

CLIENT NEWSLETTER: March 2020

PAYROLL

An employer will not be regarded as paying below the **national minimum wage** when that only arises because the employee has authorised deductions from pay over which the employee retains control. This resolves the issue where employees ask their employer to pay part of their wages into a savings fund. The change was announced in February 2020.

The government will resume **naming and shaming** employers who fail to pay the national minimum wage. Previous naming and shaming was paused in 2018 for a review. The new provisions apply if the underpayment is at least £500.

The **advisory rates** payable per mile in a company car are revised from 1 March 2020. The rates are given below with previous rates (from 1 December 2019) in brackets.

Petrol engines:	1400cc or less: 12p (12p)
	1401-2000cc: 14p (14p)
	over 2000cc: 21p (20p)
Diesel engines:	1600cc or less: 9p (9p)
	1601-2000cc: 11p (11p)
	over 2000cc: 13p (14p)
LPG engines:	1400cc or less: 8p (8p)
	1401-2000cc: 10p (9p)
	over 2000cc: 14p (14p)

These rates apply when an employee has a company car. They are the amounts that an employee may pay the employer for using the car for private mileage and thus avoid the car fuel benefit charge.

Where an employee is not provided with fuel (and so does not pay the fuel benefit charge), these are the amounts that an employer may pay the employee for business mileage in the company car.

The tax code for **off-payroll workers** who come within the scope of IR35 workers from April 2020 is OT on a week 1 or month 1 basis.

[This arrangement has now been postponed to April 2021.]

An employee who is reinstated accrues **annual leave** during the period between dismissal and reinstatement, the Court of Justice of the European Union ruled in a Belgian case.

BUSINESS TAX

From April 2020, **non-resident corporate landlords** pay corporation tax on profits rather than income tax. We can provide guidance on what this involves in practice.

On the facts of a case, the tribunal held that an accountant had not retained the **goodwill** in his business which had been transferred to a company. As there was no goodwill, he could not claim entrepreneur's relief for it.

PERSONAL TAX

The period of ownership for **main residence relief** runs from completion date, not contract date, the Court of Appeal has ruled.

A taxpayer was not allowed to claim **main residence relief** for a property because she could not prove that she had occupied it. Paying utility bills and council tax does not demonstrate that it was a main residence. For the six months she occupied the property, it was advertised on a website. The bathroom had no towels or toiletries; the open wardrobe had no clothes or hangers. The property looked unlive-in.

The 2020/21 rates of **Scottish income tax** were announced on 6 February 2020.

For most taxpayers, entitled to the UK personal allowance of £12,500, the rates are:

- starter rate of 19%: £12,501 to £14,585
- basic rate of 20%: £14,586 to £25,158
- intermediate rate of 21%: £25,159 to £43,430
- higher rate of 41%: £43,431 to £150,000
- top rate of 46%: above £150,000.

From 7 February 2020, a new 2% **land and buildings transaction tax** is imposed in Scotland in respect of rents that have a net present value of more than £2 million.

VALUE ADDED TAX

A **DIY built home** was complete when it had the necessary certificates to confirm that it is complete, a tribunal ruled. The issue was relevant as VAT on materials must be claimed within three months of completion.

VAT relief for a **DIY built home** was refused when a house was not built strictly in accordance with an extant planning permission. An old workshop was to be converted to a dwelling. Planning permission was given for conversion, retaining two walls and the foundations. The architect found that these were not strong enough, so the whole building was demolished. The new building was built to the same specification, and a certificate was issued by the council. As a new planning permission had not been obtained, VAT relief was denied.

A **default surcharge** should not be imposed where the correct amount of VAT had been paid but where the wrong figure had been put on the VAT return, a tribunal ruled.

INHERITANCE TAX

The amount of the **statutory legacy** increases from £250,000 to £270,000 from 6 February 2020. This is the amount that a surviving spouse or civil partner receives when the deceased left no will. They also receive personal chattels and half the estate absolutely.

A **home loan scheme** failed because the arrangements did not reflect the reality of the transaction and the written documents did not meet legal requirements.

STAMP TAXES

HMRC has revised its manual on stamp duty land tax to redefine **dwelling**.

OTHER TAXES

The government announced some further relief from **business rates** in February 2020. These provide further relief to pubs, small shops, cinemas, music venues and newsagents.

From 1 April 2020, Scotland is giving 100% rates relief for **reverse vending machines**. These accept waste packaging, such as cans and bottles, and provide cash or a token.

The **Customs funding** programme has been extended to 31 January 2021. This provides businesses with funds for IT provisions and training for new post-Brexit Customs.

The cost of a **television licence** increases by £3 to £157.50 from April 2020.

The **television licence** may be paid in weekly or monthly instalments for those who have difficulty in paying it as one sum.

A tribunal has clarified exactly what rock is included within the definition of exempt **slate** for the purposes of the aggregates levy.

TAX ADMINISTRATION

Businesses badly affected by **flooding** in February 2020 are asked to call the flooding helpline on 0800 904 7900.

Rishi Sunak MP became **Chancellor of the Exchequer** on 13 February 2020, replacing Sajid Javid MP. In Scotland, Kate Forbes became the new Scottish finance secretary on 18 February 2020.

An upper tier tribunal has ruled that an assessment may be validly issued by HMRC's **computer**. Previous tribunal decisions have said that assessments and some notices are only valid if issued by a named "flesh and blood" HMRC office. This position is now to be confirmed in legislation.

The government's **Gateway** system will, from 1 April 2020, cease to work for some older computer operating systems, including Windows XP, Windows Vista, and Explorer 6 and 7.

A tribunal has ruled that a notice to the tribunal has been sent by **email** when received by the recipient, and not by their server.

More trusts will be required to register under the **Trust Registration Service**, it has been announced.

In February 2020, it was disclosed that there was a backlog of 25,000 appeals at the **Valuation Office Agency**. At the current rate of processing, this will take four years to clear.

The EU has declared the **Cayman Islands** to be a tax haven. This means that EU states may deal with it in a more robust manner, such as by imposing withholding taxes.

WELFARE

From 12 March 2020, appeals against **tax-free childcare** will be heard by the social entitlement chamber of tribunals, and not the tax chamber.

The completion date for **universal credit** has again been postponed, this time to September 2024. The original completion date was 2017.

The government has announced a plan called **First Homes** which will require homes to be sold for one third less than market price to veterans and key workers. The discounts will be locked in to benefit subsequent purchasers.

Transitional payments under **employment and support allowance** will not end on 5 April 2020 as announced. Instead they will continue until they either fall to zero or entitlement ends.

ACCOUNTING

The Financial Reporting Council and Department for Business, Energy and Industrial Strategy have issued joint guidance on accounting during the **Brexit transition period**. They broadly allow existing provisions to continue unchanged.

The Financial Reporting Council asks businesses to consider how **coronavirus** could affect their accounts, particularly if they buy from China.

The **dormant assets** scheme is to be extended in scope. It now allows insurance, investment and securities to be transferred to charities if they have not been touched for 15 years and the true owner cannot be identified.

Accounts staff should always check **telephone instructions** from a director or senior manager to transfer funds. New technology allows “deepfake audio fraud” where software can manipulate a voice to sound like someone else. Security company Symantec is aware of this being used at least three times.

BUSINESS FINANCE

Businesses and individuals affected by flooding in February 2020 are entitled to:

- 100% business rates relief or council tax relief for three months
- grant of £500 per home and £2,500 for every business
- tax-free grants up to £5,000 for flood-proofing
- further bespoke support and guidance.

PERSONAL FINANCE

More guidance has been issued on the new **Breathing Space** scheme due to start in 2021 for people with serious debt problems. Its main provision is that people with a debt problem can be given 60 days in which interest is frozen and enforcement action cannot be taken. The debtor must seek professional help during that period. They may not take out further credit above £500 without the agreement of their debt adviser.

LAW

Whistleblowing protects a person only from employment detriments, the Court of Appeal has held. The case concerned a planning officer who resigned because of how the council had dealt with planning matters.

The government has announced the creation of a **New Homes Ombudsman** to protect home buyers from poor building work.

The government has given details of the points-based system for **migration** from 1 January 2021. Generally migrants must have a firm job offer that pays at least £25,600 a year. There is a separate scheme that allows 10,000 people to come for six weeks in the harvest season.

Small sales of **wet wood** are banned from February 2021, and loose coal by 2023. Other wood and coal may be sold as fuel provided they meet environmental standards.

OTHER MATTERS

Postal rates increase from 23 March 2020. The cost of a first class letter increases by 6p to 76p; and second class letters by 4p to 65p. Other rates also change.

The government has confirmed that the **HS2 rail line** will proceed, but with some amendments to ensure stricter controls on expenditure.

Sales of **petrol and diesel cars** will be banned from 2035, and not 2040 as previously announced.

Visa is trialling a **cashback** service in rural areas whereby customers may receive cash against a card from an ordinary shop without needing to make a purchase.

A new **£20 note** was issued on 20 February 2020, depicting the artist JMW Turner. It is the third banknote to be made from polymer plastic. Existing paper £20 notes will remain legal tender until 2021.