.

FB 2020 will amend the law to allow companies that acquire pre-April 2002 intangibles from related parties from 1 July 2020 to claim tax relief under the Intangible Fixed Asset regime, amortisation/ impairment becoming an allowable expense (or alternatively claimed as a 4% straight-line allowance).

There is an anti-avoidance rule for purchases from a non-corporate related party. Any excess of the purchase price over market value will be treated as a capital asset. Only the market value will qualify for deduction as an intangible asset.