

CLIENT NEWSLETTER: April 2020

PAYROLL

The government has introduced the **Coronavirus Job Retention Scheme** to pay 80% of wages of furloughed staff during the coronavirus lockdown. The 80% applies to wages, employer's national insurance and workplace pension contributions. It does not apply to other pension costs or to the apprenticeship levy. The maximum amount of furloughed pay is £2,500 per employee per month. This may be paid to workers on the payroll on 19 March 2020 (moved back from original date of 1 March 2020). The amount is paid through the payroll where it is subject to PAYE, national insurance and other deductions. The employer does not have to top up the other 20% of a worker's pay. The scheme includes deemed employees under the IR35 provisions in the public sector.

Employers are able to make claims for reimbursement under **Coronavirus Job Retention Scheme** from 1 March 2020.

Some amendments are made to the rules for **statutory sick pay (SSP)** for absences due to coronavirus. These include workers who have coronavirus, or who are quarantined or self-isolating. The new scheme applies to businesses who had 250 or fewer employees on the payroll on 28 February 2020. Such workers may be paid SSP from the first day of absence, with no waiting days. The whole amount is refunded from the state under a special scheme it is not deducted from PAYE payments. Employers must keep records but are asked not to require sick notes or fit notes for periods up to 14 days. These provisions only apply to SSP paid for coronavirus reasons. It does not affect SSP paid for other reasons.

Refunds of coronavirus-related SSP is made online at the new **statutory sick pay rebate (SSPR)** scheme. This counts as state aid, and so could be capped if a business has received other significant amounts also regarded as state aid.

Coronavirus Act 2020 creates a new category of **emergency volunteering leave**. An employee may agree to such leave with a county council, health authority or similar body. That body issues an emergency volunteering certificate. Such a certificate may only be issued if the employer has at least 10 employees. The volunteer may then be engaged in care work for a period of between 2 and 4 weeks in every 16-week period. The volunteer must give his or her employer at least three days' notice. The volunteer is regarded as having unpaid leave but may receive other payment while volunteering.

Tax codes for 2020/21 have been sent to employers and should have been received by 10 March 2020. Most tax codes will be the same as for the previous year.

There are changes to the rates at which **company cars** are taxed in 2020/21. Cars continue to be taxed on the basis of list price multiplied by a percentage related to emissions. A zero-emission car is taxed at 0% of list price, but this is expected to increase in future tax years.

A new system applies for the taxation of **hybrid company cars**. These are cars than can run on petrol or electricity. Such cars are taxed according to their “electric range”. This is how far the car can run on batteries without recharging. The percentages are:

- 130 miles or more: 2%
- 70-129 miles: 5%
- 40-69 miles: 8%
- 30-39 miles: 12%
- below 30 miles: 14%.

These percentages are reduced by 2 percentage points if the car was first registered from 6 April 2020.

The **car fuel benefit multiplier** increases from £24,100 to £24,500 from 6 April 2000. If the employer pays for the fuel for a company car, the employee is liable to additional tax on an amount equal to this multiplier multiplied by the percentage used for the car.

The **van benefit** for 2020/21 increases from £3,430 to £3,490. The **van fuel benefit** increases from £655 to £666.

Student loan repayment thresholds are revised from 6 April 2020.

Plan 1 loan threshold increases from £18,935 a year to £19,390

Plan 2 loan threshold increases from £25,725 a year to £26,575

Postgraduate loan threshold remains at £21,000 a year.

The loans are repaid at 9% of income above the threshold for Plan 1 and Plan 2, and at 6% for postgraduate loans.

Various statutory limits for employment law are increased from 6 April 2020. In particular, a **week's pay** for calculating redundancy pay increases from £525 to £538.

A worker who cannot take all his or her **holiday entitlement** because of their coronavirus work may carry forward up to four weeks of entitlement into the next two years.

BUSINESS TAX

The rate of **structures and buildings allowance** increases from 2% to 3% from 1 April 2020. This is a capital allowance on structures and buildings erected since 28 October 2018.

The **research and development** expenditure credit increases from 12% to 13% from 1 April 2020.

From April 2020, the proportion of **capital losses** that may be brought forward for offset against capital gains is restricted to 50% of current capital gains above £5 million.

PERSONAL TAX

The income tax due on **31 July 2020** may be postponed to 31 January 2021 to assist taxpayers affected by coronavirus. This can mean that two payments are due on that date. This does not have to be claimed; the taxpayer can simply not pay the tax. There is no change to the dates that tax returns must be filed.

The final period of **absence relief** for a main residence is reduced from 18 months to 9 months, unless the owner is moving into care. This is the final period of ownership that may be disregarded when claiming main residence relief from capital gains tax.

Lettings relief is restricted to periods when the owner is in residence. This relief is similar to main residence relief, but capped, when a residence is let.

The four-year transitional period for **interest charges** paid by a landlord finishes. A landlord may now claim income tax relief only at the 20% tax rate for the whole amount of interest.

The **blind person's allowance** increases from £2,450 to £2,500 from 6 April 2020. The married couple's allowance for taxpayers born before 1935 increases to a minimum of £3,510 and a maximum of £9,075.

Scottish income tax rates have changed. The new rates (with 2019/20 rates in brackets) are:

- starter rate of 19%: first £2,085 of taxable income (£2,049)
- basic rate of 20%: from £2,086 (£2,050)
- intermediate rate of 21%: from £12,659 (£12,445)
- additional rate of 41%: from £30,931 (£30,930)
- top rate of 46%: from £150,000 (£150,000)

All these bands are after the personal allowance of £12,500, except that this allowance reduces by £1 for every £2 total income exceeds £100,000.

The additional rate applies from £43,431 in Scotland as against £50,000 for the rest of the UK.

The **Welsh rates of income tax** are again kept at the same rates as for England.

The **statutory residence test** is amended in relation to coronavirus. Whether someone is UK resident for tax purposes can depend on how many days they spend in the UK. Some days may be disregarded. Such days now include days when the person:

- was prevented from leaving the UK by travel restrictions
- was prevented from leaving by self-isolation or quarantine
- was asked by their employer temporarily to return to UK.

VALUE ADDED TAX

A business may defer payment of **VAT due** between 20 March 2020 and 30 June 2020 to 31 March 2021. This will usually be the returns for quarters February, March and April 2020. VAT returns must still be submitted on time. If VAT is paid by direct debit, the payment must

be stopped in time. The business should ensure that the direct debit remains in effect for future VAT penalties.

VAT on **e-books** and similar are zero-rated from 1 May 2020. (The date has been brought forward from 1 December 2020.) This covers electronic forms of books, magazines and newsletters whose paper versions are already zero-rated.

VAT on women's **sanitary products** are zero-rated from 1 January 2021. They are currently subject to the reduced rate of 5%.

The tribunal refused to consider a **hardship order** when the company failed to provide documents and evidence reasonably requested by HMRC. Generally, a business may only make a VAT appeal when it has paid the disputed tax. This is refunded if the taxpayer wins. If paying the VAT would create financial difficulties, the taxpayer can ask for a hardship order. This allows the case to proceed to a tribunal without paying the VAT.

NATIONAL INSURANCE

The **earnings threshold** for class 1 national insurance paid by employees increases from £8,632 a year to £9,500 a year. This equates to £792 a month or £183 a week. This is the level at which the *employee* pays national insurance from 6 April 2020. This is part of the government's plans to harmonise the threshold with the personal allowance for income tax.

The **earnings threshold** for class 1 paid by employers is a lower figure of £8,788 a year. This equates to £732 a month or £183 a week.

The **lower earnings limit** increases from £118 a week to £120. This equates to £520 a month or £6,240 a year. This does not affect how much national insurance is paid, but is the point at which the employee earns an entitlement to state pension and some other benefits.

The **employment allowance** increases from £3,000 to £4,000 from 6 April 2020. This is the amount an employer may offset against employer's national insurance. From April 2020, this may not be claimed by a business whose national insurance last year exceeded £100,000.

From 6 April 2020, a special form of class 1A national insurance is payable for **termination payments** above £30,000 and sports testimonials above £100,000.

INHERITANCE TAX

The **residence nil rate band** completes its four-year transition to £175,000. This may be added to the £325,000 nil rate band when a property passes from a parent to a child or remoter descendant. This means that £500,000 of estate can pass tax-free. As this benefits from the transferable nil rate band, it means that up to £1 million worth of estate can pass on death.

STAMP TAXES

A **paddock** was held to be part of a residential property and therefore subject to the residential rate of stamp duty land tax. The tribunal said that selling a piece of land with a property does not automatically make that land part of the property. The question is what the function of the land is. Here it was held to be for the better enjoyment of the dwelling.

From 25 March 2020, **stamp duty** may only be paid electronically and not by cheque. Note that this refers to stamp duty as payable on shares and other securities, and not stamp duty land tax which is an entirely separate tax.

OTHER TAXES

Further generous reliefs from **business rates** in England have been announced in the Budget from 6 April 2020. Similar reliefs have been announced for the rest of the UK. The reliefs are:

- complete exemption for the whole 2020/21 year for hospitality and leisure sectors
- businesses in receipt of small business rate relief with a rateable value below £15,000 will receive a grant of £15,000
- retail, hospitality and leisure businesses with a rateable value between £15,000 and £51,000 will receive a grant of £25,000.

Nurseries have been added to the list of businesses that qualify for 100% rates relief. Separately, so have estate agents, letting agents and bingo halls.

Import duties (Customs duty and import VAT) are deferred on **medical supplies** needed to deal with coronavirus from 27 March 2020. This deferral applies to NHS bodies and their approved suppliers. It does not apply to other importers.

The Valuation Tribunal has exclusive jurisdiction over **council tax**, according to the Court of Appeal. County courts have no jurisdiction.

There are changes to the bands of **vehicle excise duty** (road tax) from April 2020.

New rates of **annual tax on enveloped dwellings** are introduced from 1 April 2020.

From 11 March 2020, **tobacco duty** is increased by inflation plus 2 percentage points.

There are no increases in **excise duties** on petrol, diesel or alcoholic drinks.

From 21 March 2020, the 5p **carrier bag charge** is waived for deliveries of groceries.

A new **digital services tax** was introduced in April 2020.

The **London congestion charge** and other road user charges were suspended from 23 March 2020.

TAX ADMINISTRATION

The **Budget** was given on 11 March 2020 by Rishi Sunak MP who had been Chancellor of the Exchequer for just four weeks.

Because coronavirus has led to many more claims for **Time To Pay**, a dedicated line has been established on 0800 0159 599.

From 1 December 2020 (postponed from 1 April 2020), HMRC has secondary preferential creditor status. This applies only to taxes where the company holds funds on behalf of others. This includes VAT, PAYE income tax, employees' national insurance, student loan deductions and construction industry scheme deductions. HMRC ranks as an unsecured creditor for other taxes such as corporation tax and employer's national insurance.

It is to be put beyond doubt that **computer-generated penalties** are valid. Tax tribunals have made contradictory decisions on whether notices must be signed by a "flesh and blood" officer.

The requirement for **digital links** has been postponed by one year to 1 April 2021. A digital link is where data is automatically transferred within a computer system and not re-entered manually. This will be a requirement for taxpayers within the scope of Making Tax Digital.

A discovery assessment has been cancelled because it was **stale**. HMRC had the information for more than two years. HMRC has argued that there is no such concept as staleness, even though it has been upheld by the Court of Appeal.

A taxpayer failed to demonstrate that his tax return had been **posted** in time as he had no proof. A taxpayer does not need to send a return by recorded delivery or special delivery, but should at least get a certificate of posting which costs nothing.

HMRC was within its rights to deny a claim for loss relief from a member of a **limited liability partnership (LLP)** without first enquiring into the LLP's return.

A **closure notice** from HMRC must be identified as such. Taxpayers in two appeals argued that closure notices were not valid because HMRC had already sent letters which were closure notices. The tribunal found that the letters were not closure notices as they had not been identified as such.

China's internet block was reasonable excuse for a late filing of self-assessment. To file a tax return online now requires entry of a six-digit number from HMRC that is only valid for 15 minutes. China's Internet block made it impossible to file a return within that time. The tribunal noted that this was reasonable excuse for one year only.

A tribunal made a case management order about how to find electronically-stored documents required by HMRC using a **keyword search**. The judge said that the parties should seek to agree the minimum number of keywords for finding documents. If they failed to agree, they could return to the tribunal.

A revised double taxation treaty has been agreed between the UK and **Gibraltar**.

PENSIONS

The Pensions Regulator has allowed employers temporarily to **pause** deferred benefit contributions for three months.

The **guaranteed minimum pension** increase for 2020/21 is 1.7%. This is applied to earnings factors on contracted-out occupational pension scheme contributions between 1988/89 and 1996/97.

Universal credit and working tax credit have each been increased by £20 a week. The universal credit single claimant allowance increases from £317.82 a month to £409.89. The basic element for working tax credit increases by £1,045 a year (£20 a week).

The government is temporarily suspending the **minimum income floor** for universal credit. This is the amount that a self-employed claimant must earn to receive their full entitlement to universal credit.

On 22 March 2020, the government announced **shielding** measures for people considered most at risk from coronavirus.

WELFARE

State pensions increase from 9 April 2020. The basic state pension increases by 3.9% from £129.20 to £134.25 a week. For those who retired from 6 April 2016, their unitary pension increased by 3.9% from £168.60 to £175.20. Other pension elements increased by 1.7%.

Most **JobCentres** closed on 24 March 2020. Claimants are asked to use online services

Personal independence payment claimants will now have award periods of 18 months and be assessed less frequently.

Universal credit can discriminate against disabled people who move home, the Court of Appeal has ruled. The claimant can no longer claim housing benefit but must claim universal credit instead, which can be for a lesser amount.

ACCOUNTING

The audit exemption for **EEA parents** is extended to 31 December 2020. An audit exemption applies to a UK parent whose parent company is in the European Union or European Economic Area and where conditions are met.

Audit reforms have been paused during the coronavirus outbreak.

From 30 March 2020, larger companies are required to publish a statement on their **emissions and energy use**.

BUSINESS FINANCE

The Bank of England cut **interest rates** twice in March 2020. On 11 March 2020, it cut the rate from 0.75% to its previous record low of 0.25%. On 18 March 2020, it cut rates to a new record low of 0.1%.

The government launched the **Coronavirus Business Interruption Loan Scheme (CBILS)** on 23 March 2020. This allows most businesses with a turnover of up to £45 million a year to seek a government-backed loan from a bank. The government pays the interest for the first 12 months and guarantees 80% of the debt if the company fails. Loans may be made for up to £5 million (increased from £1.2 million announced in the Budget).

The government launched the **COVID-19 Corporate Financing Facility** on 23 March 2020 to help businesses who are too large to qualify for a loan under CBILS. The company must be able to demonstrate that it was financially sound just before the outbreak.

The **pre-emption rules** have been relaxed between 1 April 2020 and 30 September 2020. Under the existing rules, a listed company may seek to raise up to 10% additional capital from institutional investors without first having to offer shares to its existing shareholders. This 10% figure is temporarily increased to 20%.

The EU has issued a **Temporary Framework of the European Union (TFEU)** to provide help during the coronavirus outbreak. This broadly increases the amount of state aid a government can provide to a business without EU approval from €200,000 to €800,000, except for fishing and aquaculture. This is subject to many conditions.

US stock trading was stopped four times in March 2020 under a “circuit breaker” that automatically suspends trading for 15 minutes if the market falls by more than 0.75% from the start of the day. Many stock indices, including the FT-SE 100, show falls of about a third since the start of 2020. The FT-SE 100 index fell 13% in just one week, to 28 February 2020.

PERSONAL FINANCE

In March 2020, it was announced that all **mortgage borrowers** may take a repayment holiday of up to three months. Interest continues to accrue on the mortgage.

Holders of annual **season tickets** bought before 7am on 23 March 2020 may apply for a refund from the rail company.

LAW

Coronavirus Act 2020 is now law. It contains many provisions to deal with implications of the lockdown. The Act expires after two years but must be reviewed every six months.

On 11 March 2020, the World Health Organisation declared **coronavirus** to be a pandemic.

The **lockdown rules** took effect from 1pm on 26 March 2020. They are issued as statutory instrument SI 2020 No 350 issued under Public Health (Control of Diseases) Act 1984. They require all shops to close with listed exceptions for essential supplies. They require people to stay indoors with limited exceptions such as for shopping and exercise. These rules have been supplemented by a raft of other statutory instruments dealing with specific issues.

All **schools and universities** were ordered to close, with a few exceptions, from 20 March 2020. Summer examinations have been cancelled.

Two changes were made to **insolvency law** from 28 March 2020. One allows a company to continue buying supplies while undergoing a rescue or reconstruction. The other suspends the rule on unlawful trading for three months.

MOT tests for lorries, buses, trailers and heavy goods vehicles have been extended by 3 months from 21 March 2020. From 31 March 2020, MOTs for cars are extended by 6 months. All vehicles must still be kept in roadworthy condition.

Construction sites may continue working, the government said on 31 March 2020, provided they follow safe working practices.

On 23 March 2020, all British **travellers overseas** were advised by the government to return to the UK "now".

From 6 April 2020, the amount of an insolvent company's assets that must be reserved for **unsecured creditors** increases from (up to) £600,000 to £800,000. In 2003, insolvency law was changed so that unsecured creditors could receive some assets by reserving a sum. This is the first increase in that sum.

A director's **fiduciary duties** continue after the company has entered administration, the High Court has ruled. The case concerned a director who bought company property at undervalue.

A claimant at an **employment tribunal** was ordered to pay costs when it was shown that he had lied to the tribunal.

OTHER MATTERS

Supermarkets have changed their ways of working since the start of the coronavirus lockdown. Typically they have closed cafes and delicatessens to concentrate on basic foods. They have introduced queueing and one-way systems. Some laws have been relaxed, extending delivery hours and allowing for co-operation.

The **prescription charge** increases from £9.00 to £9.15 from 1 April 2020.