

Recent Tax Developments

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Today's speakers



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Coronavirus Job Retention Scheme

- The scheme until 30 June:
 - Employers can claim a grant equal to the lower of
 - 80% of monthly reference salary; or
 - £2,500 per month
 - PLUS associated employer's NICs
 - PLUS associated minimum employer's pension contributions
- To 31 May 2020:
 - 8.7m workers; 1.1m employers; total cost of £17.5bn

Coronavirus Job Retention Scheme

- The scheme will change from 1 July onwards:

Month	Furlough grant	Payment due from employer	Liability for employer's NICs and pensions
Up to July 2020	Lower of £2,500 or 80% of earnings	None	HMRC
August	Lower of £2,500 or 80% of earnings	None	Employer
September	Lower of £2,187.50 or 70% of earnings	Lower of £312.50 or 10% of earnings	Employer
October	Lower of £1,875 or 60% of earnings	Lower of £625 or 20% of earnings	Employer
November	The Scheme will end on 31 October 2020 so no further furlough grants can be claimed		

Coronavirus Job Retention Scheme

		HMRC	Employer
To 31 July 2020	Salary	2,500.00	0.00
	E'er NICs	243.94	0.00
	Pension	59.40	0.00
		<hr/> 2,803.34	<hr/> 0.00
		<i>100.0%</i>	<i>0.0%</i>

		HMRC	Employer
September 2020	Salary	2,187.50	312.50
	E'er NICs	0.00	243.94
	Pension	0.00	59.40
		<hr/> 2,187.50	<hr/> 615.84
		<i>78.0%</i>	<i>22.0%</i>

		HMRC	Employer
August 2020	Salary	2,500.00	0.00
	E'er NICs	0.00	243.94
	Pension	0.00	59.40
		<hr/> 2,500.00	<hr/> 303.34
		<i>89.2%</i>	<i>10.8%</i>

		HMRC	Employer
October 2020	Salary	1,875.00	625.00
	E'er NICs	0.00	243.94
	Pension	0.00	59.40
		<hr/> 1,875.00	<hr/> 928.34
		<i>66.9%</i>	<i>33.1%</i>

Coronavirus Job Retention Scheme

- From 1 July 2020:
 - Flexible (part-time) furloughing will be possible
 - No new entrants – employers can only furlough employees who have been furloughed for a full three-week period prior to 30 June
 - Minimum claim period reduces from 3 weeks to 1 week
 - Further guidance expected on 12 June

Self-Employed Income Support Scheme

- 1 March 2020 – 31 May 2020
 - Grant of 80% of average trading profits, capped at £7,500 in total
- 1 June 2020 – 31 August 2020
 - Grant of 70% of average trading profits, capped at £6,570 in total
- Not available for those with trading profits exceeding £50,000, or those who began trading after 5 April 2019
- Does not cover individuals who run a business through a limited company and receive dividends

Coronavirus Support Payments

- Draft legislation on taxation of Coronavirus Support Payments has been published
- CJRS and SEISS grants will be taxable when received
- If HMRC discovers a grant was not due, they will raise an income tax assessment to claw the grant back
- Businesses must notify HMRC within 30 days if they have incorrectly claimed a support payment, or if they subsequently cease to be entitled to a support payment
- Failure to notify HMRC will result in penalties of 50% - 100% of the payment
- Members of partnership/LLP jointly and severally liable for grant and penalty
- Directors of companies may become jointly and severally liable with the company for grant under certain circumstances

- Incremental costs
 - Employers can reimburse costs, or £6 per week, to employees working from home without tax implications
 - Employees can claim tax deductions for costs not reimbursed when they are required to work from home
- Office equipment
 - Employers can make office equipment available without tax implications
 - Employers can reimburse for the acquisition of office equipment without tax implications between 16 March 2020 and 5 April 2021

- A non-UK incorporated company is tax resident in the UK if its 'central management and control' is located in the UK
- Central management and control is typically exercised by directors in board meetings
- **HMRC:** "We do not consider that a company will necessarily become resident in the UK because a few board meetings are held here, or because some decisions are taken in the UK over a short period of time.
- **OECD:** "A temporary change in location of the chief executive officers and other senior executives is an extraordinary and temporary situation due to the COVID-19 crisis and such change of location should not trigger a change in residency, especially once the tiebreaker rule contained in tax treaties is applied."

- A business will have a Permanent Establishment in the UK if part of the business is carried on through a fixed place of business in the UK, or if an agent acting on behalf of the company has and habitually exercises authority to carry out the company's business in the UK
- **HMRC:**
 - A non-resident company will not have a UK fixed place of business after a short period of time as a degree of permanence is required
 - It is a matter of fact and degree as to whether the habitual condition is met
- Consistent with OECD Guidance

- The UK Statutory Residence Test allows for up to 60 days spent in the UK to be ignored when counting days of presence in the UK in a tax year, if the individual is in the UK as a result of ‘exceptional circumstances’.
- What are exceptional circumstances? **HMRC:**
 - The individual is quarantined or advised by a health professional or public health guidance to self-isolate in the UK as a result of the virus.
 - The individual has been advised by official government advice not to travel from the UK as a result of the virus.
 - The individual is unable to leave the UK as a result of the closure of international borders.
 - The individual has been asked by their employer to return to the UK temporarily as a result of the virus.

What has been delayed?

- Off-payroll working rules for the private sector
 - Medium/large private sector ‘clients’ responsible for determining status of those providing personal service (‘workers’) through intermediaries
 - If workers are acting as employees of the client, the party paying the intermediary will be required to withhold PAYE and NICs from payments made
 - Delayed until 6 April 2021
- Making Tax Digital for VAT
 - Digital links between parts of “functional compatible software” will only be mandatory from the VAT period starting on or after 1 April 2021

What has not (yet) changed?

- Tax filing and reporting deadlines generally (note that Forms P11Ds and employment related securities returns are due by 6 July)
- Principle Private Residence Relief – final period exemption reduced from 18 months to 9 months for disposals on or after 6 April 2020
- HMRC to get secondary preferential creditor status in liquidation for certain tax debts from 1 December 2020
- Loss carry-back rules

What might businesses do?

- Waiving remuneration
 - If employee and employer agree to reduction in remuneration before the income is due to be paid, not tax or NICs will arise
- Cost effective remuneration of employees:
 - Tax free benefits
 - Salary sacrifice arrangements
 - Still effective for pension contributions, cycle-to-work, and others
 - Share Schemes
 - Private company valuations may have fallen in recent months
 - Watch EMI and furloughing

What might businesses do?

- Delay VAT payments
- Delay July income tax payments on account
- Consider time to pay arrangements
- Claim VAT bad debt relief
- Claim R&D tax relief
- <https://mooreks.co.uk/corona-virus/>
- Remember that tax rates may increase in the future!

Disclaimer

This presentation covers topics only in general terms and is intended to give a wide audience an outline understanding of issues in tax. It therefore cannot be relied on to cover specific situations; applications of the principles set out will depend on the particular circumstances involved. Furthermore, responses given in the presentation to questions are based on only an outline understanding of the facts and circumstances of the cases and therefore do not form an appropriate substitute for considered specific advice tailored to your circumstances. We recommend that you obtain professional advice before acting or refraining from acting based on any of its contents. We would be pleased to advise you on the application of the principles outlined in this presentation to your specific circumstances, but in the absence of such specific advice cannot be responsible or liable.

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