

# *CLIENT NEWSLETTER: January 2020*

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## *PAYROLL*

The new rates of **national minimum wage** have been announced from April 2020. The national living wage rises to £8.72 an hour. Other rates are £8.20 (21 to 24); £6.45 (18 to 20); £4.55 (16-17); £4.15 (apprentice rate).

From April 2020, the reference period for **holiday pay** increases from 12 weeks to 52 weeks (or from start of employment if less than 52 weeks). This means, that an employee must be paid according to the average amount earned in the previous year.

New **advisory rates** for company car mileage have been published. These take effect from 1 December 2019 or 1 January 2020 as the employer wishes.

The rates for petrol cars are 12p a mile to 1400cc cars; 14p to 2000cc; 21p above 200cc

For diesel cars: 9p to 1600cc; 11p to 2000cc; 14p above 2000cc

For LPG cars: 8p to 1400cc; 9p to 2000cc; 14p above 2000cc.

## *BUSINESS TAX*

The corporation tax online service does not allow entities to report **structures and buildings allowance** and will not do so until April 2020. This allowance may be claimed for structures and buildings put up since 29 October 2018. We can assist if you wish to claim this allowance before April 2020.

## *PERSONAL TAX*

Some welcome changes have been made to the **loan charge**. The loan charge was introduced in April 2019 to counter a tax avoidance scheme. Typically funds that represented wages were paid overseas and then “lent” back to the individual tax-free. There was no expectation that the loan would ever be repaid. The loan charge makes the outstanding amount of the loan subject to income tax. This proved controversial as those affected were often high earners who had not realised they had taken part in an avoidance scheme.

This provision has now been relaxed in three ways:

- the charge only applies to loans made from 9 December 2010 and not from 1999
- the loan charge date has been put back to September 2020
- those who used the scheme between 9 December 2010 and 5 April 2016, and who disclosed this on their tax return will not be charged.

If you believe you are subject to this charge, please contact us.

A tribunal decision held that an investor could not claim for a capital loss for funds provided to a company as there was no evidence that it was a **loan** and not an investment. If you wish to invest in a company, please speak to us. We can ensure that the nature of your commitment is properly documented.

## *VALUE ADDED TAX*

Cases continue to be heard on whether a supply was to the company rather than to its **directors**. For the latter case, a company cannot claim back input VAT. A recent case held that a company was allowed to claim back VAT on advice on how to reward directors with bonuses and shares.

HMRC is holding in abeyance VAT registrations for **non-resident traders** who wish to register on the basis of intending supplies. They will remain in abeyance until the post-Brexit position on VAT becomes clearer.

## *TAX ADMINISTRATION*

A discovery assessment may be set aside on the grounds that it is **stale**. In a recent case, a discovery assessment was considered stale when HMRC had known the information for 30 months. HMRC said there was no statutory authority for the concept of staleness, but this was dismissed by the tribunal.

A recent case held that HMRC could issue a **notice** under Taxes Management Act 1970 s8 even though it knew the amount of tax owed. This case contradicts other tribunal decisions which have held that a s8 notice may only be issued to find out the amount of tax owed.

There have been some recent cases where tax penalties were set aside because HMRC had sent them to the **wrong address**. It is always worth checking the address on a penalty notice.

## *WELFARE*

In the last few months of 2019, the Department of Work and Pensions has started a small-scale test of paying the **universal credit housing element** direct to landlords. If successful, this may be introduced more widely in 2020.

From 1 April 2020, the Scottish government takes over responsibility for more of social security provision in **Scotland**. It plans to introduce some new benefits. The first planned is replacing disability living allowance for children and young people with a new disability assistance from summer 2020.

An upper tier tribunal held that a couple could be **estranged** even though they remained on friendly terms and co-operated on matters of finance and childcare. Estrangement means that the relationship of living together as a couple has ended. The decision related to the woman's claim for housing benefit.

A claimant had good reason for not attending a **medical** because he had an epileptic fit the night before and had to stay in a hotel. The judge accepted his word even though he produced no evidence. The judge also said that the letter said that it was "important" that he should attend. It did not say that his personal independence payment would be stopped if he did not attend.

## *ACCOUNTING*

The Brydon Report on **auditing** was published in Defined contribution 2019. It proposes radical changes, such as regarding corporate auditing as a separate profession from accounting, replacing the concept of "true and fair", and requiring auditors to look for fraud.

The Institute of Chartered Accountants in England and Wales has produced guidance on how the coronavirus outbreak could affect **published accounts**. Matters to consider include whether the business is still a going concern, whether stock has to be written down, proper accounting for government assistance, and whether further disclosures are appropriate.

International accounting standard IFRS 16 on **leases** applies to accounting periods from 1 January 2019. This generally requires all leased assets to be shown as fixed assets on the balance sheet unless the lease was either for less than 12 months or the asset had a low value, generally regarded as below \$5,000 when new.

UK accounting standard **FRS 102** was amended from 17 December 2019 in respect of interest rate benchmarks. This is a consequence of the proposed abolition of LIBOR, the interbank interest rate, which is expected not to be available after 2021.

International accounting standard **IAS 315** on material misstatement was revised in December 2019. The change requires clarification of the methodology for identifying and assessing risk.

**Bitcoins** and other cryptocurrencies and cryptoassets are treated as assets in English law. According to Society of Trust and Estate Planners (STEP) this was a ruling given by the High Court. It should only be regarded as property when it is possible to establish who owns it and how it may be transferred.

Some tax accounting software has been found not to cope with a **one-day accounting period** as they ask for a period end date after the period start date. One day accounting periods most often arise in liquidations, and in disposals of capital assets.

## *PERSONAL FINANCE*

On 30 December 2019, changes to the **student loan scheme** make it easier for students to access their accounts on line and thus avoid overpaying their loans.

From April 2020, **hospital parking charges** are waived for Blue Badge holders, frequent outpatients, parents of sick children who stay overnight, and staff working night shifts.

## *LAW*

Opposite sex couples may enter into a **civil partnership** from 30 December 2019. From 2 December, the couple may give 28 days' notice.

The Supreme Court has held that a landlord was entitled to refuse permission to convert business premises to **residential premises** when he feared that this would give tenants protection under Leasehold Reform Act 1967.

A bank was held liable by the Supreme Court for a **fraud** when it had grounds for believing that instructions from a director were fraudulent.

## *OTHER MATTERS*

The **general election** on 12 December 2019 was won by the Conservative party with a majority of 80 seats over other parties. The Queen opened the new Parliament on 19 December 2019 with a list of Bills, including many manifesto financial provisions.

Andrew Bailey has been named as the new governor of the **Bank of England** from 13 March 2020, replacing Mark Carney. Bailey has led the Financial Conduct Authority since 2013.