



Newsletter: July 2020

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Payroll

On 12 June 2020, the government announced changes to the **Coronavirus Job Retention Scheme** (CJRS) as it enters its second phase from 1 July 2020.

The final date for claiming phase 1 is 31 July 2020.

The main points of phase 2 are:

- the scheme will end completely on 31 October 2020
- from 1 July 2020, workers will be able to come back and work part-time. They are entitled to full wages for the time they work and 80% wages for the rest of the time
- phase 2 is only available for workers who were furloughed before 1 July 2020
- there is no minimum furlough period. (The minimum was 21 days under phase

1)

- each claim made by an employer must be for a week or more
- no claim period may span the end of a calendar month. This is because the rules change for each month.

Records must be kept of the number of *hours* worked by each furloughed (or partly furloughed) worker.

As before, the worker is paid through the payroll. Both furloughed pay and normal pay are subject to PAYE and national insurance. The employer make a separate claim under CJRS.

For July 2020, the maximum that may be claimed is 80% of normal salary or £2,500. This is the same as for the first phase. It restricts the amount that may be paid for workers who earn more than £37,500 a year. The July provisions broadly follow those for phase 1.

For August 2020, the employer is no longer able to claim for employer's national insurance or compulsory pension contribution. This applies regardless of whether the employee is furloughed. This introduces a cost to the employer.

For September 2020, the 80% is reduced to 70%. The maximum claimable for a single employee is £2,187.50 (which is 70/80 of £2,500).

For October 2020, the 70% is further reduced to 60%. The maximum claimable for a single employee is £1,875 (60/80 x £2,500).

On 15 June 2020, the government said that **Coronavirus Job Retention Scheme** was being used to furlough almost 9 million workers for 1 million employers.

There have been 2.6 million claims for self-employment income support scheme (SEISS) totalling £7.5 billion.

One third of workers will prefer to do some **work from home** once the pandemic is over, according to investment bank Jeffries. It conducted a survey of 1,500 workers and published its results in June 2020.

The survey found that 65% of workers would like to return to work as soon as possible, but 35% would prefer to work three or four days a week from home.

On 12 June 2020, HMRC provided guidance on the tax treatment of furloughed workers, particularly with regard to **expenses**.

There are no tax implications when an employer lends equipment to an employee to enable them to work from home, provided the equipment is returned to the employer and there has been no transfer of ownership.

If the employer does transfer ownership, this is an employee benefit. This will usually be taxed according to the asset's market value at the time of the transfer, less any amount contributed by the employee.

A period of work from home or on furlough counts as continuous employment. The full guidance can be downloaded from https://www.gov.uk/guidance/check-which-expenses-are-taxable-if-your-employee-works-from-home-due-to-coronavirus-covid-19?utm_source=055d7327-38c3-4c2f-ac9d-b7c1657c05fe&utm_medium=email&utm_campaign=govuk-notifications&utm_content=immediate#taxable-benefit-charge---returning-office-equipment.

HMRC has said that there is no tax consequence of a **salary sacrifice scheme** taxed under the optional remuneration arrangement (OpRA) rules, when the change arises because of coronavirus.

OpRA rules were introduced in 2017 and had the broad effect of withdrawing the tax and national insurance benefits of salary sacrifice schemes. These replaced salary with a benefit that was either taxed less or not taxed at all. Where a benefit had first been provided before 6 April 2017, transitional provisions allow the tax provisions to continue until 6 April 2021 unless there is a change, renewal or modification. HMRC has said that such a change will not end the transitional provisions if it arose for reasons outside the control of the employer or employee.

Some towns have more than one third of employees **furloughed**, according to an article in *The Guardian* on 11 June 2020.

The highest known figure is 33.7% for Crawley in Sussex, near Gatwick Airport. The lowest is Cambridge with 17.4%. Other university towns also reported low figures.

By region, the worst affected is London. The worst affected constituency is Tottenham in London.

Military **reservists** returning to civilian work may access government support schemes, the government confirmed on 15 June 2020. A reservist is a person in civilian work who has military training and can be called up when required for military work. This includes work in dealing with the pandemic, particularly in logistics. A reservist has the statutory right to return to work when his or her military duty is complete. The reservist's employer may claim compensation from the government.

A reservist who returns may be furloughed under Coronavirus Job Retention Scheme. If the reservist is self-employed, he or she may claim self-employment income support scheme.

More than 90% of shopworkers oppose relaxing **Sunday trading laws**, according to shopworkers trade union USDAW in a survey in June 2020. The government had considered extending the hours as part of an economic boost after the lockdown.

USDAW points out that shops can already open for 150 of the 168 hours in a week.

Business tax

Non-resident corporate landlords have now generally been contacted by HMRC giving them a new Unique Taxpayer Reference (UTR) for corporation tax. This replaces the UTR for paying income tax before April 2020.

If a taxpayer or agent has not received the new UTR and must pay corporation tax before 30 June 2020, they should send HMRC a new agent form 64-8 with a covering letter to HMR Charities, Savings and International 1, BX9 1AU.

Horse breeders may be obliged to write down the value of horses because of the postponement of the 2020 Tokyo Olympic Games.

A horse is valued, as for all forms of inventory, as lower of net cost and realisable value. The cost of a horse for racing, jumping and similar events can be high. The market price of such a horse can also be high, particularly before a major event such as the Olympic Games. The cancellation of the Games, with losses of income from a lack of races and teaching. Horse breeders should revalue their stock and consider whether to make a loss claim.

Personal tax

A **diver** was resident in another country (South Africa). Under a double taxation treaty, his UK income was only subject to UK income tax if it was employment income. The diver could not rely on this statutory fiction to argue that his income was from self-employment and was not subject to UK tax. The Supreme Court so held on 20 May 2020.

The diver did some work in 2011/12 and 2012/13 tax years on the UK continental shelf. Under the terms of the treaty, the position would appear to be simple: an employee is taxed in the UK and a self-employed worker in South Africa.

The Court held that terms in the treaty were to be given their ordinary meanings. On this basis, the diver was an employee. The treaty existed to adjust the basis of UK tax in respect of a tax liability that may arise in South Africa.

Fowler v HMRC [2020] SC. The Times 2 June 2020

The earnings limit for **childcare payments** has been increased for coronavirus care workers from £100,000 to £150,000

Childcare payments were introduced under Childcare Payments Act 2014. Under the scheme the government generally contributes £2 for every £8 paid by the parents to an annual maximum of £2,000 per child. The scheme was originally called tax-free childcare.

One of the conditions is that the claimant does not earn more than £100,000 a year.

The change increases this to £150,000 for a critical worker, provided that the earnings above £100,000 are attributed to coronavirus work and that, without such work, their earnings would not exceed £100,000.

A critical worker has the same definition as someone who can send their children to school during the lockdown.

The increased limit applies for the 2020/21 tax year only.

The Childcare Payments (Coronavirus and Miscellaneous Amendments) Regulations SI 2020 No 656

The temporary provision that allows the charge for **carrier bags in Wales** to be temporarily waived for the delivery of groceries has been extended from 8 July 2020 to 31 December 2020.
The Single Use Carrier Bags Charge (Wales) (Amendment) (No 2) Regulations SI 2020 No 593

Valued added tax

The statutory instrument for the 5% hospitality rate adds new groups to the schedule of reduced rate supplies in Value Added Tax Act 1994 Sch 7A:

- group 14: course of catering
- group 15: holiday accommodation etc
- group 16: shows and certain other attractions.

The exact wording is:

“GROUP 14 - COURSE OF CATERING

Item No 1 Supplies in the course of catering of—

- (a) any food or drink for consumption on the premises on which it is supplied, or
 - (b) any hot food or hot drink for consumption off those premises, except supplies of alcoholic beverages.
- NOTES (1) Note (3A) to Group 1 (Food) of Schedule 8 applies in relation to this Group as it applies in relation to Note (3) in that Group.
- (2) Notes (3B) to (3D) to Group 1 (Food) of Schedule 8(a) apply in relation to this Group as they apply in relation to that Group. (3) “Alcoholic beverage” means a beverage within Item 3 in the list of excepted items in Group 1 of Schedule 8.

GROUP 15 - HOLIDAY ACCOMMODATION ETC

Item No 1 Any supply which, because it falls within paragraph (d), (e) so far as the supply consists of the grant of a licence to occupy holiday accommodation(b), (f) or (g) of Item 1 in Group 1 (Land) of Schedule 9(c), is not an exempt supply by virtue of that Item.

GROUP 16 - SHOWS AND CERTAIN OTHER ATTRACTIONS

Item No 1 Supplies of a right of admission to shows, theatres, circuses, fairs, amusement parks, concerts, museums, zoos, cinemas and exhibitions and similar cultural events and facilities but excluding any supplies that are exempt supplies by virtue of Items 1 or 2 in Group 13 of Schedule 9(d).

The Value Added Tax (Reduced Rate) (Hospitality and Tourism) (Coronavirus) Order SI 2020 No 728

The **flat rates** for supplies within the scope of the hospitality rate have been amended.

The flat rate scheme allows smaller traders to use an alternative method of determining VAT payments to HMRC. They charge VAT in the normal way to their customers. In making payment to HMRC, a trader may choose to use the flat rate scheme instead of the usual method of output tax minus input tax. Under the flat rate scheme, a percentage is applied to sales (including VAT). The percentage is taken from a table according to the trader’s business. Use of the flat rate scheme is optional. It can often result in the trader paying less VAT than the

usual method. The trader can keep this profit, but it is subject to corporation tax or income tax as trading income.

The flat rates are reduced thus:

- catering services including restaurants and takeaways: from 12.5% to 4.5%
- hotel or accommodation: from 10.5% to 0%
- pubs: from 6.5% to 1%.

These rates apply for supplies between 15 July 2020 and 12 January 2021.

The Value Added Tax (Reduced Rate) (Hospitality and Tourism) (Coronavirus) Order SI 2020 No 728 (para 6).

On 11 June 2012, HMRC outlined its recommended partial exemption for businesses that supply goods under **hire purchase**. This follows a Court of Justice of the European Union decision of *Volkswagen Financial Services (UK) Ltd C-153/17*.

HMRC's position is set out in Brief 2020/8 which can be downloaded from <https://www.gov.uk/government/publications/revenue-and-customs-brief-8-2020-change-to-partial-exemption-vat-treatment/revenue-and-customs-brief-8-2020-change-to-partial-exemption-vat-treatment>.

A **pregnancy scan** was an exempt supply for VAT as it was a supply of a medical service.

The company's scans were all provided by registered radiographers. The issue was whether these services were "medical care". In other words, was the scan to diagnose, monitor, treat or prevent illness?

The first tier tribunal found that the principal purpose of the scans was to diagnose any medical conditions such as whether the pregnancy was ectopic.

The tribunal did not accept HMRC's view that the service was baby bonding or to obtain foetal photographs.

The tribunal's decision was fact-specific, so this does not necessarily mean that all pregnancy scans are exempt.

The case report can be downloaded from

<http://financeandtax.decisions.tribunals.gov.uk/judgmentfiles/j11645/TC07687.pdf>.

Window to the Womb (Franchise) Ltd [2020] TC 7687

Where a **mobile phone** company offered two alternative payment plans, these were to be regarded as a separate schemes. One was not to be regarded a prompt discount payment for the other.

Virgin Media offered customers a broadband package for £13.90 a month of £120 a year payable in advance.

It had been argued that the £120 was a discounted form of the monthly scheme. The upper tier tribunal has now ruled that it was not.

National insurance

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Inheritance tax

The coronavirus has resulted in many informal **financial transactions**, particularly between family members.

It is important to establish whether financial help is in the form of a gift or a loan. They each have implications for inheritance tax.

A loan is only deductible from a person's taxable estate if it was for value. This means that the deceased must have received something for the loan. The law is Inheritance Tax Act 1984 1985 s5(5). Informal debts, such as a promise to make it a gift, are unlikely to reduce the estate. Even for informal family relationships, some paperwork should be generated.

Stamp duties

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Other taxes

The government has said that **border controls of goods** will be introduced in three stages from 2021 when the EU transition period ends.

From 1 January 2021, Traders importing standard goods, covering everything from clothes to electronics, will need to prepare for basic customs requirements, such as keeping sufficient records of imported goods, and will have up to six months to complete customs declarations. While tariffs will need to be paid on all imports, payments can be deferred until the customs declaration has been made. There will be checks on controlled goods like alcohol and tobacco. Businesses will also need to consider how they account for VAT on imported goods. There will also be physical checks at the point of destination or other approved premises on all high risk live animals and plants.

From April 2021: All products of animal origin (POAO) – for example meat, pet food, honey, milk or egg products – and all regulated plants and plant products will also require pre-notification and the relevant health documentation.

From July 2021: Traders moving all goods will have to make declarations at the point of importation and pay relevant tariffs. Full Safety and Security declarations will be required, while for SPS commodities there will be an increase in physical checks and the taking of samples: checks for animals, plants and their products will now take place at GB Border Control Posts.

The government has said that it will take a flexible approach to **border checks** on goods from the EU from 1 January 2021 when the transition period should have ended. The government has again ruled out extending the transitional period, even though talks on a new trade deal with the EU are not going well.

The flexible period will last for six months. The EU has said that it will not reciprocate. UK exports will be treated as non-EU imports.

The European Commission's alteration of the **Customs Nomenclature** for heat treatment products was invalid. The Court of Justice of the European Union so ruled on 26 March 2020.

The products were heat therapy products designed to relieve pain by generating heat. Commission Implementing Regulation 2016/1149 reclassified these products so that they became liable for customs duty.

The products were classified as “active medical devices”. The World Health Organisation had confirmed their therapeutic benefit.

The products were classified under category 3005 which covers “wadding, gauze, bandages and similar articles (for example dressings, adhesive plasters, poultices), impregnated or coated with pharmaceutical substances or put up in forms or packings for retail sale as medical, surgical, dental or veterinary purposes”. This category attracts no customs duty.

The Commission changed their category to 3824, “chemical products and preparations... not elsewhere specified or included”. This attracts 6.5% duty. HMRC implemented this change. The Court held that the reclassification was an alteration to the scope of the categories. *Pfizer Consumer Healthcare Ltd v HMRC [2020] CJEU. Case C-182/19. The Times 4 June 2020.*

On 17 June 2020, the USA said it was suspending discussions with the UK and European countries on an **international technology tax** to prevent tech companies avoiding taxes. Steve Mnuchin, US Treasury secretary said on 17 June 2020 that punitive measures would be applied to countries that introduced their own tech taxes. The UK introduced the digital services tax from April 2020, but has said that it will repeal it if agreement is reached internationally.

In June 2020, 84% of business leaders believe that **business rates** should be replaced by an online sales tax, according to a survey by accountants BDO. Business rates account for £30 billion of business expenditure.

Website deliveries should be subject to a “mandatory charge” according to scientific advisers at the Department of Transport. This would cut congestion and emissions.

The charge would be similar to the 5p carrier bag charge.

Tax administration

The government promised a **mini-budget** in July 2020 to help stimulate the economy as the country emerges from lockdown. It has been suggested that this will include cuts in VAT and employer’s national insurance.

From 1 November 2020, HMRC will make a charge when tax is paid by a **debit card** or business credit card.

The fee has not been specified but will cover the three charges made by the card companies to HMRC, namely the merchant acquirer fee, interchange fee and scheme fee.

A charge was introduced in 2016 when tax is paid using a personal credit card. Those charges are now replaced by the new charge.

There remains no charge when tax is paid by direct debit, online bank transfer or cheque.

The Fees for Payment of Taxes etc by Card Regulations SI 2020 No 657

A taxpayer was partially successful in arguing reasonable excuse because of “**brain fog**”. He was appealing against penalties for late filing of two income tax returns.

The taxpayer suffered from chronic fatigue syndrome and depression. This led to “brain fog” where he was unable to concentrate. For long periods, he was unable to get out of bed.

On the facts of the case, the tribunal found the taxpayer had reasonable excuse for one late filing but not the other.

HMRC argued that the fact that he continued to run his business (albeit with help and with the intention of selling up because of his illness), meant that he could discharge all his responsibilities, including filing tax returns. The tribunal said “the fact that he was able to perform certain tasks such as making telephone calls does not mean he was able to deal with more complex matters”.

The case report can be downloaded from

<http://financeandtax.decisions.tribunals.gov.uk/judgmentfiles/j11658/TC07700.pdf>

Banks [2020] TC7700

A case sets out what documents a **tax adviser** can be required to provide under a data-holder notice or information notice.

An adviser cannot generally be required to produce documents that give tax advice to a client, but can be required to produce documents about the adviser’s own income.

On the facts of the case, the notices were upheld but the penalties were set aside.

The case report can be downloaded from

<http://financeandtax.decisions.tribunals.gov.uk/judgmentfiles/j11659/TC07701.pdf>

Qubic Tax Ltd [2020] TC7701

A woman bringing a £12 million **divorce action** could also be bringing a tax prosecution for herself and her husband, a judge warned in June 2020.

Caroline Crowther is in dispute with her husband Paul Crowther, a shipping tycoon.

Caroline claims that an £8.5 million fleet of boats owned by her husband’s offshore companies were assets of the marriage. The judge warned that if she proved her case, both she and her husband could be prosecuted for criminal conspiracy to evade tax.

The Seasteading Institute of San Francisco is considering building a tax haven in the sea outside the jurisdiction of all tax authorities. Some smaller ones are already under construction.

The latest idea would provide living pods for about £155,000. They would be powered by solar energy and natural gas, with rooms above and below the surface.

Wealthy individuals already use ocean-going yachts to ensure they are out of countries for the required number of days. An alternative is to buy one of the 165 rooms on *The World*, a luxury cruiser almost constantly in international waters.

For UK residents, they would have to live more than 12 miles from the coast, and either spend fewer than 16 days in the UK, or otherwise meet the requirements of the statutory residence test

United Nations does not recognise sovereignty for man-made structures.

Tax reliefs should be monitored more closely to ensure the government knows how much they cost and whether they still represent value for money. So said the Public Accounts Committee (PAC) of MPs.

The ten most costly reliefs were worth £117 billion a year but only four seem to have the desired effect on economic behaviour.

Pension reliefs cost £38 billion in 2018/19, but there has been no assessment of whether they encourage savings or reduce dependence on state benefits.

On 29 June 2020, the Scottish government outline its blueprint for **economic recovery**.

It believes that a UK-wide £80 billion stimulus package should be created. Its elements would be:

- reducing VAT on tourism and hospitality to 5%
- a 2p cut in the 13.8% rate of employer's national insurance.

It also includes spending proposals.

HMRC has said that introducing **Making Tax Digital** (MTD) has already generated an additional £223 million in revenue, even though it has not been fully introduced. HMRC believes the amount of additional revenue will double next year. This information was published in *Civil Service World* on 10 June 2020.

Pensions

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Welfare

Tax credit claimants are reminded that changes in circumstances or income must be notified to HMRC by 31 July 2020.

In 2020, HMRC has automatically renewed most claims for **tax credits**. This applies to about 3.9 million claimants.

There are about 150,000 claimants regarded as high risk who must renew. They will be sent a renewal pack by HMRC.

For means-tested social security benefits, some payments have been added to those that may be disregarded as capital or income in determining the amount of benefit payable.

The new disregards are:

- compensation payments in respect of the Grenfell Tower fire of 14 June 2017
- compensatory payments in respect of employment and support allowance
- all but 30% of postgraduate student loans.

The changes are made from 15 July 2020.

The Social Security (Income and Capital) (Miscellaneous Amendments) Regulations SI 2020 No 618

A technical change has been made to the condition for the **benefit cap** not to apply to some claimants of universal credit.

One of the conditions that the claimant received the national minimum wage (NMW) if their employment was paid at the rate then in force. This ensures that claimants have a record of sustained employment when the NMW has subsequently increased.

The regulations also give a new right to require landlords to provide evidence of a claimant's changed circumstances.

The Universal Credit (Miscellaneous Amendments) Regulations SI 2020 No 611

On 16 June 2020, the Scottish government announced that **free school meals** would continue for 175,000 children during summer. This is an increase in 53,000 since the start of the lockdown. The Scottish government is providing £27.6 million to fund this.

On 16 June 2020, the Scottish government announced £230 million spending in a **Return to Work** package.

The government announced in June 2020 an additional £37.8 million for **debt advice charities**. It is believed that personal debt could rise by £6 billion because of the coronavirus pandemic, and despite various forms of government support. The £6 billion debt mountain, including arrears, has been accumulated by 4.6 million people. Worst affected are those with incomes below £30,000 a year.

On 3 June 2020, the Scottish government announced that many **carers** will receive an extra one-off payment of £230.10 as a coronavirus carer's allowance supplement. Claimants must have been receiving carer's allowance on 13 April 2020 to qualify.

The 29,000 young carers in Scotland will receive an annual grant of £305 a year (£5.86 a week) it was announced on 7 June 2020.

On 26 June 2020, the government said it was providing another £22 million to 540 charities that deal with **sexual violence** and domestic abuse.

Accounting

The Financial Reporting Council (FRC) published guidance on 9 June 2020 in respect of annual **general meetings** and other general meetings of companies.

New provisions are contained in the Corporate Insolvency and Governance Bill introduced by the government on 20 May 2020. The legislation has retrospective effect to 26 March 2020.

Assuming that the Bill becomes law, and there is no reason why it should not, votes taken under the new provisions will be binding even if taken before the legislation is passed.

The Bill contains provisions to allow a company to override any provision in its own articles of association requiring a physical AGM. Companies are advised to review their articles. Adjourned AGMs must be held by 30 September 2020 when these temporary provisions expire. The government does have the power to extend this deadline.

The government acknowledges that these provisions impinge on the rights of shareholders and the accountability of directors. The government therefore asks companies to find other ways to address any shareholder issues.

Business Finance

On 17 June 2020, the Supreme Court upheld decisions in lower courts that **credit card fees** charged to retailers breach competition law. Such fees breach both UK and EU law.

Retailers can now proceed to a hearing for compensation from Visa and MasterCard unless an agreement is reached between them.

The German payment processor **Wirecard** has become insolvent after reporting that €1.9 billion of funds was missing. The funds are suspected never to have existed. The company admitted the shortfall on 22 June 2020. The banks where these funds were supposedly held deny their existence.

The company's shares lost 85.6% of their value on 18 June 2020 when auditors EY refused to sign off the accounts. EY subsequently said that there were "clear indications that this was an elaborate and sophisticated fraud, involving multiple parties around the world in different institutions with a deliberate aim of deception".

On 25 June 2020, the company filed for insolvency, owing €3.5 billion (about £3.16 billion), making it one of Europe's biggest corporate failures. The company was worth €24 billion in 2018.

A criminal investigation has been launched in Germany. Chief executive officer Markus Braun has been arrested, and subsequently bailed. An arrest warrant has been issued for the company's finance director who was sacked on 22 June 2020.

The UK division, which was widely used in the financial technology sector, is being scrutinised. On 26 2020, the Financial Conduct Authority froze the assets of Wirecard Card Solutions Ltd.

Many large retailers have withheld **rent** due on Midsummer Day, 24 June 2020, one of the quarter days. The retailers include William Hill, J D Sports, Primark, Boots and Stonegate Pubs. Many other retailers have reach an agreement with landlords. Pret A Manger is paid 30% of its June rent.

Under current rules, landlords cannot evict commercial tenants nor issue a statutory demand before the end of September 2020.

There is expected to be a boom in **insolvency work** in autumn 2020. That is when the temporary suspension of statutory demands and winding-up petitions ends. It is also when various forms of government support end.

A survey by R3 found that 93.7% of insolvency practitioners expect a higher than normal level of insolvency in the next 12 months.

Many retailers have not paid their rent for the first two quarters of 2020. Those rents have not been written off, but simply deferred.

Pension fund deficits of FT-SE 100 companies have increased by £45 billion to £210 billion in the first six months of 2020. In March 2020, the deficit was £228 billion. This has been attributed to adverse performance of shares because of the lockdown.

The UK will have a V-shaped **recovery** from the lockdown, according to the Bank of England's chief economist Andy Haldane on 30 June 2020.

A V-shaped recovery means that the economy recovers as quickly as it fell. This rebound means that the coronavirus recession was likely to be less than half as bad as the Bank had expected in May 2020.

Analysis of payments, traffic flow, energy use and other business data suggested that the economy was already two months into recovery.

On 8 June 2020, the Scottish government announced that its **Small Business Grant Fund** was being extended to help small businesses that share premises but do not pay business rates. Such businesses are able to apply for a local authority grant of up to £10,000.

Personal Finance

Self-employed people may qualify for a second **self-employment income support** scheme (SEISS) grant if they are adversely affected by coronavirus from 14 July 2020.

The second payment is calculated at 70% of the taxpayer's annual profits for three months. The maximum payment is £2,190. (The payment was 80% for the first payment.)

The term "adversely affected" has not been defined. HMRC suggests that it means that the business must either have stopped trading temporarily or the trading has been scaled back.

Either of these can arise from one or more of these three causes:

- the supply chain has been interrupted
- there are fewer or no customers or clients
- staff were unable to work.

Other reasons are possible, such as increased costs from cleaning premises, and providing personal protective equipment for staff.

A business could also be adversely affected if the owner cannot work because he or she is shielded, self-isolating, on sick leave for coronavirus, or has care responsibilities because of coronavirus.

Whatever the reasons, the self-employed must keep records, indicating the reason for the adversity and the dates when it applied.

A self-employed person may continue working, unlike the Coronavirus Job Retention Scheme.

The first grant of SEISS must be claimed by 13 July 2020.

A tax agent cannot claim SEISS for a client, though the agent can explain it.

Both SEISS grants are taxable in 2020/21 and must be included in the tax return with the tax payable by 31 July 2022.

Workers subject to construction industry scheme (CIS) may receive the grant. There is no 20% or 30% tax deduction, so the subcontractor receives the whole amount regardless of his or her CIS status.

Children who qualify for **free school meals** will continue to receive the £15 a week supermarket voucher during the school holidays. These had already been issued during lockdown in term time. The government announced this on 16 June 2020 after a campaign led by footballer Marcus Rashford.

Nationwide, the UK's biggest building society, said on 17 June 2020 that it is restricting **mortgages** to those who have a deposit of at least 15%. Its decision is prompted by concerns that the lockdown could reduce house prices and thus increase the likelihood of negative equity. That is when a person owes more on their mortgage than the property is worth. House prices fell 16.6% during the banking crisis of 2008.

Households repaid a record £7.4 billion of **unsecured debt** in April 2020. This was £5 billion from credit card debt and £2.4 billion of personal loans, according to Bank of England figures. Companies have done the opposite, accumulating more debt.

Windrush Compensation Scheme (Expenditure) Act 2020 received Royal Assent on 8 June 2020 and takes immediate effect.

On 3 June 2020, the Scottish government announced that many carers will receive an extra one-off payment of £230.10 as a coronavirus carer's allowance supplement. Claimants must have been receiving carer's allowance on 13 April 2020 to qualify. The 29,000 young carers in Scotland will receive an annual grant of £305 a year (£5.86 a week) it was announced on 7 June 2020.

This provides funding for the Windrush Compensation Scheme established by the Home Office on 3 April 2019. This provides compensation for categories of citizens "in recognition of difficulties arising out of an inability to demonstrate lawful immigration status" (s1(2)).

The Act addresses the scandal of many citizens who arrived in the UK from 1948 and who are legally in the UK. Those citizens have faced problems in securing basic UK rights because they could not prove they were legally in the UK.

The **Help to Buy (Scotland) scheme** was extended on 11 June 2020. The end date has been put back to March 2022.

The scheme was introduced in 2013. It assists people under 35 to buy property with a value up to £220,000. It bridges the gap between lower loan-to-value (LTV) mortgages for new builds and the smaller deposits many households now have.

The cryptocurrency company **Quadriga** has been accused of being a modern Ponzi fraud. A Ponzi fraud is when generous returns are promised on an investment. The first returns are paid, or at least shown on statements. Any payments are made from the investor's own funds or subsequent investors before the scheme operator disappears with the funds.

Gerald Cotten founded Quadriga in Canada and had 76,000 clients who had invested more than £100 million in cryptocurrency. It is believed he died in India in 2018, taking all the

passwords with him. This means that clients' wallets cannot be opened to access the funds in them.

It has been suggested that if they were opened, they would be empty. Cotten's death has also been questioned, with some investors asking for his body to be exhumed. Clients' wallets were held on a laptop which no-one can find, even though his wife has searched.

Lloyds Bank has been fined £64 million for failings related to mortgages between 2011 and 2015.

Banks are required to treat customers fairly, even when they are in financial difficulties. The Financial Conduct Authority found that the Bank did not consistently obtain adequate information from mortgage customers in difficulty, with the risk that customers could be treated unfairly.

Also, the amount of payment a call handler could agree was capped. A call handler had to go to someone more senior to accept lower repayments. This led to an inflexible system.

Law

Various **time limits** in Companies Act 2006 have been extended from 14 or 15 days to 42 days.

The six-month filing limit for accounts in s442 has been extended from six months to nine months. The equivalent limit for limited liability partnerships has been extended from nine months to twelve.

These temporary extensions apply from 27 June 2020.

The Companies etc. (Filing Requirements) (Temporary Modifications) Regulations SI 2020 No 645.

The provisions of **Corporate Insolvency and Governance Act 2020** have been extended to co-operative societies and community benefit societies by SI 2020 No 744.

From 29 June 2020 to 30 September 2020, new rules prevent a right of re-entry or forfeiture under a **business tenancy** in respect of non-payment of rent.

The Business Tenancies (Protection from Forfeiture: Relevant Period) (Coronavirus) (England) Regulations SI 2020 No 602.

The Court of Appeal is obliged to follow the Supreme Court's definition of **dishonesty**, even though that definition was given in obiter. (That means the comments did not go to the heart of the issue but were comments more in passing.)

The courts had followed the definition set out in the case *R v Ghosh [1982]*. This applied a two-part test:

- was the conduct dishonest by the standards of reasonable people
- did the defendant appreciate that his conduct was dishonest by those

standards.

In the case *Ivey v Genting Casinos (UK) Ltd t/a Crockfords Club [2018]*, the Supreme Court explained that the law had taken a wrong turn in the *Ghosh* case. The change was that dishonesty was determined by society's standards and not the defendant's state of mind.

The *Ivey* case concerned gamblers who noticed slight discrepancies in the edges of playing cards. This allowed them to identify certain cards. The gamblers had not interfered with the cards nor done anything dishonest. That case can be downloaded from <http://taxtrainingltd.co/?p=16925>.

It was further argued that, as the definition was obiter, it was not binding on the Court of Appeal. It was argued that the Court should continue to use *Ghosh* and allow a further appeal to the Supreme Court where the definition of dishonesty could be argued as a definitive issue.

The Court of Appeal held that the principle of binding precedent (or *stare decisis*) had been modified so that it must follow obiter of the Supreme Court.

R v Barton and another [2020] SC. The Times 16 June 2020

Divorce, Dissolution and Separation Act 2020 has received Royal Assent 2020 and is now law. Its provisions are commenced by statutory instruments.

The main changes are to:

- replace the current requirement to evidence either a conduct or separation fact. Instead a person can state that the marriage has irretrievably broken down. This may be a joint statement
- remove the right to challenge such a statement. The issue of such a statement by one party is itself evidence that the marriage has broken down
- introduce a minimum period of 20 weeks for a conditional order of divorce.

This allows couples to agree practical arrangements where reconciliation is not possible.

Under the new law, either party or both parties, may seek a "divorce order" accompanied by a statement that the marriage has irretrievably broken down. The court must regard the statement as conclusive evidence and make a divorce order.

A divorce order is regarded as conditional for six weeks. The court then asks the applicant if they wish to proceed. If either or both parties say yes, confirmation is given 20 weeks from the start of proceedings. These periods may be varied by statutory instrument.

There are similar changes to judicial separation and ending of civil partnerships.

Amendments have been made to the rules on **tribunals**. The changes allow for greater use of recordings of remote hearings, and for some judicial functions to be transferred to tribunal staff.

The statutory instrument deals with all tribunals. The changes for tax tribunals are given in para 7.

The Tribunal Procedure (Amendment) Rules SI 2020 No 651

Mandatory **MOT tests** resume for cars, motorcycles and vans from 1 August 2020. MOT tests due on or after that date will take place as normal. MOT tests due before 1 August 2020 will automatically be extended by six months.

Consumer Scotland Act 2020, passed by the Scottish Parliament, received Royal Assent on 9 June 2020.

It establishes a body corporate known as Consumer Scotland. In Gaelic this is Luchd-Cleachdaidh Alba).

The Act can be downloaded from

http://www.legislation.gov.uk/asp/2020/11/pdfs/asp_20200011_en.pdf

Same sex marriages and civil partnerships are allowed in Northern Ireland. Protection is provided for churches and religious bodies who do not wish to participate in such ceremonies. *The Marriage and Civil Partnership (Northern Ireland) Regulations SI 2020 No 742*

A new criminal penalty known as a **restitution order** may be made in Scotland for the offence of impeding police or firefighters. The maximum penalty is £1,000.

The same statutory instrument allows for deductions to be made from certain social security benefits and paid to the court or a victim. This applies in England and Wales and Scotland.

The Victims and Witnesses (Scotland) Act 2014 (Consequential Modification) Order SI 2020 No 584

Serving in the armed forces provides no exemption for **deportation** for a criminal offence. The clear wording of Nationality, Immigration and Asylum Act 2002 was not overridden by the Armed Forces Covenant. The Court of Appeal so decided on 7 April 2020.

LE (St Vincent) and the Secretary of State for the Home Department [2020]. CA. The Times 11 June 2020.

According to *The Times* of 15 June 2020, the Ministry of Justice has asked the Law Commission to provide recommendations for reintroducing fees for using the **employment tribunal**.

Fees were introduced in 2013 to discourage use of tribunals and to promote mediation. The fees could be as much as £1,200. Their introduction led to a 70% drop in tribunal cases. In July 2017, the Supreme Court ruled that the fees were unlawful. Those who paid fees had them refunded.

Any reintroduction of fees is unlikely to be before 2022. They would also be set at lower rates

From 22 June 2020, an English local council may fine a motorist £130 for parking in a **cycle lane**.

A person has a reasonable expectation of **privacy** about a police investigation from a prosecuting authority up to the moment that he or she is charged with an offence. The Court of Appeal so decided on 15 May 2020.

ZXC v Bloomberg LP [2020] CA. The Times 30 June 2020

Limited exceptions have been made to the law to allow **sentencing remarks** in Crown Courts in England and Wales to be recorded and broadcast. The new provisions apply from 20 June 2020.

The recording is limited to the judge when sentencing. Other people in court are not filmed, nor are other parts of a hearing.

The person making the recording must be authorised by the Lord Chancellor for that purpose. The copyright in the recording is assigned to the Lord Chancellor on behalf of the Crown.

Recording may only take place with the permission of the judge and subject to any conditions imposed by the judge.

There are conditions on the use of such material.

Some recording in higher courts is already allowed.

Unless permitted, recording a film in court is an offence under Criminal Justice Act 1925 s41, and making a sound recording is an offence under Contempt of Court Act 1981 s9.

The Crown Court (Recording and Broadcasting) Order SI 2020 No 637.

Provisions allowing proceedings in the Court of Appeal to be recorded, subject to conditions, have been amended to allow recordings for appeals on family matters from 20 June 2020.

The Court of Appeal (Recording and Broadcasting) (Amendment) Order SI 2020 No 631.

High court judge, **Robert Jay**, was censured by the Court of Appeal for using offensive language in court. Jay came to national prominence in the 2011/12 Leveson enquiry where he was lead counsel.

In 2017, Jay heard a claim for defamation brought by Jan Serafin against a Polish language magazine. He dismissed his claim.

The Supreme Court said, “on numerous occasions, the judge appears not only to have descended to the arena, cast off the mantle of impartiality and taken up the cudgels of cross-examination, but also to have used language which was threatening, overbearing and frankly bullying”.

The Scottish government introduced a **European Union (Continuity) (Scotland) Bill** on 19 June 2020. This will allow Scotland to keep its law harmonised with EU in those areas of devolved responsibility.

The court’s power to prevent a **solicitor** from acting for a particular client in litigation depended on there having been a fiduciary relationship with the other party, such as when that other party had been a former client. This power was necessary to protect confidential information. The Court of Appeal so ruled on 7 May 2020.

Glencairn IP Holdings Ltd and another v Product Specialists Inc (trading as Final Touch) and another [2020] CA. The Times 18 June 2020.

Payments of **home loss compensation** in England are increased from 1 October 2020. These payments are made when a person is displaced from their home because of a compulsory purchase order (CPO). This payment is in addition to the payment for any property a person is forced to sell under a CPO. A home loss payment is compensation for inconvenience, stress and upset. It may also be possible to claim a disturbance payment to cover the cost of a move.

Home loss compensation is paid under Land Compensation Act 1973, as amended. The payment is a percentage of the market value of the interest subject to maximum and minimum figures.

From 1 October 2020, the maximum figure increases from £64,000 to £65,000. The minimum figure increases from £6,400 to £6,500.

The Home Loss Payments (Prescribed Amounts) (England) Regulations SI 2020 No 739

In Wales, the home loss payments increase from a maximum £59,000 to £62,000; and the minimum from £5,900 to £6,200.

The Home Loss Payments (Prescribed Amounts) (Wales) Regulations SI 2020 No 340.

Many temporary changes are made to the **civil proceedings rules** during the coronavirus lockdown.

The Civil Procedure (Amendment) (No 3) Rules SI 2020 No 747

The Civil Procedure (Amendment) (No 4) Rules SI 2020 No 751

The legal **definitions of metre** and kilogram both changed from 13 June 2020 in accordance with changes in scientific measurement. The changes affect Weights and Measures Act 1985 Sch 1.

A metre is now defined by relation to the frequency of a caesium 133 atom.

A kilogram is now defined by relation to the Planck constant and the caesium 133 atom.

These changes make no practical difference whatsoever.

The Weights and Measures Act 1985 (Definitions of "Metre" and "Kilogram") (Amendment) Order SI 2020 No 586.

Other matters

All **shops** may reopen from Monday, 14 June 2020. Previously only "essential" shops, such as chemists and supermarkets, could open.

Shops must comply with coronavirus safety provisions, such as maintaining social distancing, controlling the number of customers on the premises, and erecting screens.

Pubs, bars, restaurants and hairdressers are not expected to open before 4 July 2020 at the earliest.

Since 23 March 2020, only essential shops, such as supermarkets and pharmacies have been allowed to open.

Cinemas, art galleries, museums may reopen from 4 July 2020, the government announced on 22 June 2020. Also, members of two households may meet indoors, provided they maintain social distancing.

Face masks are compulsory on **public transport** in England from 15 June 2020. There are exemptions for young children and those with breathing difficulties.

Those without a mask will be stopped from using public transport, and could be fined.

From 14 June 2020, all incoming travellers from UK (other than from Irish Republic) must **quarantine** for 14 days. This includes British citizens returning from overseas.

Before disembarking at airports, travellers must give a UK address where they will be staying. There will be random checks, and a fine of £1,000 for non-compliance.

The UK's three largest airlines, British Airways, Ryanair and EasyJet have brought a legal action against the government. They believe that only passengers from high-risk countries should be quarantined. They want "air bridges" that would allow travel without quarantine between low-risk countries.

[These provisions have subsequently been amended.]

Scotland relaxed some coronavirus restrictions in June 2020.

On 3 June 2020, the Scottish government provided £5 million to help 128 companies in the seafood business.

From 8 June 2020, new measures are introduced for travellers to Scotland. This includes 14-day quarantine for overseas visitors, similar to English provisions.

From 22 June 2020, face coverings are mandatory on public transport in Scotland.

On 25 June 2020, it was announced that care home residents can receive visitors from 3 July 2020, provided strict criteria are met.

On 29 June 2020, retail businesses were allowed to re-open subject to safety measures. House moves were allowed. Laboratories and research facilities could resume work.

From 29 June 2020, on-campus university research and home moves were student were able to resume.

Cervical cancer screening resumed on 29 June 2020.

The UK and **Japan** started formal talks on 15 June 2020 on a trade deal from 1 January 2021.

Without a deal, UK-Japan trade would default to World Trade Organization rules which would introduce tariffs. Japan is the UK's fourth largest non-EU trade partner. Currently the UK trades with Japan under EU rules.

The **UK economy** shrank by 20.4% in April 2020, the Office of National Statistics revealed on 15 June 2020. This is more than three times the whole decline in the 2008/09 banking crisis when the monthly GDP growth fell by no more than 1% on any one month.

The Bank of England and Chancellor of the Exchequer said that the decline was in line with expectations. The governor of the Bank of England said the Bank was ready to take whatever action is necessary to sustain the economy.

The government said on 16 June 2020 that the **Department for International Aid**, Dfid, will be merged into the Foreign Office. The prime minister referred to the aid budget as "some giant cashpoint in the sky". The aid budget is ring-fenced at 0.7% of gross national income, which is currently about £14 billion a year.

The coronavirus pandemic will cause the world's **economic output** to shrink by 5.2% during 2020, according to the World Bank.

Emerging markets will shrink by 2.5%.

On average, British people have gone for 44 days in the lockdown without using **cash** in the form of coins or banknotes, according to Nationwide Building Society in June 2020.

It also found that:

- about one fifth of people have cleaned notes and coins with antibacterial wipes
- 27% have gone for at least two months without using notes or coins
- almost one third cannot remember when they last used a note or coin.

GPay Ltd, the cryptocurrency company, was wound up in the High Court on 23 June 2020 after losing £1.5 million of client funds.

On 29 June 2020, Leicester became the first place to have a **local lockdown** imposed as a result of the high levels of coronavirus there. The exact area has been defined by a map.

Staff and volunteers engaged in front-line coronavirus emergencies in England can access a new **Psychological First Aid training** course from 15 June 2020. This is provided by Public Health England. It will enable workers to deal with psychological issues arising from the pandemic.

Training will be given in dealing with job worries, bereavement, isolation and other issues. It will help workers identify people at increased risk of distress, and how to offer practical and emotional support.

Eurostar has said that it will introduce facial recognition on its service in 2021, meaning that passengers will not need to show their passports.

On 30 June 2020, prime minister Boris Johnson gave details of A **New Deal For Britain**, hailed as “the strategy to rebuild Britain and fuel economic recovery across the UK”.

The package includes:

- £1.5 billion for hospital maintenance
- £100 million for road projects
- more than £1 billion on 50 projects in a ten-year school rebuilding programme
- £500 million and £200 million for repairs and upgrades respectively to schools and further education colleges this year
- £142 million for digital upgrades to courts, prisons and youth offender institutions
- £900 million for “shovel-ready” local growth projects in England
- £96 million in grants of between £500,000 and £1 million to all 101 towns selected for town deals.

The authority of **Ulster Bank Ltd** to issue its own bank notes in Northern Ireland is transferred to National Westminster Bank Ltd. The law is changed from 30 June 2020, though with different dates for its provisions.

Only bank notes issued by the Bank of England are legal tender in the UK under Bank Charter Act 1844. Banks that were already issuing notes were allowed to continue doing so.

Since 1921, no other English bank has been authorised, but there are still three Scottish banks and four Irish banks that are authorised. These notes are, strictly, not legal tender, but there are arrangements with the Bank of England whereby these notes are accepted at face value. Accordingly high street banks accept these Scottish and Irish notes, so there is no reason for any business or individual not to accept them. The authorisation is currently contained in Banking Act 2009 s213.

Ulster Bank was established in 1836. Westminster Bank acquired it in 1917. As a subsidiary of National Westminster Bank, it became part of the Royal Bank of Scotland in 2000. On 14 February 2020, Royal Bank of Scotland announced it was changing its name to NatWest Group later in the year. This change is consequential to that name change.

The Northern Ireland Banknote (Designation of Authorised Bank) Regulations SI 2020 No 658

Micheál Martin was appointed **Taoiseach** (prime minister) of the Irish Republic on 27 June 2020, following the country's general election. Martin has been leader of The Fianna Fail party since 2011.

The general election was held in the Republic on 8 February 2020. The result was a three-way split with the outgoing government of Leo Varadkar and Fine Gael getting 35 seats, Sinn Fein getting 37, and Fianna Fail getting 38, with 49 seats to other parties.

On 26 June 2020, the three main parties agreed to go into government together. Martin was appointed Taoiseach until December 2022 when Varadkar would resume the role.

Boris Johnson spoke to congratulate Martin on 30 June 2020.

Green number plates will be introduced for environmentally friendly electric vehicles from autumn 2020, the government said on 16 June 2020. This is intended to encourage drivers to switch to electric vehicles, and to make it easier for local authorities to enforce provisions such as reserved parking for environmentally friendly vehicles and exemption from emission zone charges.

The number plates themselves will not be green, which would cause problems for automatic number plate recognition, but would have a green flash beside the number. Examples are given below:

Front plate:



Rear plate:



Cars have been banned from the town centre of **St Ives** in Cornwall, except for essential traffic, from 29 June 2020. The council said this was to help maintain social distancing in their narrow streets.

Human trials of a new **coronavirus vaccine** started on 15 June 2020 on 300 healthy adults. Volunteers receive two doses.

The vaccine was developed at Imperial College, London, funded by £41 million from the government and £5 million from voluntary donations.

It uses a new method of self-amplifying RNA technology. If proved successful, this technology could be used quickly to produce new vaccines for any new diseases. This is an alternative to the more common method of introducing a weakened or modified form of the virus itself.

If these trials prove successful, Phase III will start later in 2020 using 6,000 healthy volunteers.

The vaccine can be quickly produced in large quantities. Imperial College will waive royalties on the vaccine and charge only a modest cost-plus price in the UK and developing countries.

This is one of 136 worldwide projects to find a coronavirus vaccine. The success of any one of these schemes does not necessarily mean that the other 135 will be abandoned. Different types of vaccination could be appropriate in different circumstances.

Bill Gates, the philanthropic founder of Microsoft, has offered to provide billions of dollars to fund worldwide manufacture.

Leicester became the first part of the UK to have a **local lockdown** on 29 June 2020 when schools and shops were ordered to close, and pub reopening was cancelled. Positive test rates were three times that of the next highest city, and five times the national rate.

Weddings may resume from 4 August 2020 subject to conditions. There may be no more than 30 people present, and in the shortest possible time. Couples must wash their hands before and after exchanging rings. Separate households must stay two metres apart in the church or other venue. Fathers may not walk the bride down the aisle. Singing and wind instruments are banned. Children must be held by their parents. Receptions are discouraged.
[The 30 people provision has been postponed.]

On 23 June 2020, the Scottish government said that **mixed sex couples** will be able to form a civil partnership, as they already can in England.

Rented **e-scooters** are allowed on roads from 4 July 2020, the government announced on 30 June 2020. Privately owned e-scooters remain banned.

The use comprises local trials to see if they reduce motor traffic. E-scooters may be ridden on roads and cycle lanes. They may not be used on pavements.

The scooter must:

- have its speed limited to 15½ miles an hour
- have a maximum continuous power rating of no more than 500 watts
- not be fitted with pedals that can propel the scooter

- have two wheels aligned with the direction of travel
- be designed to carry only one person
- have a maximum weight of 55 kilos
- have handlebars to control its direction
- have hand controls to control the speed
- have a power control with an “off” position

Riders are advised, but not compelled, to wear helmets. The regulations on protective helmets of 1998 are amended.

A rider must have a provisional or full licence for a car, motorcycle or moped, and be at least 16 years old.

The trial may take place only where the local authority has agreed.

The trial lasts for 12 months. The statutory instrument comes into force on 4 July 2020.

The scooter will be category Q on a driving licence.

The Electric Scooter Trials and Traffic Signs (Coronavirus) Regulations and General Directions SI 2020 No 663.

One third of British people have not seen the **£20 note** issued on 20 February depicting the artist JMW Turner, according to Nationwide Building Society in June 2020.

The research also shows that withdrawals from cash machines have become larger. In January and February 2020, the average withdrawal was £80. In March 2020, it was about £100. Between April and June 2020 it was about £120.

Landmark anniversaries

5 August 1620: Mayflower sets sail

Four hundred years ago on 5 August 1620, the Mayflower set sail from Portsmouth, arriving in the USA at Cape Cod on 11 November 1620. It carried 102 passengers, mainly Puritans now called Pilgrims, and a crew of about 30. They arrived in a cold winter in which half the Pilgrims died. The others would have died had not the native Americans, then called Indians, helped with food and survival skills. On board, the Pilgrims signed the Mayflower Compact to install democracy in their settlement. The ship and the settlers it carried are part of the history of establishing the modern state of United States of America.

25 August 1995: Windows 95 is launched

Twenty-five years ago Microsoft released its new operating system Windows 95. This was the successor to the Windows 3.1 systems. It merged existing Windows systems with Microsoft’s then separate MS-DOS products. It had an improved graphical user interface and simplified “plug and play” features. It also introduced many features now regarded as standard, such as the task bar, a Start button, and forms of navigation. It was succeeded after three years by Windows 98.

Articles

Accounting standards and tax

Accounting standards can, in effect, be part of tax law. There are some areas where tax law is specific in what may be claimed and for how much. For example, depreciation is not allowed as a tax deduction. Instead, the taxpayer may be able to claim a capital allowance as set out in law, usually in Capital Allowances Act 2001.

There are other areas where tax law is generally silent, such as when a profit should be recognised in the accounts. Here, tax law follows accounting practice such as IFRS 15.

The requirement that accounts must comply with standard pre-dates published accounts. There was a case in 1926 on whether expenditure was capital or revenue, and one in 1931 on secret reserves. Yet the first form of standard was not published until 1942. This was a “recommendation” by Institute of Chartered Accountants in England and Wales and was only binding on its members. Generally accounting standards in the early 20th century were based on authoritative text books or what leading accountants said.

The 1942 recommendations, subsequently known as N regulations, were replaced by Statements of Standard Accounting Practice (SSAPs) in 1971. These were followed by financial reporting standards (FRS 1-30) in 1990. In 2012, all these standards were repealed and replaced by a new set of standards FRS 100-105 issued by the Financial Reporting Council. This body is due to be replaced by the proposed Audit, Reporting and Governance Authority, but this is unlikely to have much impact on accounting standards.

Beside these UK standards are international accounting standards, now used by more than 100 countries. The UK has played a leading role. Many UK standards are written to comply with international accounting standards. The International Accounting Standards Board is based in London. Older standards are called International accounting standards (IASs). More recent ones are International Financial Reporting Standards (IFRSs).

The one main exception is the USA which produces its own accounts by Financial Accounting Standards Board (FASB). Even here, there are now signs of co-operation. The landmark IFRS 15 on when profit is recognised, produced over 15 years in the wake of the Enron collapse, is the first standard to be (broadly) common to UK, USA and the wider international community.

All financial reports must comply with accounting standards. This is now required for companies under Finance Act 2004 s50, which section simply made explicit what was already implicit. It has been held by tribunals and courts that all types of entity, including partnerships and non-commercial bodies, must comply with accounting standards.

An entity has a choice as to whether to use UK or international standards. A listed company, including one on Alternative Investment Market (AIM), must produce its accounts in

accordance with international accounting standards. However this only applies to the consolidated accounts for investors. Corporation tax is charged on individual companies who may still use UK standards if they wish.

There are further choices in that smaller entities may further elect to use standards which are less demanding. A micro-entity may choose any one standard from this list:

- FRS 102
- FRS 102 section 1A
- FRS 105
- international accounting standards
- international accounting standards as relaxed by FRS 101.

Within standards, there are further choices. For example, FRS 102 allows an entity to use:

- FRS 102 sections 11 and 12 in full
- IAS 39 instead of those sections, or
- IFRS 9.

A tribunal decision in 2015 held that a business may choose whatever standards it wished, even if the choice is made to reduce tax payable.

In many cases, the choice of standards will make little difference. The accounts of a sweet shop are likely to be similar whatever set of standards is chosen.

There are still some significant differences, particularly between UK standards and international accounting standards. These differences are most notable in areas such as goodwill, financial instruments, whether to capitalise research and development, and whether to capitalise borrowing costs, among others.

VAT flat rate scheme

The VAT flat rate scheme was introduced in 2002 to make completing a VAT return simpler for smaller businesses. It can also reduce the amount of VAT paid to HMRC.

A VAT-registered business charges VAT at the appropriate on its supplies in the normal way. The difference comes in how much it pays to HMRC. The normal method is to add up output tax (the VAT the business has charged on its supplies) and subtract input tax (the VAT the business has been charged) for the same period. Instead the supplier may calculate a percentage of the turnover and pay that to HMRC.

Consider a small accounting business. In one quarter, it makes supplies of £50,000 on which it charges £10,000 output tax. In the same period, it has input tax of £2,000.

Under the normal method, the business would calculate its VAT payment to HMRC for that period as:

$$£10,000 - £2,000 = £8,000.$$

Under the flat rate scheme, it looks up the percentage for accounting and bookkeeping. This is 14.5%. Its turnover, including VAT, was £60,000. This is multiplied by that percentage:

$$£60,000 \times 14.5\% = £8,700.$$

Here the VAT payable is *more* than under the normal method, so the business should not choose to use it. This is quite often the case. A business should not assume that the flat rate will always result in less tax being paid.

The flat rate scheme ignores input tax. So the scheme is likely to be most beneficial where input tax is lower than normal for the business.

As always, this tax scheme is surrounded by conditions and regulations.

It may only be used by a business that expects its taxable supplies (including exempt supplies) in the next year to be no more than £150,000.

In the first year of trading, the percentage point is reduced by 1 percentage point. So an accounting firm could use 13.5% for its first year.

Where a business is not listed, the category closest to it should be used. Taxidermists are not listed separately, so they would probably come within the scope of “activity not listed elsewhere” where the percentage is 12%.

From April 2017, a “limited cost trader” must use 16.5% regardless of its business. A limited cost trader is one where non-capital expenditure is below either £1,000 a year or 2% of turnover. In practice, it is mathematically almost impossible to justify using the flat rate scheme as a limited cost trader.

There are also many traps, which is why it is advisable to read VAT Notice 733. A user should always check that they are using the correct flat rate as these can change at short notice.

Joining the scheme requires HMRC permission. There are many reasons why this may be refused.

The scheme was introduced to simplify VAT returns, even though normal VAT returns are usually simple anyway. Figures for output tax and input tax must be determined anyway for bookkeeping purposes. Subtracting one from the other is not that much of a task. In reality, the reason for choosing the flat rate scheme is the prospect of being able to keep some of the VAT you have charged and not risk paying more VAT as a result. This can involve careful calculations.

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