Tax E-News

Welcome to our latest monthly tax newswire. We hope you enjoy reading this newsletter and find it useful. Contact us if you wish to discuss any issues further.

February 2020

BUDGET DAY IS NOW 11 MARCH

The December General Election meant that the Autumn Budget was delayed and we now know that Sajid Javed will deliver his first Budget on the second Wednesday in March which is when Budget day used to be!

We are expecting that the tax measures in the Conservative Party manifesto will be announced again together with confirmation that changes consulted on last year will be put in place.

Key tax announcements to listen out for include leaving the rate of corporation tax at 19% and an increase in the national insurance threshold. Unfortunately, it is unlikely that the planned roll out of the "off-payroll" working (IR35) rules to the private sector will be delayed.

The Chancellor is also expected to again announce a u-turn on the 2019 loan charge following a review of the legislation by Sir Amyas Morse.

REVIEW OF OFF-PAYROLL WORKING RULES

In January the government launched a four-week review of the changes to IR35 "off-payroll" working rules scheduled to come into force in April, as the result of mounting criticism about the way they will operate. The review is scheduled to conclude by mid-February and will see the government hold a series of meetings with stakeholders representative of those affected by the changes.

It is unlikely that there will be a significant U-turn, but there may be scope for the impact of the legislation to be reduced in terms of the range of contractors to whom it will apply, or the size of businesses who will be obliged to operate it. The new rules are currently scheduled to apply to large and medium-sized businesses as defined by the Companies Act.

The government will also carry out a further review of the enhanced CEST tool designed to assist businesses in checking employment status and public sector bodies' experience of applying the rules since 2017.

CHANGES TO DISGUISED REMUNERATION LOAN CHARGE

The independent loan charge review, conducted by Sir Amyas Morse, was published on 20 December, having been delayed due to the general election. The loan charge was introduced to collect tax from individuals who had benefited from schemes devised to avoid PAYE and national insurance. The date that the loan was made to the individual is critical in determining whether the loan charge will apply.

The major change, which will be legislated in the next Finance Act, is that taxpayers who took loans before 9 December 2010 will not now be subject to the loan charge. This was the day when draft legislation was published, alongside a ministerial statement, to make it clear that disguised remuneration arrangements, including loans, would be specifically taxed as earned income. The current legislation, introduced in 2018, applies retrospectively to such loans and will need to be repealed.

Those taxpayers who took loans between 10 December 2010 and 5 April 2016 and who fully disclosed the use of the loan scheme will not be subject to the loan charge if, and only if, HMRC failed to take action because of disclosure.

Loans taken out on or after 6 April 2016 and which were still outstanding on 5 April 2019, remain within the loan charge. Such taxpayers can now elect to spread the tax charge over three tax years from 2018/19 to 2020/21.

POSSIBLE U-TURN ON PENSIONS FOR HIGH EARNERS?

There have been many stories in the press about GPs and senior hospital doctors refusing to take on extra shifts and additional responsibilities due to the additional tax they are required to pay on the extra pension contributions paid by the NHS. A number of solutions have been put forward. There are now strong rumours that the tapering of the annual pension allowance for those with income over £150,000 may be abolished or amended for all taxpayers, not just those working in the NHS.

Listen out for a possible announcement in the Spring Budget, together with other changes to pension tax relief.

CHANGES TO PAYING CGT ON RESIDENTIAL PROPERTY FROM 6 APRIL

From 6 April 2020 there is a major change in the reporting and payment of CGT on residential property disposals. From that date, it will be necessary to report the disposal of the property within 30 days of completion of the disposal and pay CGT on account to HMRC.

This will be a significant acceleration of the payment date as CGT is currently payable with income tax on 31 January following the end of the tax year. Hence, where completion of a property disposal takes place on 1 April 2020 CGT will be due 31 January 2021. If however completion were delayed to 1 May 2020, CGT would need to be paid on 31 May 2020.

Note that the new 30 day reporting and payment obligation will not apply where no tax is payable such as the disposal of the taxpayers private residence.

ANOTHER REASON TO SELL PROPERTY BEFORE 6 APRIL 2020

If the draft legislation issued for consultation last year is enacted in the next Finance Act there will be important changes to private residence relief for disposals after 5 April 2020.

Firstly, the exemption for the final period of ownership will be reduced from 18 months to 9 months. This applies where a former main residence is disposed of and is intended to give relief where the owner has moved to another main residence until the former residence is sold i.e. “bridging”. Note that for many years this additional allowance was 36 months that led to a tax planning strategy referred to as “second home flipping” which HMRC are seeking to counteract.

The second change will be the abolition of letting relief except for situations where the taxpayer lives with the tenant. This generous relief currently provides an exemption of up to £40,000 per owner where the former main residence is rented out.

As a result of these two proposed changes you might want to consider disposing of a property before 6 April 2020 if you were planning to take advantage of these CGT reliefs.

WILL INHERITANCE TAX BE SIMPLIFIED?

Another announcement to listen out for in the Spring Budget is whether the Chancellor acts on the recommendations of the Office of Tax Simplification (OTS) regarding inheritance tax (IHT). As reported in an earlier newsletter, the OTS suggested simplifying IHT on lifetime gifts including reducing the period of potential exemption from 7 to 5 years. Such a change would mean that the donor would only be required to survive for 5 years following a gift for the transfer to be exempt from IHT.

The OTS also suggested that the conditions for Business Property Relief might be tightened up by aligning the rules with the definition of a trading company for CGT. This relief currently provides 100% relief on the transfer of shares in an unquoted company.

The suggested change would mean that more transfers of shares would potentially be liable to IHT and may require a careful review of your plans if you are looking to pass on your business.

DON’T BE LATE IN PAYING YOUR PERSONAL TAX BILL

Individual’s 2018/19 income tax, CGT, class 2 and 4 NIC liabilities should have been paid by 31 January 2020.

Note that if the balance is still unpaid at the end of February 2020 a 5% surcharge penalty is added in addition to the normal interest charge unless a time to pay arrangement has been agreed with HMRC.

DIARY OF MAIN TAX EVENTS 2020

FEBRUARY/ MARCH

Date	What’s Due
1/02	Corporation tax payment for year to 30/4/19 (unless quarterly instalments apply)
19/02	PAYE & NIC deductions, and CIS return and tax, for month to 5/02/20 (due 22/02 if you pay electronically)
1/03	Corporation tax payment for year to 31/5/19 (unless quarterly instalments apply)
2/03	5% penalty imposed on 2018/19 income tax, CGT, class 2 and 4 NIC still unpaid at this date
19/03	PAYE & NIC deductions, and CIS return and tax, for month to 5/03/20 (due 22/03 if you pay electronically)