

CLIENT NEWSLETTER: February 2020

PAYROLL

From 6 April 2020, employees have the right to receive **statutory parental bereavement leave (SPBL)** if they have a child under 18 who dies, or a baby is stillborn after 24 weeks of pregnancy. This right applies from the first day of employment. If the worker has been employed for at least 26 weeks, he or she is also entitled to **statutory parental bereavement pay (SPBP)**. SPBL is for two weeks which may be taken together or separately. SPBP is paid at the same rate as statutory paternity pay. For 2019/20, this is £148.68 a week.

BUSINESS TAX

The restoration of the Northern Ireland Assembly in January 2020 could lead to **corporation tax** there being reduced to 12.5%, the same as in the Republic. The law allowing for a different rate was passed in 2015 but could not be commenced because the Assembly was suspended for three years.

An agent for a **corporate non-resident landlord** may deduct 30% of rental charges in respect of interest charges. This percentage applies to net rent after deducting allowable expenses. This is an alternative to deducting the actual interest charge, to the extent that it is deductible. The new provision is a consequence of such income moving from income tax to corporation tax from April 2020.

A business had no reasonable excuse for **late filing** of a corporation tax return when the accountant did not file it because its fees had not been paid.

PERSONAL TAX

HMRC has given more details about the **loan charge**. This arises when a taxpayer, usually one with high earnings, has sought to avoid income tax by having their earnings transferred overseas and receiving “loans” which are not expected to be repaid. The amount of outstanding loan at 5 April 2019 is generally added to the taxpayer’s taxable income. No tax is payable where the loan was made before 9 December 2010. The tax on the loan charge may be paid across three tax years: 2018/19, 2019/20 and 2020/21. This is irrevocable. The first such claim will be made in 2020. An additional page for the annual tax return will be available from April 2020.

The composer Andrew Lloyd-Webber and his wife were allowed to claim a **capital loss** in respect of sums paid to build villas in Barbados that were never built.

VALUE ADDED TAX

EU law has been amended with regard to **chain transactions** that cross EU state borders directly but are invoiced indirectly. So goods may be supplied by A directly to D, but A invoices B, who invoices C, who invoices D. There must be at least three links in the chain. Only one link may be regarded as an intra-community supply. That is the first supply that crosses a state border.

The EU has amended the VAT treatment of **call-off stocks**. This is when goods have been bought but not immediately delivered. Such goods are generally regarded as when sold rather than when delivered. The new treatment provides an alternative option where goods are taxed according to when they are called off, subject to conditions.

A **rowing club** had reasonable excuse for incorrectly issuing a zero-rating certificate for a building said to be used by a charity. They had sought professional advice from specialist lawyers and accountants.

A **cricket club** was not so fortunate, even though HMRC offered an opinion that their building would be zero-rated. The tribunal considered that this was not intended to be definitive guidance.

HMRC was entitled to end a **VAT agreement** without notice when that was allowed for in the agreement. The business failed in a judicial review, saying they should have been allowed a transitional period.

NATIONAL INSURANCE

The government has confirmed that it will raise the class 1 employees' **threshold** from £8,632 a year to £9,500 in April 2020. This is part of its plan to align the threshold with the personal allowance for income tax. The class 4 threshold increases to the same figure.

OTHER TAXES

From April 2020, business rates of **small pubs** will be reduced by a further £1,000 a year.

A **mastectomy bra** has been reclassified as clothing and not as an orthopaedic appliance. This means that it attracts 6.5% Customs duty and is no longer duty-free.

TAX ADMINISTRATION

The first **Budget** since 2018 will be held on 11 March 2020.

The government said that it will not raise the **rates** of income tax, VAT or national insurance during the lifetime of this Parliament.

From 29 January 2020, it is possible to set up a **Time To Pay** arrangement online. Such arrangements may be made in respect of any tax where an individual or business has a temporary cashflow problem.

A taxpayer did not have **reasonable excuse** for late filing when he opted to go paperless and then did not notice that HMRC emails were being put in his spam file.

Jersey has said that it is abolishing the rule that it will only discuss a wife's tax affairs with her if her husband agrees.

Jim Harra has been appointed **chief executive** of HMRC in replacement of Sir Jonathan Thompson who has moved to the Financial Reporting Council.

HMRC warns that scammers are targeting **students** with emails saying the student can get a tax refund. HMRC never sends emails about tax refunds.

HMRC has published its latest list of **bizarre excuses** for being late with a tax return. One was "I was up a mountain in Wales and couldn't find a postbox or Internet connection". Another was "my mother-in-law is a witch and put a curse on me".

PENSIONS

Self-employed workers could be missing out on their state pension. If their earnings are below a threshold, they do not have to pay class 2 national insurance contributions. The state pension is paid in full only if the contributor has paid class 1, 2 or 3 contributions for 35 years.

WELFARE

It has been confirmed that pensioners living in the **European Union** or Switzerland will continue to have their pensions uprated annually.

The European Convention on Human Rights has ruled that the **bedroom tax** is unfair on victims of domestic violence who need a panic room in their house.

A new **veterans' railcard** will be introduced on 11 November 2020, providing a discount of one third on some rail fares.

The **Troubles Permanent Disablement Payment Scheme** will start making compensation payments to victims who were permanently disabled anywhere in the UK as a consequence of the Northern Ireland Troubles between 1 January 1966 and 12 April 2010.

ACCOUNTING

Amendments were made to the rules against **money laundering** and terrorism funding from 10 January 2020. The scope is extended to anyone who gives tax advice. An accountant must check company details with Companies House records. Electronic ID verification is acceptable.

BUSINESS FINANCE

Scottish National Investment Bank is created by the Scottish government from 25 February 2020 to provide funding that will help the Scottish economy.

PERSONAL FINANCE

In 2018, **credit card debt** fell for the first time in six years as consumers repaid more than they borrowed.

LAW

Legal advice privilege continues after a company has been dissolved, the Court of Appeal has ruled.

Provisions that allow **damaging material** to be removed from the register at Companies House include material that could damage its continuing existence as an active entity, the Court of Appeal decided.

The **Insolvency Service** warns of phishing emails purporting to be from it. These promise to recover funds for a fee. The Service does not charge creditors, and it is not possible to buy a higher ranking as a creditor.

A computer user has not assented to accept **cookies** on a website when he or she is asked to deselect a pre-ticked box, the Court of Justice of the European Union has ruled. The user must make a positive decision to accept cookies, such as by ticking a box.

Ethical veganism was held to be a protected philosophical belief by an employment tribunal. This does not mean that all veganism is covered by equality law. In this case, the

employee was able to show that his belief came from a genuine belief which he showed in all aspects of his life.

A person's views on copyright law is not a **protected philosophy** for the purpose of equality law.

Stalking protection orders were introduced on 20 January 2020. They allow police to impose restrictions on someone accused of stalking.

OTHER MATTERS

The UK finally left the **European Union** at 11pm on 31 January 2020. The UK remains bound by EU rules for a transitional period to 31 December 2020.

On 31 January 2020, the Royal Mint produced a **commemorative 50p coin** to make Brexit.