



Newsletter: April 2020

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Payroll: coronavirus

The coronavirus means that many employees are now working **from home**. This creates some tax issues.

The employer may provide computers, other equipment, stationery and other consumables. Provided these are used solely for work, they are not a taxable benefit in kind under the provisions of Income Tax (Earnings and Pensions) Act 2003 s316.

If a telephone line needs to be provided and used solely for work, that is also not a benefit in kind under the same law.

An employee working from home is not liable to pay tax on a payment of £6 a week from 6 April 2020, or £4 a week previously. An employee does not have a legal right to demand such a payment; it is just tax-free if the employer agrees to pay it. HMRC require no evidence of the employee's expenses.

Alternatively an employee may claim the actual cost of additional home expenditure if greater. In practice, this is most unlikely.

There is no legal requirement for a written agreement for an employee to work from home, though a written agreement is good practice.

The government has introduced the **Coronavirus Job Retention Scheme** (CJRS) to pay 80% of wages of furloughed employees. The main elements of the scheme are:

- the government will pay 80% of all the wages of workers who would otherwise be laid off (or furloughed) because of coronavirus
- the 80% includes contractual commission, employer's national insurance and workplace pension contributions. It does not include occupational pension scheme costs or apprenticeship levy
- it applies to workers on the payroll on 19 March 2020 (originally 1 March 2020)
- the monthly maximum of wages is £2,500 a month
- the amount is paid by the employer through the payroll. These amounts are subject to PAYE income tax and national insurance as normal wages
- the employer is not obliged to make up the other 20%.

On 3 April 2020, the Cabinet Office widened the scope of workers eligible for **Coronavirus Job Retention Scheme** (CJRS), the furlough scheme.

This applies to deemed employees working in the public sector under the IR35 provisions introduced in 2017.

This means that an employer may now claim under CJRS for individuals:

- working through a personal service company
- working for a public sector client, and
- who cannot carry on working because of Covid-19.

Employers started making claims for **Coronavirus Job Retention Scheme** (CJRS) from Monday, 20 April 2020, backdated to 1 March 2020.

Under CJRS, employers may claim 80% of the cost of a furloughed worker up to £2,500 a month.

These changes have been made to **statutory sick pay** during the coronavirus outbreak:

- for smaller businesses (those with fewer than 250 employees on 28 February 2020), the government will refund SSP in full where an employee is off sick, in quarantine or self-isolating because of coronavirus
 - this is not recovered by deduction from PAYE but under a separate scheme yet to be set up
 - employers must keep records of absence but are asked not to require sick notes or fit notes for absences of up to 14 days.

This change does not affect the operation of statutory sick pay for absences unrelated to coronavirus.

On 27 April 2020, HMRC confirmed that **statutory sick pay rebate** (SSPR) counts as state aid under EU law. On 13 March 2020, the government introduced a scheme whereby an employer may receive a full refund of statutory sick pay (SSP) paid for up to weeks while an employee self-isolates or is otherwise off work.

In practice, it is unlikely that a business will exceed the EU limits, particularly as they have been temporarily increased.

Student loan contact centres were closed in March 2020. New applications for funding may continue to be made online. Repayments must continue to be made. There is no pausing or reduction in repayments. As these are related to earnings, repayments automatically reduce if pay is reduced.

Coronavirus Act contains provisions for **emergency volunteering leave**. The government asked for 250,000 volunteers to assist with driving, delivering parcels and similar tasks during the lockdown. Within 24 hours, more than 400,000 people had responded. This number soon grew to 750,000. Accordingly the emergency leave provisions are unlikely to be needed, but for the sake of completeness we set them out.

The main provisions are:

- an employee may agree with a health authority, county council or similar body to be an emergency volunteer
 - that body will issue the volunteer with an emergency volunteering certificate
 - an employee may only reach such an agreement if the employer has at least ten employees. Some occupations are excluded such as police, Crown employees and parliamentary staff

- an employee is entitled to be absent from work once in each volunteering period
- a volunteering period is the first 16 weeks from when these provisions are commenced, and for each 16-week period thereafter
- an absence is for a period of two weeks, three weeks or four weeks which are taken together
 - the absence is only to provide health care or social care
 - the volunteer must give the employer at least three days' notice and provide a copy of the certificate
 - the volunteer is not paid for the absence but is otherwise entitled to all benefits of the employment
 - there is provision for a fund to be set up to pay the volunteer's expenses and compensate his or her for loss of earnings
 - the volunteer is entitled to return to his or her job at the same rate of pay and same conditions as before the absence
 - these provisions are given legislative effect by a new section 47H in Employment Rights Act 1996. Protection from dismissal or detriment is given effect by a new section 104H
 - parallel provisions have been made under Northern Ireland law.

These provisions, if commenced at all, only apply where the employer may not agree to emergency leave. The law does not prevent an employer agreeing to release the employee for such work on whatever terms they may agree.

On 9 April 2020, HMRC deferred the deadline for PAYE end of year reporting for **international employees** to 31 May 2020 as a provision under coronavirus. The original filing date was 31 March 2020.

This applies to businesses that use the modified payroll reporting for employees coming to or leaving the UK. These arrangements are commonly known as EP Appendices 7A and 7B.

Payroll: non-coronavirus

Tax codes for employees were sent out by email between 10 February 2020 and 10 March 2020. As the Budget made almost no changes to income tax, those codes do not need to be changed for 2020/21.

The rates of **car and van benefit** for 2020/21 were published on 2 March 2020.

Cars continue to be taxed at their list price multiplied by a percentage according to the carbon dioxide emissions.

For 2020/21, a zero emission car is taxed at 0%. It is intended that this rate be increased from 2021/22.

For a hybrid car with emissions between 1g/km and 50g/km, the car is taxed according to its "electric range". That is how far the car can travel before its batteries need recharging. The tax is 2% for 130 or more miles; 5% for 70 to 129 miles; 8% for 40-69 miles; 12% for 30-39 miles; and 14% for less than 30 miles. In all cases, the percentage is reduced by 2 points if the

car was registered on or after 6 April 2020.

For petrol engine cars, the rate is 15% for 51-54 g/km, increasing by 1 percentage point until reaching the maximum 37% at 160g/km. If the petrol car was registered on or after 6 April 2020, the percentage is reduced by 2 percentage points, reaching the maximum 37% at 170g/km.

Diesel engine cars are subject to a 4 percentage point supplement, to a maximum of 37%, unless the diesel engine meets the RDE2 standard. This again is subject to the 2 percentage points reduction for cars registered on or after 6 April 2020.

The car fuel benefit multiplier increases from £24,100 to £24,500. This is an additional taxable benefit when an employee is provided with road fuel for private motoring. The amount of taxable benefit is the multiplier multiplied by the same percentage as the car.

The van benefit increases from £3,430 to £3,490.

The van fuel benefit charge increases from £655 to £666.

The Van Benefit and Car and Van Fuel Benefit Order. SI 2020 No 199.

New rates of **national minimum wage** apply from 6 April 2020. They are (with previous rates in brackets):

- national living wage for over 25s: £8.72 (£8.21)
- 21-24 rate: £8.20 (£7.60)
- 18-20 rate: £6.45 (£6.15)
- 16-17 rate: £4.55 (£4.35)
- accommodation offset: £8.20 (£7.55).

Some minor changes are made to the national minimum wage (NMW) rules from 1 April 2020. The term “**salary premium**” is defined for the first time. This is an additional amount of pay for working in defined circumstances such as during the night or on a public holiday. The salary premium is not considered when determining whether a worker is paid the NMW.

There is a new provision that allows an employer to change the date from which the calculation is made of a worker’s basic hours. The employer must give the employee three months’ notice of a change of date.

There is a change when an employee incurs expenditure that the employer later reimburses. Such expenditure does not reduce the wage for the purposes of NMW.

The National Minimum Wage (Amendment) (No 2) Regulations SI 2020 No 339

The **national minimum wage** is now “on track” to reach 60% of median earnings. In the March 2020 Budget, the Chancellor set a new objective of reaching two-thirds median earnings by 2024.

Student loan repayment thresholds are revised from 6 April 2020:

Plan 1 loans threshold increases from £18,935 per year to £19,390.

Plan 2 loans threshold increases from £25,725 per year to £26,575.

For Plans 1 and 2, the repayments are 9% above the threshold.

For postgraduate loans, the threshold remains at £21,000 per year. The repayment is 6% above this threshold.

From 6 April 2020, the existing tax relief for **counselling services** is widened to include medical treatment, such as cognitive behavioural therapy.

A director of a personal service company or of an **owner-managed business** could lose out under the government's coronavirus schemes. Typically such a director will take a salary up to the national insurance threshold and further reward as dividends. An employed director may be included in the furlough scheme for the salary element, but not the dividend element. In 2019/20, the national insurance threshold is £719 a month, of which 80% is £575.

Travel by a **care worker** from her home to her first visit, and from her last visit to her home, was not commuting. It was business travel for which she could claim tax relief.

The issue turned on what was her normal workplace. This was defined as an area that included her home. As such, her travel was not commuting as it was not travel *to* her workplace but travel *within* her workplace.

The case related to penalties which the tribunal ordered HMRC to suspend after reducing them for mileage allowances.

HMRC had not suspended them because it claimed that the taxpayer (a care worker who worked 14 hours a day, 7 days a week for 48 weeks a year) had not given any indication that she will bring her tax affairs up to date. There was no evidence for this assertion.

The case report can be downloaded at

<http://financeandtax.decisions.tribunals.gov.uk/judgmentfiles/j11603/TC07646.pdf>

Amara Akhtar [2020] TC7646

A **week's pay** for the purpose of statutory redundancy pay increases from £525 a week to £538 from 6 April 2020.

Statutory limits in relation to employment law are increased from 6 April 2020.

Each of these awards is subject to conditions.

The new limits (with the previous year's limit in brackets) are:

- unlawful inducement regarding trade union membership: £4,294 (£4,193)
- maximum basic award for unfair dismissal: £6,562 (£6,408)
- minimum compensation for expulsion from tribunal: £10,022 (£9,787)
- guarantee payment per day: £30 (£29)
- minimum basic award for unfair dismissal: £6,562 (£6,408)
- compensatory award for unfair dismissal: £88,519 (£86,44)
- maximum week's pay for statutory redundancy and other purposes: £538

(£525).

The Employment Rights (Increase of Limits) Order SI 2020 No 205

The regulations containing the main provisions for **statutory parental bereavement leave** (SPBL) have been published as The Parental Bereavement Leave Regulations SI 2020 No 249.

SPBL is a new statutory payment from 1 April 2020 to a worker who has lost a child under the age of 18, or who has a stillbirth after 24 weeks of pregnancy. Administration regulations are given in SI 2020 No 246.

Provisions have been made to extend the provisions of **statutory parental bereavement** pay to UK workers who work abroad, mariners, and workers on the Continental Shelf.
The Statutory Parental Bereavement Pay (Persons Abroad and Mariners) Regulations SI 2020 No 252

In the March 2020 Budget, the government announced its intention to provide income tax and national insurance relief for carers aged between 18 and 24 who start an **apprenticeship**. There is already employer's national insurance relief for apprentices under 25.

From 28 March 2020, additions are made to the list of workers who need not pay for a **criminal records certificate** under Police Act 1997.

The new categories include emergency volunteers, nurses, pharmacists, other healthcare professionals and social workers who are providing care and treatment for coronavirus.

Anyone may ask for a basic check for themselves. This shows unspent convictions and conditional cautions.

An enhanced check shows unspent convictions, cautions, reprimands and any information held by police that is considered relevant. This requires the involvement of an employer.

These checks are used to assess suitability for employment or voluntary work, such as when working with children.

For workers who are not exempt, the fee is £23 for a basic check and £40 for an enhanced check.

The Police Act 1997 (Criminal Records) (Amendment) Regulations SI 2020 No 359

Some workers may carry forward up to four weeks of **holiday entitlement** into the next two years. These provisions are made by *The Working Time (Coronavirus) (Amendment) Regulations SI 2020 No 365* made at 2pm on 27 March 2020.

The exact wording of the SI is "where in any leave year it was not reasonably practicable for a worker to take some or all of the leave to which the worker was entitled under this regulation as a result of the effects of coronavirus (including on the worker, the employer or the wider economy or society), the worker shall be entitled to carry forward such untaken leave as provided for in paragraph 3(b)"

Under previous law, mainly Working Time Regulations SI 1998 No 1833, someone who works five days a week is entitled to 28 days leave, including public holidays. Of these 8 days may be carried forward into the next year. The other 20 must be taken within the leave period or are lost. An employer who prevents an employee taking leave may be penalised.

Business tax

The **structures and buildings allowance** rate increases from 2% a year to 3% from 1 April 2020. This increased rate applies to new and existing structures provided they were built on or after 28 October 2018.

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

The transfer of a telephone betting business to Gibraltar was not within the rules for tax of **transfer of assets abroad** (TOAA).

A UK resident betting company transferred its telephone betting business to a new company based in Gibraltar with the same shareholders. The motive was to avoid betting duty. HMRC assessed them to a TOAA charge under what is now Income Tax Act 2007 s720.

The upper tier tribunal agreed with the taxpayers and reversed the decision of the first tier tribunal. The shareholders were not transferors or quasi-transferors within the meaning of TOAA. Also their motive was not to avoid income tax.

The case report can be downloaded from

<https://www.bailii.org/uk/cases/UKUT/TCC/2020/62.pdf>.

Fisher [2020] UT/2015/0019 and 0020

A claim by a UK-resident company for **cross-border group relief** from corporation tax does not automatically cancel an earlier claim for domestic relief.

The issue of how far a UK company may claim for group relief from overseas companies was not clear. It was litigated by Marks & Spencer and took many years to resolve, leading to a Supreme Court decision in 2014. The uncertainty of the law meant that the company did not wish to abandon its claims for domestic relief.

The case report can be downloaded from

<https://www.bailii.org/uk/cases/UKFTT/TC/2020/TC07556.html>

Linpac Group Holdings Ltd [2020] TC 7556

An international group of companies was not allowed to claim “no possibilities” **cross-border tax relief** for two main reasons.

First, it was not certain that there were no possibilities of claiming loss relief in the other country.

Second, the loss arose from the operation of Danish law.

In general, a UK company cannot claim loss relief for losses made in another EU country. The European Court held in a case brought by Marks & Spencer 2005 that this did not comply with EU law. It held that a loss made in another state could be offset against UK profits in limited circumstances. This includes that there were no possibilities of relieving the losses in the country of operation, and that the loss does not arise from the operation of domestic law in the other country.

This is a complex case, where careful study of the case report is advised.

The case report can be downloaded from

<http://financeandtax.decisions.tribunals.gov.uk//judgmentfiles/j11577/TC07620.pdf>.

Esso Exploration and Production UK Ltd. TC 7620

Remediation land relief was not available for the replacement or improvement of iron gas mains.

This relief is given under Finance Act 2001 Sch 22. It allows the taxpayer to claim 150% of the cost of remediating land. This generous relief is designed to encourage the remediation of contaminated land.

In this case, the taxpayer did not qualify for two reasons.

First, the taxpayer had not acquired the land. The mains were still carrying gas, so the expenditure did not relate to the land.

Second, the state of the land was because of something done by a person with a relevant connection to the taxpayer.

The case report can be downloaded from

<http://financeandtax.decisions.tribunals.gov.uk//judgmentfiles/j11572/TC07615.pdf>

Northern Gas Networks Ltd [2020] TC 7615

HMRC has amended its manuals on **long-life assets** (LLA). The changes seek to clarify the concepts of entity and entirety. They make clear that these are questions of tax law and not accounting opinion.

A long-life asset, broadly, is an asset with a value of at least £100,000 and an expected life of 25 years or more. Such an asset attracts a capital allowance of 6% (8% before April 2019) rather than the higher writing down allowance.

The European Union has confirmed that the UK may continue to offer **film relief** beyond 31 March 2020.

The current tax relief for films was introduced in 2015 and valid for five years. Under EU law, such tax relief counts as state aid and requires EU approval. The current extension runs until March 2025 or, if earlier, until the UK is no longer bound by EU rules on state aid

A scheme designed to allow **capital allowances** to be claimed twice failed at a first tier tribunal.

Two companies each had an undisputed entitlement to a writing down allowance, a form of capital allowance, in respect of plant and machinery. The scheme was designed to generate further capital allowances without incurring any further expenditure.

The scheme involved a short finance lease, various call and put options and a parent guarantee.

Under what is widely known as the *Ramsay* principle (from the decision in a case of 1982), tax is charged on the overall nature of a series of transactions. The parties in this case disagreed on how the Ramsay principle applied.

In particular, a company had not ceased to own an asset when it temporarily divested itself of ownership.

The case report can be downloaded from

<http://financeandtax.decisions.tribunals.gov.uk//judgmentfiles/j11605/TC07648.pdf>

Cape Industrial Services Ltd [2020] TC7648

The return on capital for **horse breeders** is a very low 1% to 3%. It is expected that 66% of horse breeders are not profitable, according to the British Horseracing Authority. The main problem is that the cost of production exceeds sales potential.

Accordingly, there is a risk that a loss claim for tax will fail on the basis that the business is not being run as a commercial trade.

Personal tax

These are the main **tax changes** that start in April 2020:

- sales of most residential property in the UK must be reported within 30 days and not on the annual tax return

- corporate non-resident landlords pay corporation tax rather than income tax
- a digital services tax is introduced at 2% of UK revenues from larger social engines, social media platforms and online market places

- employment allowance increases from £3,000 to £4,000, but is restricted to businesses whose national insurance last year was below £100,000

- a new form of class 1A national insurance applies to termination payments above £30,000 and sporting testimonials above £100,000

- the proportion of capital loss that may be brought forward for offset against capital gains is restricted to 50% of current capital gains above £5 million

- there are several restrictions to main residence relief from capital gains tax.

The final absence period is generally reduced from 18 months to 9 months; and lettings relief is restricted to when the owner is in residence. There are some other minor changes

- there are changes to the bands for vehicle excise duty for cars, and the percentages for company cars. The basis for taxing hybrid company cars has changed so that they are taxed on how far they can travel on electricity alone. For 2020/21 and 2021/22, there are different tables depending on whether the car was registered before 6 April 2020

- the income tax residence nil rate band increases from £150,000 to £175,000. This means that the value of property that can pass to children on the death of parents can be £1 million

- the transitional period for restrictions on interest charges paid by landlords ends. All such charges are relieved from income tax at only 20%.

The March 2011 Budget contained little in the way of changes to **income tax**. For the UK, apart from Scotland, the rates and main allowances are unchanged from 2019/20.

The only two changes to allowances are that the blind person's allowance increases from £2,450 to £2,500.

The married couple's allowance, for those born before 6 April 1935 (and who are therefore at least 85 years old) increases from a minimum of £3,450 to £3,510, and from a maximum of £8,915 to £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. This determines whether someone is UK resident according to how many days they spend in the UK. In March 2020, it was announced that a day will not be regarded as UK resident if the person was:

- prevented from leaving the UK by either coronavirus-related travel restrictions
- prevented from leaving the UK because they were in quarantine or self-isolation (the law already excludes a day when receiving medical treatment), or
- asked by their employer to return to the UK temporarily.

A taxpayer may **delay payment** of income tax due on 31 July 2020 until 31 January 2021. In March 2020, HMRC clarified some details:

- the deferral is optional. Taxpayers may prefer to pay the tax to avoid a large bill on 31 January 2021
- the deferral does not have to be claimed. A taxpayer simply does not pay the tax on 31 July 2020
- no interest or penalties will be imposed for the deferral
- the deferral is not restricted to the self-employed. Any taxpayer who pays income tax against self-assessment may defer
- there is no change to the dates when tax returns must be submitted.

HMRC is clamping down on undeclared **foreign income**, it was disclosed on 9 March 2020. Letters have been sent to taxpayers, saying they have until 25 March 2020 to disclose such income. Receipt of the letter does not mean that the taxpayer does have undeclared income, nor does it mean that the taxpayer is being investigated.

HMRC has produced draft legislation which requires it to repay the **loan charge** by 1 October 2021 where a change in the rules means it is no longer payable.

The loan charge arose from a tax avoidance scheme whereby funds equivalent to income are sent, usually overseas, and then “lent” tax-free to the individual. There was no expectation that the loan would be repaid. This scheme was used for many high net worth individuals who did not appreciate that this was artificial avoidance.

The loan charge was introduced in April 2019. Originally it required any outstanding loan from 1999 onwards to be immediately subject to income tax.

In December 2019, this rule was relaxed in that:

- the cut-off date has been brought forward from 1999 to 9 December 2010 so that loans before that date are no longer caught
- the date for paying the tax was 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.

This means the loan charge does not apply where the loan was made before 9 December 2010. This affects about 10,000 taxpayers.

It is believed that about £3.2 billion in tax was avoided by this scheme.

A non-resident may not claim **foreign service relief** on a termination payment because he was non-resident.

Foreign service relief is set out in Income Tax (Earnings and Pensions) Act 2003 s414.

Entitlement requires three tests to be satisfied as set out in s413(1).

The case report can be downloaded from

<https://www.bailii.org/uk/cases/UKFTT/TC/2020/TC07600.html>

Louis da Silva [2020] TC 7600

An accountant was not able to claim **entrepreneur's relief** paid by a company he owned and controlled for the purchase of goodwill held by him because the payment was employment income. The payment for goodwill was £1.2 million.

The accountant first operated as a sole trader, and then in partnership before forming a company to which the partnership transferred its business.

He claimed that he had sold his goodwill and claimed £1.2 million as entrepreneur's relief from capital gains tax.

HMRC dismissed his claim. It regarded the £1.2 million as employment income and taxed it as such. The first tier tribunal and upper tier tribunal agreed.

The case report can be downloaded from

<https://www.bailii.org/uk/cases/UKFTT/TC/2020/TC07567.html>.

Neill Dyer. [2020] TC/2018/06521

Valued added tax

A VAT-registered business may **defer** payment of VAT due between 20 March 2020 and 30 June 2020. No interest or penalties will be charged on VAT so deferred. This does not apply to VAT MOSS or to import VAT.

Deferment is optional. The business may still pay its VAT as normal.

VAT returns must still be submitted by the due date.

VAT repayments will continue to be made as normal.

The deferred VAT must be paid by 31 March 2021.

If VAT is paid by direct debit, the business must arrange for the payment to be stopped.

A business having difficulty paying its VAT may apply for a deferment under Time To Pay.

VAT on **e-books** and similar will be zero-rated from 1 December 2020 in line with printed books which have always been zero-rated.

[This has subsequently been brought forward to 1 May 2020.]

VAT on **women's sanitary products** will be zero-rated from 1 January 2021. At present they are subject to 5% VAT which cannot be reduced under EU law.

A VAT assessment was cancelled because it failed to meet the standard of **best judgment** by HMRC officers.

The case related to allegedly underdeclared sales of petrol and diesel from a service station in Northern Ireland. Officers based their assessment on the station selling 350 litres per hour Monday to Saturday for 14½ hours, and 175 litres on Sunday. The assessment was for the amount so determined minus the amount declared.

The tribunal found these defects in HMRC's approach:

- they failed to realise that the station was only open for 12½ hours on Saturday
- three of the five visits were on the same day of the week, Thursday
- four of the five visits were in the morning. None were in the evening. The fact that the officers' contract of employment did not allow evening visits was no excuse
- there was no evidence of any tampering with tills or collusion with staff. The cash control seemed appropriate, and was evidenced by staff members
- to support HMRC's assessment would mean that the station received an additional £5,197 in cash (not cards) every day that it squirrelled away outside its accounts system. This lacked credibility and was not supported by any evidence.

Accordingly the HMRC assessment was excessive. As no alternative lower figure had been suggested, the tribunal had to allow the appeal.

The case report can be downloaded from

<http://financeandtax.decisions.tribunals.gov.uk//judgmentfiles/j11593/TC07636.pdf>

FW Services Ltd [2020] TC7636

A company cannot be granted a **hardship order** when it has not provided HMRC with evidence reasonably requested. The fact that HMRC may owe the company more than the disputed amount is not, in itself, grounds for a hardship order.

A business that disputes a VAT assessment may appeal against that assessment to a tribunal. Generally, the business must first pay the amount of VAT in dispute. This is to stop an appeal being used to delay paying VAT. An exception may be made where to pay the assessment would cause the business hardship. HMRC may grant a hardship order. Alternatively a tribunal may do so.

In this case a business claimed that HMRC owed it a VAT refund of £13,000 and a CIS (construction industry scheme) refund of £34,958. It averred that it could not pay a VAT assessment of £6,189 until these refunds were received from HMRC. These refunds had been delayed while HMRC checked them. The tribunal hearing was not concerned with the merits of those claims; it was solely concerned with the hardship application.

HMRC asked business questions such as how much of the £27,009 debtors shown in its last accounts had been paid, to what the provisions figure of £12,879 related, and similar. It also asked for bank statements, details of overdraft facilities, management accounts and projected cashflow statements. It asked other questions.

The tribunal found that the company has failed to answer HMRC's reasonable questions about hardship. It also pointed out that a CIS refund cannot be offset against a VAT liability in the same tax year under Income Tax (Construction Industry Scheme) Regulations 2005 Regulation 56(5).

The case report can be downloaded from

<http://financeandtax.decisions.tribunals.gov.uk//judgmentfiles/j11595/TC07638.pdf>

Rok Construction & Hire Ltd [2020] TC 7638

A couple undertook building work to transform a derelict cottage into their home. The cottage has been removed from the council tax register as it had been uninhabited for more than ten years.

Under the **DIY housebuilder scheme**, someone who builds their own dwelling may claim back the VAT on the materials used even though they are not VAT registered. This is so as not to disadvantage them as against a commercial builder.

HMRC rejected the claim on the basis that the planning permission limited its use as ancillary to the farm.

HMRC also rejected their claim on the basis that they had not provided evidence that the property had been empty for the whole of ten years before starting work.

The couple requested an internal review which upheld the decisions and added a third reason, namely that they had built an extension which is not a dwelling.

The tribunal considered these three grounds.

On the first, they accepted that this was no longer a working farm, despite its address. There was no restriction on the separate use or disposal of the entire building. So the taxpayer's argument succeeded.

On the second, the tribunal noted an absence of electoral roll data, council tax records or utility bills. The taxpayer did not attend the hearing and could not be questioned. This argument failed.

On the third point, the tribunal found from the plans that the work was an extension and not a new build.

The claim failed on the second and third grounds advanced by HMRC.

The case report can be downloaded from

<http://financeandtax.decisions.tribunals.gov.uk//judgmentfiles/j11607/TC07650.pdf>

Margaret Bailey. [2020] TC7650

The exemption from VAT of **pension fund management** is widened from 1 April 2020 to include qualifying pension funds, and to remove the restriction on the type of assets that a close-ended collective investment fund may invest in and qualify for the exemption.

The change is given effect by amending Value Added Tax Act 1994 Sch 9 Group 5.

The Value Added Tax (Finance) Order SI 2020 No 209

Vegan truffle balls were held to be standard-rated confectionery and not zero-rated food. They were marketed as Nouri Health Balls, made from dates, nuts and similar ingredients with different flavourings. The issue turned on whether they were "sweetened". The tribunal found

that they were, even though no sweetener had been added. The sweetness came from the dates, and the finished product was less sweet than fresh dates. *Corte Diletto [2020] TC 7570*.

An amendment is made to the law regarding the zero-rating of **drugs** prescribed by a health professional.

The amendment is that zero-rating is extended to when the drugs are prescribed by a health professional outside the UK.

The Value Added Tax (Drugs and Medicines) Order SI 2020 No 250

National insurance

The **earnings threshold** for class 1 national insurance increases from £8,632 a year to £9,500. This is part of a planned transition to bring this threshold in line with the income tax personal allowance, currently £12,500. The figure of £9,500 equates to £792 a month or £183 a week.

The secondary earnings threshold for employer's national insurance increases to £8,788 a year which is £732 a month or £169 a week.

The lower earnings limit increases from £118 a week to £120. This equates to £520 a month or £6,240 a year.

The upper earnings limit remains at £50,000 a year, which is £4,167 a month or £962 a week.

There are no changes in the rates. Employees pay 12% on earnings between the earnings threshold and upper earnings limit, and at 2% above this figure. Employers pay 13.8% on all earnings above the secondary earnings threshold without limit.

For the self-employed, the weekly class 2 rate rises from £3.00 a week to £3.05. The small profits threshold rises from £6,365 to £6,475.

The class 4 rates, also paid by the self-employed, remains at 9% but the lower profits limit increases from £8,632 to £9,500. The upper profits limit remains at £50,000.

The Chancellor suggested in the Budget that national insurance for the self-employed would be aligned more closely with class 1, suggesting an increase in the class 4 rates.

The voluntary class 3 rate increases from £15.00 a week to £15.30.

The rate of **employment allowance** increases from £3,000 to £4,000 from 6 April 2020. This allowance is offset against employer's national insurance. It may not be claimed by an employer:

- (from 6 April 2020) whose national insurance contributions in the previous tax year exceeded £100,000
- who provides services exclusively to the public sector
- whose only employee is the business owner, or
- who has been convicted of employing an illegal worker (lost for one year).

The allowance is sufficient to pay employer's national insurance for two full-time workers on the national minimum wage.

Inheritance tax

The **residence nil rate band** completes its four-year transition to £175,000 from 6 April 2020. This is generally paid when a property passes from parent to child or remoter descendant. With the nil rate band of £325,000, this allows £500,000 to pass tax-free. If the transferable nil rate band may also be claimed, it is possible to pass £1 million free of tax.

Stamp duties

From 25 March 2020, **stamp duty** may only be paid electronically and not by cheque.

Note that this refers to stamp duty as charged on shares. It does not apply to the separate tax of stamp duty land tax on property transactions.

A paddock adjoining a **residential property** was held to be part of that property for the purpose of stamp duty land tax (SDLT) which is charged at a higher rate for residential property.

The paddock was a grass-covered field of 1.1 acres that was not part of the original property's grounds. Until 1983 it was part of an adjacent farm.

The tribunal found little precedent to help it. The selling of a piece of land with a property does not necessarily make that land part of the property.

The judge said, "for the commonly owned adjoining land to be 'grounds', it must be, functionally, an appendage to the dwelling rather than having a self-standing function" (para 44). It was irrelevant that the property could be enjoyed without the paddock.

The issue turned on the function of the paddock from the perspective of the purchaser. On the balance of probabilities, this was to enhance the view and thus be part of the dwelling.

The case report can be downloaded from

<https://www.bailii.org/uk/cases/UKFTT/TC/2020/TC07564.html>.

Executors of the estate of David Harrison. [2020] TC 7564

The 12-month time limit for **amending a return** of stamp duty land tax (SDLT) does not apply where the amendment is for a repayment of SDLT relating to a substantially performed contract that was not completed.

The taxpayer took out a lease and an assignment of a lease (a contracted-out lease) for a property. Building work started on the property in 2012 triggering an SDLT liability that was paid.

The contracted-out lease was replaced by another agreement in 2014. The taxpayer applied for a repayment of SDLT paid when the building work started. The taxpayer relied in Finance Act 2003 s44(9) which broadly allows a refund of SDLT when the relevant contract has been rescinded or annulled.

HMRC refused the claim on the grounds that the 12-month time limit had passed. The tribunal found that the 12-month time limit in Finance Act 2003 Sch 10 para 6(3) was overridden by s44(9)

The case report can be downloaded from

<https://www.bailii.org/uk/cases/UKFTT/TC/2020/TC07607.html>

Candy [2020] TC/2014/4645 and TC/2015/6378

Other taxes

On 11 March 2020, generous relief was granted from **business rates** in respect of coronavirus. The scope has since been widened. The main elements are:

- all businesses in the retail, hospitality and leisure sectors are exempt from paying rates for the whole of 2020/21 year
- 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 property of a rateable value between £15,000 and £51,000 will receive a grant of £25,000.

These provisions apply to England. Equivalent provisions have been announced for other parts of the UK.

From 24 March 2020, **nurseries** are added to the list of businesses that qualify for 100% business rates relief for 2020/21 from 1 April 2020.

Nurseries who have already been billed will be rebilled.

To be eligible, the premises must be:

- occupied by providers of Ofsted's Early Years Register, and
- wholly or mainly used for the provision of Early Years Foundation Stage.

For these purposes, premises are regarded as occupied if they would meet the conditions but have been temporarily closed under government advice on coronavirus.

Premises that are not wholly or mainly used as a nursery do not qualify under this new provision.

On 30 March 2020, it was announced that business rates relief has been extended to estate agents, letting agents, and bingo halls.

From 27 March 2020, **import duties** are deferred on medical supplies needed to deal with coronavirus. The import duties are Customs duty and import VAT. Customs duties can be up to 12%. The deferral is until 31 July 2020. Goods affected include ventilators, test kits, protective equipment and face masks. The relief may be claimed immediately by NHS bodies and organisations that supply the NHS. Non-NHS bodies must be approved by HMRC. This change does not affect privately supplied items.

The new rates of **annual tax on enveloped dwellings** (ATED) have been announced, effective from 1 April 2020. The annual payment is based on the taxable value of a residential property owned by a corporate entity and not exempt.

- from £500,000: £3,700
- from £1 million: £7,500
- from £2 million: £25,200
- from £5 million: £58,850
- from £10 million: £118,050
- from £20 million: £236,250.

The Annual Tax on Enveloped Dwellings (Indexation of Annual Chargeable Amounts) Order SI 2020 No 341

From 23 March 2020, the **London congestion charge** is suspended along with other road charges for the low emission zone and ultra low emission zone. The Mayor of London says this is to help essential workers get to work.

There is no relief from parking charges or parking tickets even when the vehicle is identified as being for an essential worker. On *Good Morning Britain* on 27 March 2020, Piers Morgan said he would pay the parking ticket given to any essential worker.

Some councils have amended their parking enforcement rules to allow more parking on residential roads to reflect greater home parking and less traffic.

NCP is offering NHS workers free parking which must be pre-booked.

Climate change levy is to be revised to reflect the fact that electricity is now a cleaner energy than gas. From 2022, the rate for electricity will be frozen, while that for gas will increase.

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

Excise duties are not increased on alcoholic drink or road fuel. Hydrocarbon oil duty on petrol and diesel has now been frozen for ten years.

From April 2022, **red diesel** tax relief will be abolished for many sectors. Red diesel is subject to excise duty at 11p a litre instead of 58p. It is dyed red. It is an offence to use red diesel in a vehicle other than as permitted. Exceptions will remain for fishing, farming and home fuel oil.

From 21 March 2020, the 5p **carrier bag charge** is waived for deliveries of groceries. This is strictly not a tax as the retailer can keep the charge.

From April 2022, there will be a new **plastic packaging tax**. This is imposed on plastic packaging where the recycled plastic content is less than 30%. The charge is £200 per tonne.

Business rates yielded £31 billion in 2018/19, it was disclosed in February 2020. With council tax and stamp duty land tax (and devolved equivalents), the UK derives a higher share of tax revenue from property than any other OECD country.

HMRC were held to have acted reasonably in refusing an application under the **alcohol wholesaler regulations** for registration by two companies controlled by the same sole director. HMRC argued that there was evidence of links to illicit supply chains, links to other non-compliant businesses, a poor record of payment of taxes by the director, and a lack of due diligence by the companies.

Although these were all challenged by the companies, the tribunal found for HMRC. The case report can be downloaded from

<http://financeandtax.decisions.tribunals.gov.uk/judgmentfiles/j11601/TC07644.pdf>

Morgan James Ltd. Exeter Drinks Ltd. [2020] TC7644

Non-Domestic Rates (Scotland) Act 2020, passed by the Scottish Parliament, received Royal Assent on 11 March 2020.

It amends the law on administration and enforcement of non-domestic rates, makes provisions for information-gathering powers, and allows for regulations to tackle avoidance. It requires revaluation every three years, rather than every five years. It makes many other provisions. The Act can be downloaded from http://www.legislation.gov.uk/asp/2020/4/pdfs/asp_20200004_en.pdf.

A tribunal upheld the **seizure** of 96 guitars partly made from Indian Rosewood. This is a protected species of plant under the Convention on International Trade in Endangered Species (CITES). Border Force may seize such items.

It was irrelevant that the wood was acquired before CITES came into force, and that its seizure would do nothing to conserve sources. The rosewood represented less than 5% of the guitar's weight.

The special pleadings of the company were overridden. A previous consignment of 72 guitars had been seized, but restored on payment of a fee. That should have put the taxpayer on notice.

The case report can be downloaded from <http://financeandtax.decisions.tribunals.gov.uk/judgmentfiles/j11581/TC07624.pdf>
Selectron UK Ltd [2020] TC7624

On 3 March 2020, Driver and Vehicle Licensing Authority (DVLA) published a list of excuses as to why **vehicles** had not been taxed:

- I'm about to start a prison sentence, so is there any way you could hang on to my ice cream van for six months 'til I get out?
- I would've taxed my van but my bitter ex put four live chickens in it
- I know it was untaxed, but I didn't think you'd clamp cars in a heatwave
- I forgot to tax it as I was looking after the kids (aged 19 and 26)
- I couldn't tax my car as I've had man flu and have been stuck in bed for 4 weeks
- I would've taxed the car, but you clamped it so early in the morning (the car was clamped at lunchtime).

A vehicle can be checked for tax and MOT online at <https://www.gov.uk/check-vehicle-tax>.

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. It was the first Budget since October 2018. It was given under the slogan "getting things done". Most of the announcements related to generous spending on infrastructure and coronavirus. The few tax announcements are reported under the appropriate headings.

Budget (Scotland) Act 2020, passed by the **Scottish Parliament**, received Royal Assent on 18 March 2020. It makes provisions for devolved taxation and expenditure for the 2020/21 year. The Act can be downloaded from http://www.legislation.gov.uk/asp/2020/5/pdfs/asp_20200005_en.pdf.

The existing **Time to Pay** (TTP) arrangements continue for taxpayers. This allows a taxpayer to request more time to pay any tax that is owed. Because coronavirus has led to a growing demand, there is a dedicated line that can be contacted on 0800 0159 559. HMRC has redeployed more staff to answer calls. Most requests for more time are agreed. The taxpayer is required to agree to a direct debit to pay the tax. No interest or penalties are imposed for tax paid under TTP. It should be remembered that TTP is intended to assist solvent individuals and businesses that have a cashflow problem; it is not intended to be a subsidy.

From 1 December 2020 (postponed from 1 April 2020), HMRC has secondary preferential creditor status in respect of taxes owed by an **insolvent business**, which the business has collected from other parties, including its staff.

These taxes are:

- VAT
- income tax under PAYE
- employees' national insurance
- student loan deductions
- construction industry scheme deductions.

For other taxes owed by the business itself, such as corporation tax and employer's national insurance, HMRC continues to rank as an unsecured creditor.

It is to be put beyond doubt that **computer penalties** issued by HMRC are valid. The first tier tribunal has ruled that a penalty notice is only valid if issued by a named "flesh and blood" officer. This will also apply to notices to file a self-assessment return.

The requirement for **Digital Links** in Making Tax Digital has been postponed by one year to 1 April 2021. A Digital Link means that data is automatically transferred within software. There is no manual re-entry of data.

Coronavirus Act 2020 s76 says "Her Majesty's Revenue and Customs are to have such functions as the Treasury may direct in relation to coronavirus or coronavirus disease". There had been concerns that this gives HMRC such **powers** as it may want. However, legal opinion is that the word "functions" refers solely to administrative procedures, such as administering the various government schemes.

A discovery assessment was cancelled because it was "stale". This decision was made by the tribunal, even though it had not been raised by the taxpayer. The current case concerned a discovery assessment issued on 15 August 2018 in respect of an alleged insufficiency of tax of which HMRC had knowledge no later than 24 February 2016.

The concept of **staleness** was upheld by the Court of Appeal in the case *Tooth [2019] EWCA Civ 826*. Permission has been given for this case to go to the Supreme Court. This should finally determine whether there is no concept of staleness, as HMRC asserts.

The case *Pattullo [2016] UKUT 270 (para 53)* held that staleness is exceptional. It does not apply where the discovery has been "kept fresh" by continuous action by HMRC or the parties. Staleness results only arises from inaction by HMRC.

HMRC had stated to the tribunal that “the doctrine of staleness was unsound and devoid of statutory authority”. The tribunal found this surprising as there had been two cases, *Tooth* and *Beagles* where the courts had upheld the doctrine. Although both cases are being appealed, that does not alter their status as setting out the current law.

The case report can be downloaded from

<http://financeandtax.decisions.tribunals.gov.uk//judgmentfiles/j11580/TC07623.pdf>

Bashir Ahmed Jafari. [2020] TC7623

A taxpayer was unsuccessful in maintaining that he had **posted** his tax return in time for which he had no proof. “I further find that if the appellant [taxpayer] did indeed send his tax return in a timely manner by post, then it is reasonable to expect him to have evidence in the form of either a recorded/special delivery slip, or indeed proof of postage, which does not require any additional payment over and above the cost of a postage stamp” (para 42).

The judge also noted that the taxpayer had not taken up the matter with Royal Mail.

The case report can be downloaded from

<http://financeandtax.decisions.tribunals.gov.uk//judgmentfiles/j11608/TC07651.pdf>

Mario Danaj [2020] TC 7651

A company failed to argue **reasonable excuse** against a VAT penalty on the basis that its cashflow problems were caused by a protracted compulsory purchase order (CPO) of some of its land. This took a long time (seven years) to complete. The amount was less than the company believed it was worth. It had a negative impact on the business.

On the facts of the case, the tribunal decided that the company had not taken sufficient action to cope with the CPO and cashflow problems, such as quantifying the amounts, enforcing their legal rights, and seeking other finance.

The case report can be downloaded from

<http://financeandtax.decisions.tribunals.gov.uk//judgmentfiles/j11611/TC07654.pdf>

Buckstone Group Ltd [2020] TC7654

HMRC may deny a claim for loss relief from a member of an **limited liability partnership** (LLP) without having first enquired into the LLP’s tax return.

A non-active member of the LLP claimed that HMRC had denied his claim for sideways loss relief against other income without checking the LLP. The tribunal agreed with HMRC that there was no obligation to do so. The provisions of Taxes Management Act s9 are wide in scope.

Under Income Tax Act 2007 ss 64 and 66, for a taxpayer to claim a loss from an LLP, he or she had to show that the LLP was carrying on a trade with a view to realising a profit. The taxpayer had not done so.

The case report can be downloaded from

<https://www.bailii.org/uk/cases/UKFTT/TC/2020/TC07560.html>.

Christopher J Grinyer [2020] TC 7560

Letters from HMRC to a taxpayer requiring adjustments to tax returns were not **closure notices**, the upper tier tribunal decided. Two cases were heard together where the issues were the same.

The notices related to two tax avoidance schemes that failed. The taxpayer had received these letters under Taxes Management Act s28B(4) following completion of an enquiry into the taxpayer's affairs.

HMRC then sent closure notices disallowing artificial losses and thus increasing their tax liability. The taxpayer contended that these were not valid as the s28B(4) letters had already closed the enquiry.

The upper tier tribunal agreed with HMRC that these letters were not closure notices as they had not been labelled as such.

The case report can be downloaded from

<https://www.bailii.org/uk/cases/UKUT/TCC/2020/61.pdf>.

Reid v HMRC. Emblin v HMRC. [2020] UT/2018/0075-76

China's block on the Internet was a **reasonable excuse** for late filing of self-assessment a first tier tribunal decided. A UK taxpayer tried to file his tax return from China. This now requires a two-stage verification process where HMRC provides a six-digit number that must be entered. This number is only valid for 15 minutes, making it impossible to file from China. That was reasonable excuse for one tax year but not for other years. *David Ferguson [2020] TC 7562*.

The Valuation Tribunal has exclusive jurisdiction over **council tax**, according to the Court of Appeal. The county courts have no jurisdiction. *Lane v Hounslow London Borough Council. The Times 11 March 2019*.

The Budget of 11 March 2020 included another raft of **anti-avoidance measures**. These are:

- preventing non-compliant businesses from using construction industry scheme to obtain refunds
- looking at "tax conditionality". This is where entitlement to approvals, licences, grants and similar is conditional on having a good tax compliance record
- a review of standards in the field of tax advice
- from April 2021, requiring large businesses to notify HMRC if they take a tax position which they believe HMRC will challenge.

On 9 March 2020, it was disclosed that HMRC is clamping down on undeclared **foreign income**. It sent letters to taxpayers asking them to review foreign assets and bank accounts and to make any amendments for tax by 25 March 2020. Receipt of such a letter does not mean that the taxpayer has done anything wrong. Nor does it mean that HMRC is investigating the taxpayer.

A tribunal made a case management decision regarding a draft order agreed between HMRC and the taxpayer about which electronically-stored documents had to be produced according to a **keyword search**. The underlying dispute related to whether a civil partner could be regarded as part of a VAT group.

The company and HMRC "each represented by a suite of specialist lawyers" produced a draft consent order, signed by both parties. This contained a list of case management directions. The order was placed before the judge for approval. The judge declined to approve it because the schedule had not been signed by both parties.

Instead of dealing with this simple matter, a dispute arose as to what the parties had agreed.

The tribunal first said that “directions, even if agreed by the parties, are always subject to the tribunal’s approval. The tribunal does not abdicate its case management obligations simply because the parties indicate they have agreed something” (para 14).

The dispute between the taxpayer and HMRC was the scope of what keywords should be used to access electronically stored documents. “The keyword search parameters, in the absence of agreement, fall within the scope of the tribunal’s case management powers” (para 23).

The tribunal was guided by Civil Procedure Rules Practice Direction 31B. The judge said he saw no reason why that direction should not apply to tribunal proceedings.

The direction said that the injudicious use of keyword searches could result in production of an excessive number of irrelevant documents and a failure to find important documents.

For this case, the judge said the parties should agree keywords and for the tribunal to deal with any disputes about particular keywords as they arise.

The case report can be downloaded from

<http://financeandtax.decisions.tribunals.gov.uk//judgmentfiles/j11599/TC07642.pdf>

Barclays Services Corporation [2020] TC7642

The Institute of Chartered Accountants in England and Wales (ICAEW) has expressed concerns about regulations proposed to implement **DAC 6**.

DAC 6 is the European Council Directive 2011/16/EU, the Directive on Administration and Cooperation in the field of taxation.

The directive took effect as European law from 25 June 2018. It becomes effective in EU states from 1 July 2020, with the first reports due on 1 August 2020 and the first exchanges of information from 31 October 2020. The implementation is retrospective in that it requires notification of arrangements from 25 June 2018.

DAC 6 mandates reporting of cross-border arrangements that affect at least one EU state and which have at least one hallmark. A hallmark here means a characteristic that could indicate aggressive tax planning. The information reported is fed into a central directory accessible by member states.

Concerns have been expressed that DAC 6 is wider in scope than is needed to prevent tax evasion. It will catch many normal commercial transactions which have no tax evasion motive.

ICAEW believes that DAC 6 is too widely targeted and will impose considerable extra burdens and costs on businesses that trade with EU businesses.

A revised double taxation treaty was agreed between the UK and **Gibraltar** on 11 March 2020. *The Double Taxation Relief and International Tax Enforcement (Gibraltar) Order SI 2020 No 275*

Pensions

On 30 March 2020, The Pensions Regulator published new guidance allowing employers temporarily to **pause** defined benefit contributions for up to three months. Such schemes will

also be able to delay requests to transfer out of a scheme by three months. These delays are intended to give trustees more time to calculate the cash equivalent transfer value (CETV) in a way that avoids uncertainties during the outbreak.

The **guaranteed minimum pensions** increase for 2020/21 is 1.7%.

This applies to earnings factors for the years 1988/89 to 1996/97 payable by contracted-out defined benefit occupational pension schemes. The increase is required by Pension Schemes Act 1993 s109(3).

The Guaranteed Minimum Pensions Increase Order SI 2020 No 235

A transaction of funds from a taxpayer's **self-invested pension plan** (SIPP) to a new pension scheme established under an invalid trust was an unauthorised member payment. HMRC's discovery assessment for the resulting tax was validly made. The Court of Appeal so decided. The case report can be downloaded from

<https://www.bailii.org/ew/cases/EWCA/Civ/2020/204.html>.

Clark v HMRC [2020] EWCA Civ 204

Welfare

State pensions increase from 9 April 2020:

- the basic state pension increases by 3.9% from £129.20 a week to £134.25.

This applies to those who reached state pension age before 6 April 2016. It may be enhanced with state second pension, SERPS and graduated pension

- the unitary pension increases by 3.9% from £168.60 to £175.20. This applies to those who reached state pension age on or after 6 April 2016
- other pension elements increase by 1.7%
- pension credit increases to £173.75 a week for a single person and £265.20 for a married couple
- the adult dependency increase ceases from 6 April 2020.

All those in receipt of a state pension should have received a letter in February 2020 giving their new rates.

In March 2020, the government announced some changes to social security to help people during the coronavirus outbreak.

The standard allowance for **universal credit** is increased by £20 a week. From 6 April 2020, the allowance for a single claimant aged 25 or more increases from £317.82 a month to £409.89.

The basic element for working tax credit is similarly increased by £1,045 (£20 a week) to £3,040 for the period from 6 April 2020 to 5 April 2021. Working tax credit is a means-tested benefit that is being progressively replaced by universal credit.

In March 2020, the government announced that it was suspending the **minimum income floor** for universal credit. This applies only to self-employed claimants.

This requirement is met by requiring the person to earn a minimum amount. The

minimum is the number of hours the claimant has agreed to work each, multiplied by the appropriate national minimum wage and by 52. If someone agrees to work 24 hours a week, the floor is $24 \times \text{£}8.72 \times 52 = \text{£}10,882$. This annual figure is divided by 12 to give $\text{£}906$. If a claimant earns less than the floor, universal credit is calculated as if income was the floor. If a claimant earns more than the floor, universal credit is reduced by 63% of the excess.

On 22 March 2020, the government announced **shielding** measures for the 1.5 million considered most at risk from coronavirus. This group includes those who:

- have had organ transplants
- with severe respiratory problems, such as cystic fibrosis and chronic bronchitis
- have blood cancer, bone marrow cancer and some other cancers
- are having treatments that suppress the body's immune system.

Those affected will receive a letter of text message from their GP in the week beginning 23 March 2020. Those who believe they have been wrongly included, or have not been contacted but believe they should be included, should contact their GP.

Those shielded are asked to stay at home for at least 12 weeks and not go out at all. Arrangements are made to ensure they receive food packages and medicines.

In March 2020, it was announced that all borrowers with **mortgages** may take a repayment holiday of up to three months. Interest continues to be charged.

At the same time, it was announced that for three months **tenants** in rented accommodation are protected from eviction.

From 24 March 2020, most **JobCentres** are generally closed. Claimants are asked to use online services instead. Only those without online facilities will be asked to attend in person.

On 24 March 2020, it was announced that all reviews and reassessments for **disability benefits** are suspended for three months. Existing awards will be automatically extended.

In the March 2020 Budget, it was announced that claimants who receive **personal independence payments** will have an award period of 18 months and be assessed less frequently.

On 2 March 2020, the Scottish government announced that children up to the age of 18 will no longer need to apply for **personal independence payment (PIP)** in Scotland. They will continue to receive disability living allowance. In England, the changeover age is 16.

In the quarter to September 2019, of claimants completing a **work capability assessment (WCA)** for employment and support allowance, 62% were placed in the support group; 16% in work-related activity group; and 22% were found to be fit for work.

In mandatory reconsiderations of fit to work decisions, 31% were revised.

These figures were issued by the Department of Work and Pensions on 12 March 2020

Universal credit discriminates against some **disabled people** who move to a different area, the Court of Appeal decided on 29 January 2020.

The Court found that the transitional regulations of SI 2014 No 1230 breached Article 14 of the European Convention on Human Rights.

Under these regulations a person receiving housing benefit who moves to another authority cannot claim the benefit from the new authority. Instead, they must apply to the Department of Work and Pensions for universal credit which was less than housing benefit.

A second case concerned new regulations made in January 2019 (SI 2019 No 10) which insert a new regulation 4A into the 2014 regulations. These applied to claimants who received the severe disability premium. It was found that the migration to universal credit was also discriminatory and unlawful under Article 14.

R (P and another) v Secretary of State for Work and Pensions. [2020] EWCA Civ 37. The Times 3 April 2020

In the March 2020 Budget, the government said it planned to consolidate existing care benefits into a new **carer's leave**.

Revised rates have been published of compensation for workers who suffer from **pneumoconiosis**, byssinosis, diffuse mesothelioma, primary carcinoma of the lung, and diffuse pleural thickening.

The Pneumoconiosis etc (Workers' Compensation) (Payment of Claims) (Amendment) Regulations SI 2020 No 242

There are serious failings in how the Department of Work and Pensions (DWP) investigates **suicides** by benefit claimants, according to Stephen Timms MP, chair of the Work and Pensions Committee. Timms wrote to the secretary of state outlining weaknesses in the DWP's response.

In February 2020, the National Audit Office produced a report saying that the DWP had investigated 69 suicides since 2014/15. It regarded this as "high unlikely" in being the number for six years.

Accounting

The audit exemption for **EEA parents** is extended to 31 December 2020, it was confirmed in March 2020.

An audit exemption applies to a UK company whose parent company is in the European Union or European Economic Area where appropriate conditions are met. The exemption is given in Companies Act 2006 s479A. Without the extension, the exemption would have ended in 31 January 2020.

Guidance has been given to **charities** regarding their accounts during the coronavirus outbreak. The charity statement of recommended practice (SORP) is not amended. Charity trustees are asked to consider:

- including a statement on how the outbreak has affected them

- reporting on how far the outbreak has affected donations received and expenses incurred
- stating whether they believe the charity can survive the outbreak
- saying what the charity is doing to mitigate the effects of the outbreak.

In March 2020, it was announced that proposed **audit reforms** would be paused during the coronavirus outbreak. The official response to the consultation would not be made until autumn 2020 at the earliest. The reforms deal with separation of audit duties from other accounting functions, seeking to address the oligopoly of the Big Four accounting firms, and widening the scope of audit.

From 31 March 2020, larger companies are required to comply with Streamlined Energy and Carbon Reporting (SECR). This discloses their **emissions and energy use**.

On 26 March 2020, the Financial Reporting Council issued revised standards for **investment reporting** SIR 1000-5000, and issued a new standard 6000 for quantified financial benefits statements (QFBSs) published in accordance with the City Code.

The seven largest UK accounting firms have been asked by the Financial Reporting Council to separate their **auditing** functions from other work such as consultancy. The letters were sent to the Big Four firms of Deloitte, EY, KPMG and PwC, and the next three largest firms of BDO, Grant Thornton and Mazars.

FRC proposals would not require the firms to be split but only for the audit function to be separately managed.

The government has said it intends to legislate in this area, though its detailed proposals are not yet known. It plans to replace the Financial Reporting Council with a new more powerful body called the Audit, Reporting and Governance Authority.

The introduction of **Making Tax Digital (MTD)** has prompted many small or medium-sized enterprises to computerise their accounting records, according to a survey published by the Institute of Chartered Accountants in England and Wales in March 2020.

The survey found that:

- 91% of accounting firms had to advise clients on MTD
- 79% of VAT-registered businesses use commercial software
- MTD has prompted a 47% decrease in spreadsheet accounting and 65% decrease in paper records
- 88% of firms have clients that use spreadsheet accounting, and 73% have clients using paper records
- 73% of firms see MTD as an opportunity to expand their business
- 22% of firms have seen their costs increase by 25% or more
- 30% of firms see MTD in a positive light, while another 31% see it as neutral.

Business Finance

From the week starting on 23 March 2020, a business that needs funds to pay wages, rent or suppliers can go to a high street bank. The **Coronavirus Business Interruption Loan Scheme** (CBILS) is available to most UK-based businesses with a turnover up to £45 million a year.

Excluded businesses are farming, finance, insurance, freight, education, health and social work, trade unions and employers' associations, visitor attractions, libraries, political and religious bodies, and providers of domestic services. The loan is interest-free for 12 months (originally announced as six months in the Budget).

The loans are administered by the 40 members of the British Business Bank, which includes most high street banks. The government guarantees up to 80% of the loan. There is no charge for the guarantee. Loans may be made for up to £5 million.

Borrowers must meet other lending criteria. They remain responsible for repaying 100% of the debt. The government is providing a guarantee, not a subsidy.

The loan can take up to one of four forms:

- term facilities
- overdrafts
- invoice finance
- asset finance.

Term loans and asset finance are for a period between 3 months and 10 years. Overdrafts and finance loans are for up to 3 years.

The maximum amount of the loan is £5 million (as against £1.2 million announced in the Budget). The loan may be restricted if, exceptionally, the business has already received more than €200,000 in state aid.

The government has introduced a **COVID-19 Corporate Financing Facility** (CCFF) to help larger businesses through the coronavirus outbreak. The scheme started on 23 March 2020.

A new company called Covid Corporate Financing Facility Ltd has been set up. This will buy the short-term debt of larger businesses. The business must be able to demonstrate that it was in sound financial health before the outbreak.

The scheme lasts for 12 months, but may be extended. Six months' notice will be given of its closure.

On 1 April 2020, it was reported that the **pre-emption rules** have been relaxed until 30 September 2020.

These rules increase from 10% to 20% the amount of share capital that a listed company may seek from institutional investors without having to offer shares to existing shareholders first.

The previous rules allow 5% to be raised for general purposes plus another 5% for specific acquisitions or investments. The rule is designed to protect small shareholders to stop their shareholdings being diluted. It generally requires new shares to be offered first to existing shareholders.

Companies that seek to use this higher limit must make out a case to the Pre-Emption Group (PEG). This requires a consultation with representatives of larger shareholders.

The temporary change is to help businesses quickly get additional equity funds during the lockdown. It avoids the need for a rights issue which can be protracted and expensive.

The first company to use this new provision was the FTSE-250 recruitment company Hays who raised a sum equal to 12% of its share capital on 2 April 2020.

The statement from the Pre-Emption Group can be downloaded from

<https://www.frc.org.uk/getattachment/9d158c89-f0d3-4afe-b360-8fafa22d2b6a/200401-PEG-STATEMENT.pdf>.

The European Union has launched a “massive **recovery and reconstruction package**” in April 2020.

The package allows member states to transfer funds between three cohesion funds:

- the European Regional Development Fund
- the European Social Fund, and
- the Cohesion Fund.

It is also possible to fully finance cohesion policy programmes related to Covid-19 through 100% EU funding during the 12 months from 1 July 2020 to 30 June 2021. There are also some administrative changes.

Farmers benefit under new rules that allow them to secure loans or guarantees on favourable conditions up to €200,000.

There are also measures to assist the fishing and aquaculture industries.

There is funding for personal protective equipment for workers, including volunteers.

The UK government has provided £10 million as specific aid to help the **fishing** and aquaculture sectors. This is in addition to EU aid.

The EU has issued a Temporary Framework of the European Union (TFEU). Department for Business, Energy and Industrial Strategy (BEIS) issued guidance under TFEU on 16 April 2020.

The main change is a temporary increase in the amount that a state may provide as a subsidy to a business without breaching **EU rules against state subsidy**. Even though the UK has left the European Union, it is still bound by EU rules during the transition period to 31 December 2020. EU law allows for an increase in state aid during a natural disaster or exceptional occurrence. On 13 March 2020, the European Commission declared Covid-19 as an exceptional occurrence.

The increase is to €800,000, except for agriculture where the limit is €100,000, and fishing and aquaculture where it is €120,000. These limits apply per undertaking.

These new limits may be used with the existing de minimis limit of €200,000 per undertaking.

State aid under these schemes may not be made to businesses already in financial difficulty on 31 December 2019.

Any state aid that exceeds these limits needs EU approval. The UK’s grant scheme for the hospital and leisure industry has already been approved. There is no known example of the EU refusing a scheme, and approval has usually been prompt, sometimes within a day.

The new provision is subject to three conditions:

- there is a direct causal link between Covid-19 and the scheme

- aid is strictly limited to compensation for Covid-19 damage
- there is no cumulation with other aid for the same costs.

The BEIS document on TFEU may be accessed at https://www.economy-ni.gov.uk/sites/default/files/publications/economy/BEIS-Guidance-Covid-19-Temporary-Framework-UK-Authorities_0.pdf.

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

US **stock trading** was stopped four times in March 2020 on 9, 12, 16 and 18 March 2020. The US trading system has a circuit breaker system in which trading is paused for 15 minutes if the Dow Jones index falls by more than 7.5% from the start of the day. The losses were caused by widespread index losses due to coronavirus.

Many markets, including the London Stock Exchange, had lost about a third of their nominal value since the beginning of the year. The FT-SE 100 index fell 13% in one week to 28 February 2020.

Northern Ireland has set up various schemes to assist businesses and individuals affected by coronavirus. These mirror schemes in Great Britain but are passed under separate laws. There is a special COVID-19 helpline accessible in 0800 0159 559.

Personal Finance

On 23 March 2020, it was announced that holders of monthly and annual **season tickets** for trains may claim a refund for the unused portion of those tickets because of the coronavirus lockdown. The claim may be made for tickets bought before 7am on 23 March 2020. Rail journeys have declined by 70% since the lockdown began. This refund has been arranged by an agreement between the government and rail franchisees.

In the longer term, rail companies are offering a **carnet** (pronounced car-nay) of prepaid tickets, typically at the rate of 10 tickets for the price of 9. This helps to address the ore-lockdown problem of providing a form of season ticket to workers who do not travel on five days a week.

Law: coronavirus

Coronavirus Act 2020 is now law. It was passed with all-party support. The Act contains 87 clauses and 27 Schedules. Not all the measures will be commenced at the same time and may be stopped at different times. The Act expires after two years but must be reviewed at least once every six months.

The **lockdown** rules were issued as *The Health Protection (Coronavirus, Restrictions) (England) Regulations* SI 2020 No 350 and became immediately effective at 1pm on 26 March 2020. The SI is issued in England under Public Health (Control of Diseases) Act 1984. Similar regulations apply to other parts of the UK under devolved powers. The main provisions were announced on 23 March 2020 though not then enforceable.

Para 3 defined an emergency period as starting from 26 March 2020 until specifically announced as having ended. Different provisions may end at different times.

Para 4 requires the closure of all establishments that sell food and drink for consumption on the premises. They may sell food and drink to take away.

Para 5 requires the closure of all shops and retail units with exceptions for supermarkets, chemists, grocers, banks, post offices, hardware stores, pet food suppliers and off-licences.

Para 6 requires everyone to stay where they are living with limited exceptions. These include exercising, fetching medicine and food for themselves or as a volunteer, going to work if they cannot work at home, attending medical appointments, assisting vulnerable people (as defined), meeting a legal obligation, donating blood, taking a child to the other parent, and escaping from injury or harm.

Para 7 generally requires no more than two people to gather.

Paras 8 to 10 contain enforcement provisions. Para 10 sets out fines for non-compliance. The first fine is £60 payable within 28 days, reduced to £30 if paid within 14 days; a second fine is £120; and a third or subsequent fine is £960.

Shops allowed to stay open during the lockdown are (as listed in SI 2020 No 350):

- Supermarkets
- Pharmacies
- Newsagents
- Hardware stores
- Banks
- Pet shops
- Post Offices
- Petrol stations
- Vets
- Retail shops in hospitals
- Laundrettes
- Funeral homes

On 23 March 2020, the government said that **commercial tenants** who cannot afford their rent will be protected from eviction. Many commercial tenants have made arrangements with their landlords, particularly for the rent due on 25 March, which is one of the quarter days.

A raft of **statutory instruments** were issued in March 2020 to reflect changes because of coronavirus.

Two changes to **insolvency law** were made on 28 March 2020.

One allows a company undergoing a rescue or restructure to continue buying supplies.

The other suspends the law on wrongful trading for three months. Wrongful trading is the rarely prosecuted criminal offence of keeping a company going when it is really insolvent.

From 20 March 2020, all **schools**, universities and colleges were ordered to close except for the estimated 2 million children:

- of essential workers
- who have special needs, or
- who are considered vulnerable.

In reality, only about one tenth of that number have taken the places.

GCSE and A-level exams for summer 2020 have been cancelled. They will be replaced by teacher assessments, subject to an appeals procedure.

From 19 March 2020, police and immigration officers have new powers compulsorily to **quarantine** people for up to six weeks if they are believed to have coronavirus.

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

Driving tests has been suspended for 3 months from 21 March 2020, except that provisions will be made for emergency workers.

On 31 March 2020, the government confirmed that **construction sites** could continue working provided they worked within the industry's Site Operating Procedure.

The government has also confirmed that **manufacturing** may continue, provided other requirements are met, such as social distancing and hand washing.

All **Official Receiver** offices closed on 24 March 2020 but the service continues. Official Receivers are working from home. The service can be contacted by email from its website.

On 30 March 2020, the Home Secretary announced changes to the procedures for checking the **right to work** during the outbreak. The main change is that employers are not required to see original documents. Instead, the suggested method is:

- the worker sends a signed copy of the original documents by email or app
- the worker holds up the original copy during a video call
- the employer notes the check and that it was made under COVID procedures
- a full check, including sight of original documents, is made within eight weeks

of the pandemic ending.

The **European Union** has announced changes to its rules as a result of coronavirus. Europe is now regarded as the epicentre of the pandemic. The changes are:

- restrictions on government borrowing are lifted
- from 16 March 2020, there is a 30-day ban on non-essential travel to EU
- procedures for permitting state aid have been shortened, and can now usually be agreed within hours.

On 23 March 2020, all British **travellers overseas** were advised by the government to return to the UK “now”. The government has chartered flights to bring back otherwise stranded citizens.

From 24 March 2020, **prison visits** are suspended until further notice. Instead, 55 prisons were provided with 900 secure phone handsets. Government policy is to maintain contact between prisoners and their families as this reduces re-offending rates.

Law: non-coronavirus

From 6 April 2020, the amount that of an insolvent company’s assets that must be reserved for **unsecured creditors** increases from £600,000 to £800,000.

Insolvency Act 1986 prescribes the order in which creditors are paid by an insolvent company. Unsecured creditors rank lowest. In practice, this usually meant that (before 2003) they received nothing, as all the assets went to preferential and secured creditors.

From 15 September 2003, this changed when it was required that part of the assets up to £600,000 had to be set aside to pay unsecured creditors. This is the first change to that figure.

The figure of £800,000 is likely to be reached when the company has assets of at least £2,985,000.

The Insolvency Act 1986 (Prescribed Part) (Amendment) Order SI 2020 No 211

A director’s **fiduciary duties** continue after the company has entered administration, the High Court decided. It was alleged that a sole director of a company purchased a property at undervalue from the company and its administrator without its having been put on the open market. The subsequent liquidator brought the action. The Court decided that a director’s duty to act in good faith did not end with the administration. *Hunt v System Building Services Group Ltd (in liquidation) [2020] EWHC 54 (Ch)*.

A claimant in an employment appeal had a **costs order** made against him when it was shown that he had lied to the tribunal. Although the claimant was insured, and the insurer had authorised litigation, the insurer had simply relied on what it was told by the claimant. The unsuccessful claim was for disability discrimination. The costs were £550,000. *Radia v Jefferies International Ltd [2020] UKEAT/007/18/JOJ*.

The Court of Appeal held that here was illegal interference in a **trade union ballot** when workers were encouraged to intercept ballot papers at their workplace. Under Trade Union and Labour Relations (Consolidation) Act 1992 s230, each ballot paper must be sent to the member’s home address. *Royal Mail Group Ltd v Communication Workers Union [2020] CA*. *The Times* 12 March 2020.

From 6 April 2020, third party sales of **cats and dogs** are illegal. A cat or dog may only be bought from a breeder or reputable rehoming centre.

Robert Latham, a part-time **judge**, donated £100,000 to the Labour leadership campaign of Sir Keir Starmer. Guidelines for judges say they should refrain from being politically active.

Some miscellaneous amendments were made to the law of the **Church of England** on 16 March 2020.

A bishop may license an ordained member of a religious order to minister but not to take weddings.

A lay person may, under certain conditions, conduct a funeral in the Church of England.

There are other minor changes, including the rules allowing for building on a disused graveyard.

Church of England (Miscellaneous Provisions) Measure 2020 No 1.

Corporal punishment of children in Wales is abolished under Children (Abolition of Defence of Reasonable Punishment) (Wales) Act 2020 passed by the Welsh Assembly and given Royal Assent on 20 March 2020. The provision takes effect from 2022.

Other changes: coronavirus

On 11 March 2020, the World Health Organisation declared **coronavirus** to be a **pandemic**. On 17 March 2020, the UK started to introduce more draconian measures, with a lockdown ordered from 23 March 2020.

In the UK, coronavirus became a notifiable disease from 6.15pm on 5 March 2020.

From 23 March 2020, most **rail services** have been replaced by Sunday services as rail use has fallen by about 70% due to home working during the coronavirus outbreak. Some stations have closed, including 40 on the London Underground.

Supermarkets have adapted to coronavirus lockdown. It is now common to queue outside the supermarket and wait to be admitted as a means of controlling numbers inside. Floors are marked to indicate two-metre spacing. Check-out have screens. Customers are asked to pay by card in preference to cash. Cafes and delicatessens have been closed so that staff can concentrate on core products. Some have reduced their hours to allow more time for restocking.

Many supermarkets have introduced special provisions for NHS staff. This includes priority in queuing, exclusive hours for shopping, waiving delivery charges, and offering discounts.

Supermarkets have also engaged an extra 25,000 staff.

The government has relaxed some law. Competition law has been relaxed so that supermarkets may co-operate in ensuring essential supplies. They may share delivery vehicles and even sell each other's products. Delivery hours have been extended.

Although takeaways are allowed to remain open, many such as Greggs, McDonald and Nando's have decided to close.

By 21 March 2020, there were reports of **panic buying** leaving empty supermarket shelves. In two weeks, the nation's larders and fridges had an extra £1 billion worth of food. Supermarkets

said that they had plenty of product; the problem was getting it to the stores quickly enough. The figure works out at about £16 per person in the UK. As average spending on food per person was £26.32 (Office of National Statistics 2016/17), this represents just four days of extra food and drink.

The **prime minister** Boris Johnson was diagnosed with coronavirus on 27 March 2020. He had to go to hospital where he spent some time in intensive care before being discharged. He is convalescing at Chequers.

Other matters: non-coronavirus

In March 2020, the Office of National Statistics made its annual revision on the **basket of goods** used to determine inflation rates. These revisions reflect changes in spending habits. Items removed include fruit pies, many computer games, MP4 players, and beef topside joints. Items added include gluten-free cereal, cocktails in cans, re-usable mugs and cups, vegetable crisps and airport parking.

Post-Brexit trade negotiations started on 2 March 2020. They are continuing through the coronavirus lockdown but, from 20 March 2020, face-to-face talks have been replaced by online discussion. The government still maintains that the transitional period will end on 31 December 2020. Both EU chief negotiator Michel Barnier caught the coronavirus. His UK counterpart David Frost self-isolated.

From 1 April 2020, **non-emergency** phone calls on 101 will be free. The 15p charge is abolished.

Broadband has often been slower since the lockdown on 23 March 2020. There has been a surge in Internet use. Internet access points typically support 50 users on the basis that not all users will be using them at the same time.

From 1 April 2020, the **prescription charge** rises from £9.00 to £9.15 per item. There are also increases in “season tickets” for 3 months and 12 months, and for wigs.

On 4 March 2020, the government announced plans to require **petrol** to contain at least 10% bioethanol from plants.

NHS Funding Act 2020 received Royal Assent on 16 March 2020. Section 1(1) allots sums to the **NHS** in England and Wales in each financial year of at least:

- to 31 March 2021: £127.007 billion
- to 31 March 2022: £133.283 billion
- to 31 March 2023: £139.990 billion
- to 31 March 2024: £148,467 billion.

Britain's **carbon emissions** have fallen by 29% over the last ten years, according to Carbon Brief in March 2020. This is the fastest decline in any major economy. Emissions are at their lowest level since 1888, excluding years of general strikes.

In 2019, 64.8% of **newly registered cars** had petrol engines; 25.2% had diesel; and 10.0% used another source of power (such as LPG or electricity).

The trend is quite clear. In 2015, the equivalent percentages were 48.8%, 48.5% and 2.8%. There is a clear move from diesel to petrol, and a smaller move to other sources.

Landmark anniversaries

5 May: On 5 May 2020, the Institute of Chartered Accountants in England and Wales (ICAEW) is marking 100 years since the first woman qualified as a chartered accountant. Mary Harris Smith was admitted as a member after a 30-year battle, at the age of 75. She became a founder member on the basis of having been in practice. (This category of membership became extinct in 1950.) Harris established her practice in the 1880s to show that “the weaker sex” was just as capable of being accountants as men. Her membership was assured by a change in the law in 1919 which said that women must be allowed to join professional bodies. Sex discrimination was not generally outlawed until 1975.

In 1924, Ethel Watts became the first woman to become a chartered accountant by examination. In 1979, Mary Yale and Jane Robinson became the first female members of the ICAEW council. In 1999, Baroness Noakes became the first female president of the ICAEW. In 2016, Hilary Lindsay became the second.

13 May: 100 years ago in 1920, the House of Lords ruled in *Rotunda Hospital v Coman* that a hospital was liable to income tax on fees for letting out a hall and ballroom for concerts and other forms of public entertainment. The hospital was a charity. It argued that this was income subject to Schedule A as deriving from land and not Schedule D as a trade. As a charity, it was exempt from Schedule A. The Lords said the hire was in the nature of a business.

Articles

DIY housebuilders

A do-it-yourself housebuilder is allowed to recover VAT paid on building materials. These provisions are contained in Value Added Tax Act 1994 s35. They are an exception to the general rule that only a VAT-registered business may recover VAT input tax.

A builder can generally zero-rate a new residence. The DIY scheme is intended to put the DIY builder in a similar position to the professional builder, which it only partly achieves.

In practice, the DIY scheme is beset with traps for the unwary. There continue to be cases where DIY builders find that they are unable to claim the VAT they had expected, leaving them thousands of pounds out of pocket.

The DIY scheme may only be used to create new residential accommodation. It may not be used to enlarge an existing property.

The scheme can be used for conversions, such as turning a barn into a house or houses. It may not be claimed for converting one property into more than one, such as converting a house into flats. It has also been refused when a pub with a flat was converted to a house.

The DIY scheme may not be used for building or conversion to a commercial property. The scheme may not be used to claim input tax when the property is to be let.

VAT may be claimed for building materials only. HMRC has published a detailed list of what may be claimed. You can, for example, claim for a bath but not for a blind.

It cannot be claimed for supervisory work such as architects' fees or legal fees. The scheme may not claim back VAT charged by a contractor or subcontractor, though their work may be zero-rated anyway. The scheme cannot recover VAT on charges for hiring items such as skips or cement mixers. VAT may only be claimed for the dwelling itself, and not for ancillary buildings such as sheds, detached swimming pools or detached garages.

All invoices must be listed on the claim form and originals sent with it. Only the correct amount of VAT may be claimed. So, if a supplier has charged the wrong rate or made an arithmetical error, an amended invoice must be obtained.

The house must have planning permission and must comply with that planning permission. Any non-compliance with a permission is likely to be fatal to a claim, however inconsequential the non-compliance may be. If the specification changes, a new planning permission should be obtained. The planning permission must allow the property to be sold separately.

Only one payment may be made by way of a refund. Unlike a professional builder, the DIY builder cannot recover input tax as the work progresses.

The claim must be made within three months of completion.

Understanding national insurance

National insurance is a curious tax. To start with, it is legally not a tax at all but a compulsory insurance policy. Since it was introduced in 1912, it has lost its nature of insurance and evolved to the nature of a tax.

There are, though, still a few vestiges of insurance around. Some benefits, such as jobseeker's allowance, depend on contributions having been made, for example.

The first notable difference is that national insurance has age limits. It is not paid by anyone under the age of 16, nor by their employer. It is also not paid by anyone who has reached state pension age but it is still paid by the employer. For this reason, payments of national insurance are called "contributions".

National insurance is collected under classes 1, 1A, 1B, 2, 3, 3A and 4. Only classes 1, 2 and 3 count towards any benefits. The others are all pure taxation. To receive the full state pension, it is necessary to have 35 years' worth of contributions either paid or credited. (This was 30 years before 2016.) Contributions may be credited while unemployed, looking after a child, in education, or in prison.

The main reasons for not having a record for a year is being overseas, being self-employed and electing not to pay class 2, or a mistake in the record keeping. It is advisable to check your national insurance record in your 40s at the latest, to ensure that you have sufficient record. It may be possible to plug any gaps by paying class 3 contributions for the current year and previous six years.

By far, the most important class is class 1 paid by employees and their employers. This is collected through the PAYE system as a deduction from wages or salary.

An employee pays class 1 from an earnings threshold. For 2020/21, this is £9,500 a year (£183 a week). The employee then generally pays 12% of earnings up to £50,000, known as the upper earnings limit. The employee pays 2% on earnings above £50,000. Yes, the rate really does reduce, unlike income tax.

The employer pays class 1 from a lower earnings threshold. For 2020/21, this is £8,788 a year. The employer then pays 13.8% national insurance on *all* earnings above this figure without limit. There are some provisions for employers such as employment allowance, and exemptions for certain apprentices and young workers.

Below these earnings thresholds there is a lower earnings limit. For 2020/21, this is £6,240 a year. This equates to £520 a year or £120 a week. This threshold does not affect how much national insurance is paid, but does affect what entitlement the employee is earning. Earnings must be at least of this amount to count towards a state pension, and to be entitled to statutory benefits such as statutory maternity pay.

Unlike income tax, earnings are not aggregated for national insurance. The thresholds and limits apply *per job*, not per person. So someone earning £150 a week in each of two jobs pays no national insurance as the earnings in each job are less than the earnings threshold of £183. However they do count towards the state pension as they are more than the lower earnings limit of £120 a week. Someone with one job earning £300 a week will pay national insurance.

There are still a few married women who may pay a reduced rate of national insurance. It is no longer possible to pay a lower rate by being in a pension scheme.

Also national insurance is not cumulative. If someone has no income for a month, the threshold or limit for that period is lost, unlike for income tax.

The self-employed pay class 2 of a small fixed amount, plus class 4 which is 9% of profits between two limits. Class 3 is a voluntary contribution paid to maintain entitlement. Class 3A was discontinued in 2016. Classes 1A and 1B are paid by the employer alone in respect of benefits provided to employees.