Newsletter: June 2020

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Payroll

The **advisory fuel rates** from 1 June 2020 have been announced.
The rates (with previous figures in brackets) are:
Petrol engines: to 1400cc: 10p (12p)
1401cc to 2000cc: 12p (14p)
over 2000cc: 17p (20p)
Diesel engines: to 160cc: 8p (9p)
1601 to 2000cc: 9p (11p)
over 2000cc: 12p (13p)
LPG: to 1400cc: 6p (8p)
1401-2000cc (8p (10p)
over 2000cc 11p (14p)

The **advisory fuel rates** set amounts that an employer may pay to an employee when:

- the employer provides a company car
- the employer does not pay for fuel for the car, and
- the employee undertakes some business mileage.

Provided the reimbursement does not exceed that figure, there is no income tax liability for the employee.

An employer may pay a higher rate without triggering a tax liability. This is likely when the vehicle is less fuel efficient than other vehicles. The employer must be able to justify paying a higher rate.

Employers may make claims for the coronavirus **statutory sick pay** rebate scheme (SSPRS) from 26 May 2020.

The scheme allows employers who have fewer than 250 employees to recover the whole cost of paying statutory sick pay for up to two weeks for people who are off work because of coronavirus, including quarantine and self-isolation. This applies to absences from 13 March 2020.

Note that SSPRS may only be claimed for SSP paid that relates to coronavirus. It may not be used for absences unrelated to coronavirus.

From 28 May 2020, a new category of person is added to those for whom the special coronavirus provisions for **statutory sick pay** (SSP) apply.

This adds to the list of employees, anyone who has been contacted and told to self-isolate because they have been in contact with someone who has the virus.

The Statutory Sick Pay (General) (Coronavirus Amendment) (No 4) Regulations SI 2020 No 539

The regulations allowing for the **refunding of SSP** for coronavirus-related absences have been issued as SI 2020 No 512. In Northern Ireland, equivalent provisions have been issued as SI 2020 No 513.

HMRC will no longer provide blank **P45 and P60 forms** to employers, other than the minority of employers who are excluded from the scope of real time information (RTI).
Employers that are digitally exempt will be allowed to order them through the employers' helpline.

Under regulations made on 20 May 2020, **expenses** incurred by an employer in providing office equipment to enable an employee to work from home do not count as income for the purposes of assessing class 1 national insurance.
This applies from 11 June 2020 to 5 April 2021.
The Social Security Contributions (Disregarded Payments) (Coronavirus) Regulations SI 2020 No 525
Such expenditure is also exempt from being taxed as a benefit in kind.
The Income Tax (Exemption for Coronavirus Related Home Office Expenses) Regulations SI 2020 No 524

In May 2020, it was disclosed that 7.5 million workers, about a quarter of the entire workforce, was furloughed and being paid under the **Coronavirus Job Retention Scheme** (CJRS). This has been extended to the end of October 2020 but with changes not yet detailed from August 2020. The estimated cost of CJRS has been put at £80 billion.

There has been a 23% cut in jobs for newly qualified **graduates**, according to *The Guardian* in May 2020. The newspaper found that 15% of employers plan to reduce recruitment further in 2021.

On 20 May 2020, the government announced that the existing **right to remain** scheme is extended to families and dependants of NHS workers and care workers who die from coronavirus. The right is given from 20 May with retrospective effect.

The original scheme was launched in April 2020 for health workers and care workers.

The Chartered Institute of Payroll Professionals published its survey of payslip statistics in the May 2020 edition of *Professional,* its house magazine.

The main findings are:

- 96.5% of employers produce payslips monthly
- 0.7% of employers have introduced pay on demand
- 8% of employers had changed pay frequency, mainly from weekly or fortnightly to monthly
- 68% of employers pay early in December
- Friday remains the most popular pay day for weekly payrolls

- all employers give the tax code on the payslip, but less than 75% give national insurance category letter
- 74% give details of employer's pension contributions on the payslip
- 85% of payrolls are processed in-house
- 60% distribute payslips online, and a further 32% by email.

The **highest paid** 1% of UK workers received 17% of all UK income, before the coronavirus outbreak, according to research from Warwick University published in May 2020.

Business tax

A judge is entitled to value **land owned by a trust** without the need for the land to be exposed to an open market sale. The Court of Appeal so decided on 3 March 2020.

A brother and sister farmed land in partnership. They beneficially owned the land in equal shares, but the land was not a partnership asset. The profits were shared two-thirds to the brother, and one third to the sister.

The brother died in 2015. His wife and a second executor brought an action for sale of the land under Trusts of Land and Appointment of Trustees Act 1996 ss14-15. The judge decided that there should be a sale, and that the sister should be offered the chance to buy it at the judge's valuation. The appeal was whether the judge was entitled to do that.

The Court held that there was nothing in the Act that required full market testing.
Kingsley and another v Kingsley and another [2020] EWCA Civ 297 (Ch). The Times 12 May 2020

The government-backed **Future Fund** opened on 20 May 2020 to allow innovative and high-growth businesses to secure investment to help them though the coronavirus outbreak. The Fund has £500 million.

The company must have raised at least £250,000 in equity investment from third parties in the previous five years.

A UK-based company can apply for a convertible loan of between £125,000 and £5 million.

Government funding must be matched by private investment, such as from a venture capital fund. Match fund investors must sign up to the Treasury's Investing in Women Code. For these purposes, a UK-based company is one where at least half of its employees are based in the UK.

The Fund is open until September 2020.
More details can be downloaded from https://www.gov.uk/government/news/future-fund-launches-today.

Rules for enterprise investment scheme are amended from May 2020 in relation to the **Future Fund** programme.

People who have invested through enterprise investment scheme (EIS) will not lose their tax relief just because they subsequently invest through Future Fund.

Future Fund is a government scheme launched on 20 May 2020 to help innovative companies through the coronavirus outbreak. The government matches loans of between £125,000 and £5 million from private investors.

Personal tax

On 19 May 2020, HMRC gave advice to individuals prepared to **waive salary** or dividend income, or to give to charity.

The main points to note are:

- if an individual gives up a future right to all or some salary, tax and national insurance is charged on the reduced amount received (which may be nil), provided this was not conditional on the amount forgone being applied elsewhere. If the money is applied elsewhere, such as being donated to a charity, the money is still subject to income tax and national insurance
- if a shareholder gives up the right to receive a dividend, this must be by a formally executed deed of waiver which the shareholder must give to the company. The waiver must be executed before the dividend becomes payable or (for a final dividend) declared. The deed must be signed and witnessed
- there is no relief or refund if an individual decides to give back any salary or bonus after it has been paid. For a bonus, this applies from the date that the bonus was due to be paid, regardless of whether it was actually paid then or at all
- donations to charity may continue to be made through the tax-advantaged schemes of Gift Aid and payroll giving.

For the period from 6 March 2020 to 5 April 2021, the **withdrawal charge** for a lifetime individual savings account (LISA) reduces from 25% to 20%.

A LISA allows someone aged between 18 and 40 to save up to £4,000 a year until they are 50. The government will top up these savings by 25% if conditions are met.

Funds may be withdrawn to buy a first home, when the saver reaches 60, or when the saver is terminally ill. Otherwise, a withdrawal can still be made but is subject to the withdrawal charge, which has been temporarily reduced from 25% to 20%.

The Individual Savings Account (Amendment No 3) (Coronavirus) Regulations SI 2020 No 506

Periods of imprisonment or detention in a young offenders' institution do not count towards the ten years **residence** in the UK needed by an EU national to gain settled status. The Court of Appeal so stated on 17 March 2020.

Hafeez v Secretary of state for the Home Department [2020] CA. The Times 25 May 2020

Valued added tax

On 21 May 2020, the government said that the VAT on **donated personal protective equipment** (PPE) would be donated to healthcare charities. The amount is hundreds of thousands of pounds.

Businesses have until 30 June 2020 to tell HMRC what VAT they have paid. They should provide information to ppe@hmrc.gov.uk.

The donation relates to items donated between 1 March 2020 to 30 April 2020. From 1 May 2020, such donations are zero-rated.

A first tier tribunal held that the **release of an option** to acquire land was an exempt supply for VAT purposes and was not standard-rated.

HMRC has for many years regarded an option to acquire land as an exempt supply of land, but now considers it to be a standard-rated supply of services. HMRC also considers that the release of an option is not necessarily the mirror image of its grant. So, even if the granting of an option was an exempt supply, it did not necessarily mean that its release would also be exempt.

After a detailed consideration of the law, the tribunal held that both the grant and release of an option are an supplies.

The case report can be downloaded from
http://financeandtax.decisions.tribunals.gov.uk//judgmentfiles/j11664/TC07706.pdf.
Landlix Estates Ltd [2020] TC7706.

Input tax may not be claimed by a company for the VAT on legal advice about a **freezing order.**

This expenses was of the director and not of the company, whose business was importing goods.

This decision is wholly in line with many recent decisions.

An interesting aspect is how HMRC used its various powers. There was a freezing order, a personal liability notice and a civil evasion penalty notice. HMRC is showing a greater willingness to use its formidable powers to deter evasion.

The case report can be downloaded from
http://financeandtax.decisions.tribunals.gov.uk/judgmentfiles/j11578/TC07621.pdf
Malde {2020] TC 7621

Fixed odds betting terminals (FOBTs) are not subject to VAT, the courts ruled in April 2020. In May 2020, HMRC said it would not appeal the ruling, making it final. The case relates solely to VAT charged before 2013 when the law was changed.

Gambling companies said that FOBTs were similar to roulette which is exempt from VAT. Tax refunds run to hundreds of millions of pounds.

On the facts of a case, the tribunal accepted that the **turnover** of a nail bar was as stated by the taxpayer and not as estimated by HMRC. HMRC believed that the declared turnover was about half of the real figure. If HMRC was correct, the turnover was above the VAT threshold.

The taxpayer produced evidence of CCTV in the bar from which it could be seen how many customers were present, how long they spent in the shop, and what treatment they had, from which their expenditure could be determined.

HMRC based their evidence on a test purchase, turnover of similar businesses and extrapolating an annual turnover.

The tribunal found the taxpayer's evidence more credible, noting that CCTV footage was reliable.

The case report can be downloaded from
http://financeandtax.decisions.tribunals.gov.uk//judgmentfiles/j11663/TC07705.pdf.
Ly Nguyen [2020] TC 7705

National insurance

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Inheritance tax

From 20 May 2020, all adults in England are considered to be **organ donors** unless they have specifically opted out. This reverses the previous position where someone was only an organ if they specifically opted in. It is hoped that this will allow another 700 organ transplants a year.

Ensuring that organs are donated promptly is one of the duties of an executor.

A woman who **killed her husband** is able to reclaim inheritance tax paid by her sons when her murder charge was reduced to manslaughter.

In 2010 Sally Challen battered her husband Richard to death while he ate a meal at their home in Claygate, Surrey. She was convicted of murder in 2011.

As a murderer cannot legally inherit from his or her victim under the forfeiture rule, the estate of about £1 million passed to their two sons. This meant that the spousal exemption was not available, so the sons had to pay inheritance tax.

After nine years in prison, prosecutors reduced the charge from murder to manslaughter on the grounds that she was suffering from diminished responsibility because of her husband's coercive behaviour.

Judge Paul Matthews said that, in this case, he was "quite satisfied that the justice of this case means that I should disapply the forfeiture rule". He added that this was not an automatic precedent for similarly imprisoned wives.

Stamp duties

A case has considered whether **transitional provisions** for SDLT applied in respect of a residential property.

On 4 December 2014, the basis of determining stamp duty land tax (SDLT) changed from the slab basis to the slice basis. The change was accompanied by transitional rules on SDLT on properties where a contract had been entered into before this date but had not completed.

This allowed the taxpayer to choose on which basis to be taxed, provided that the contract had not changed after that date.

The contract was entered into on 11 June 2014. The properties were conveyed on 17 July 2015 to an LLP.

On the facts, considered at length by the tribunal, it was held that the contract was made before 4 December 2014 and had not been varied after that date.

The case report can be downloaded from
http://financeandtax.decisions.tribunals.gov.uk//judgmentfiles/j11651/TC07693.pdf
Ladywalk LLP [2020] TC7693

Other taxes

From 1 January 2021, when the UK's transitional period with the EU ends, the UK will adopt a new **UK Global Tariff (**UKGT) to replace the EU's Common External Tariff (CET).

The government states that the Global Tariff will be simpler to use and more tailored to the needs of the UK. In particular:

- amounts will be expressed in pounds and not euros
- it will "scrap red tape and other unnecessary barriers to trade"
- it will reduce the number of tariff lines from the almost 6,000 that now apply
- it will scrap the Meursing table which provides for variations in tariffs, particularly on food products such as biscuits
- tariffs will be rounded down
- many products will have tariffs eliminated. All tariffs below 2% will be abolished
- tariffs will be cut on more than 100 products to back renewable energy and other environmental measures
- tariffs are retained on products such as vanilla (6%), plantains (16%) and bed linen (12%) to help protect the preferential access of developing countries
- the EU trade agreement with Turkey will be replicated in UK law
- the government will keep tariffs on goods relating to agriculture, car making, and fishing.

More details on the new tariffs can be downloaded from https://www.gov.uk/check-tariffs-1-january-2021.

Cash dispensers are not subject to separate rates, the Supreme Court ruled on 20 May 2020.

The decision is believed to let supermarkets and small retailers receive total refunds of up to £500 million. The case ends a seven-year dispute.

Cardtronics UK Ltd v Sykes and others. [2020] SC. The Times 8 June 2020.

From 22 June 2020, the **London congestion charge** is re-introduced and temporarily increased to £15 a day. If not paid within three days, the charge rises to £17.50.

The hours and days to which it applies have been extended by four hours to 7am to 10pm, applicable on all seven days a week. Residents' discounts will be closed to new applicants from 1 August 2020.

These measures were introduced as London traffic levels returned to those at the start of the coronavirus outbreak. The charge was suspended on 23 March 2020, the first day of the lockdown, along with the low emission and ultra low emission charges.

The London congestion charge was introduced on 17 February 2003 at £5 a day, increasing to £8 from July 2005; £10 from January 2011; and £11.50 from June 2014. The charge originally applied between 7am and 6pm Monday to Friday.

The **television licence**, which legally is a tax, has been dropped by 82,000 households in the five months to 31 March 2020, according to the BBC. There are currently 25,525,000 licences, the lowest figure since 2014/15.

A licence is needed to receive BBC services. Some households decide they can do without BBC services, due mainly to new subscription services.

Tax administration

Finance Bill 2020 completed its tenth and final committee stage on 18 June 2020. The report stage of the Bill is due to last two days from 1 July 2020.

The government moved its final set of amendments at the end of June 2020. These relate to changes prompted by coronavirus.

HMRC has confirmed that it will stop sending out **paper tax returns** automatically in a bid to encourage greater use of online filing. Last year 94% of annual returns were filed online. Taxpayers will still be allowed to file a paper return, but must now receive a single page notice to file a return. A paper return can be downloaded from HMRC website or sent by post on request.

A taxpayer who suffered a series of misfortunes had **reasonable excuse** for being late with paying his income tax. A series of events may collectively constitute reasonable excuse even though each event on its own does not.

His mother suffered a stroke, leaving her with no mental or physical capacity, and requiring 24-hour care. She was placed in a nursing home where the cost exceeded his monthly income by £1,943, leading to financial pressures. He had to relocate, was unable to find equivalent work and took a lesser paid job as a delivery driver. He did not get support from his siblings and had to go to the Court of Protection to get power of attorney. He had to deal with criminal justice issues related to his daughter. He suffered from depression. All of these facts he conveyed to HMRC.

The tribunal found that these facts together constituted reasonable excuse and set aside the penalties.

The case report can be downloaded from
http://financeandtax.decisions.tribunals.gov.uk//judgmentfiles/j11657/TC07698.pdf.
Marc Catchpole [2020] TC07698

Accounting firm PWC is being sued by the founder of fashion and homeware retailed Matalan for allegedly **negligent tax advice** in respect of moving to Monaco, it was disclosed in May 2020.

John Hargreave, who established the company in 1985, moved to Monaco, a tax haven, in 2000. He asked the firm for advice on avoiding tax when he sold £237 million of shares in the company. PWC denies the claim and says that is out of time.

Martyn Arthur, a former Inland Revenue employee, was found guilty of **cheating the revenue** in May 2020. He worked for Inland Revenue (now HMRC) from 1968 to 2005 when he left to work in private practice. He wrote a book about how to challenge the tax authorities.

In 2013, HMRC started an investigation into his affairs. It found that he had submitted false tax returns from 2008 to 2013 and covered this up with multiple accounts. He owed £88,500 in tax plus £31,400 interest.

He was declared bankrupt in 2008 and disqualified as a director, but he continued to run a company in his wife's name.

He was given a suspended 18-month prison sentence.

He refused a contractual disclosure facility which would have avoided criminal charges.

MEPs voted in the European Parliament to take a stronger stand against **tax fraud,** tax evasion and tax avoidance. At the end of June 2020, they voted to set up sub-committees to deal with these matters.

Pensions

The **auto-enrolment** limit remains at £10,000 for 2020/21. That is the level of earnings at which an employee is auto-enrolled in a workplace pension scheme, provided other conditions are met.

The lower limit of the qualifying earnings band increases to £6,240, and the upper limit remains at £50,000. These figures determine the amount of contributions paid into the workplace pension.

The Court of Appeal has agreed with the first tier tribunal and upper tier tribunal that an **unauthorised payment** has been made from a pension fund when it was transferred so that it eventually reached a company where the taxpayer could control its investments. These included investments that a pension fund is not allowed to make.

The first step was to transfer funds from the pension fund to a new pension. This was held to be the unauthorised payment that triggered the high tax charge. The taxpayer unsuccessfully argued that, as the recipient was not established properly, the payment had not been made. The Court rejected this. The funds had left the original pension fund.

The second argument was that HMRC's initial assessment was on a later step in the scheme. This should fail as an earlier step had been found not to be valid. This was also rejected. The scope of the assessment was wide enough to encompass the earlier transfer.

A judge said that the taxpayer was treating litigation as "a board game with large prizes for the winners".
Clark v HMRC [2020] EWCA Civ 204

The secretary of state for housing and local government has no authority to prohibit local authority trustees from making investment decisions that went against government **foreign and defence policy**. The Supreme Court so held on 29 April 2020.
R (Palestine Solidarity Campaign Ltd) v Secretary of State for Housing, Communities and Local Government [2020] UKSC 16. The Times 11 May 2020

Welfare

An issue has arisen on the interaction of **self-employment income support scheme** (SEISS) and universal credit (UC).

Universal credit has a surplus earnings rule. This broadly means that high earnings in one period can reduce the amount of UC paid in the next period. This is to prevent UC being abused by the self-employed arranging for high earnings to be bunched into one period to allow UC payments in other periods.

The threshold was set at £300, but has been temporarily increased to £2,500 from April 2019.

The coronavirus pandemic has led to an unprecedented number of UC claims in a short period. The self-employment income support scheme, a one-off lump sum, is included as earnings for UC purposes.

On 18 May 2020, the Social Security Advisory Committee (SSAC) asked the Department of Work and Pensions how it intends to administer these provisions. They have identified that existing rules allow claimants to increase their UC by delaying their claims.

Some amendments have been made to the rules for **tax credits** in relation to coronavirus.

Any absence from work in respect of emergency volunteering leave is disregarded in determining the claimant's hours of work.

Someone whose hours are reduced because of coronavirus to below those that qualify will be paid tax credits for four weeks from that reduction.

Where an employee is furloughed under Coronavirus Job Retention Scheme, is being shielded or has been asked by the employer not to work normal hours will be regarded as being engaged in remunerative work.

Other changes are made.

The changes come into force from 23 May 2020.

The Tax Credits (Coronavirus, Miscellaneous Amendments) Regulations SI 2020No 534.

A correction has been made to regulations (SI 2020 No 103) regarding **victims' payments**. This applies when a review has led to a new determination or a variation in an existing determination, that amount may be appealed.

The Victims' Payments (Amendment) Regulations SI 2020 No 490

On 21 May 2020, a **Hidden Harms Summit** was held online to develop proposals to counter domestic abuse, child exploitation and modern slavery.

The scheme includes a new codeword scheme for domestic abuse to allow victims to alert shop workers by using a specific phrase that the workers can identify.

Accounting

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Business Finance

On 19 May 2020, the government introduced the new **Coronavirus Large Business Interruption Loan Scheme** (CLBILS). This allows the biggest businesses to receive a loan of between £50 million and £200 million, provided this is no more than 25% of their annual turnover.

The loan is subject to conditions of financial discipline:

- no dividends may be paid other than those declared before 19 May 2020
- share buybacks are not allowed

• the company may not pay any cash bonus nor award a pay rise to directors or senior managers unless they were declared before the CLBILS loan was taken out, it is similar to a payment made in the previous 12 months, and it does not affect the company's ability to repay the loan.

Further details can be found at https://www.british-business-bank.co.uk/ourpartners/coronavirus-business-interruption-loan-schemes/clbils/.

The government said in May 2020 that it would consider bespoke plans to assist **big companies** where existing measures are not sufficient to ensure survival.

Measures could include extending loans or taking an equity stake. Jaguar Land Rover, Tata Steel and some airline companies are asking for this additional help.

This is considered a "last resort" form of help.

By 20 May 2020, half of all applications for **Coronavirus Business Interruption Loan Scheme** (CBILS) loans had been approved. The scheme has lent £22 billion to more than 500,000 companies.

Of this £14 billion was lent as bounce back loans for smaller businesses where the government provides a 100% guarantee.

About 10% of companies fear **insolvency,** according to Centre for Economics and Business Research in conjunction with research company Optimum. That would mean the failure of almost 600,000 businesses.

These figures assume that the lockdown lasts for three months. If it lasted six months, business failures would almost double to 1.1 million.

A provision is made from 4 May 2020 with regard to **Bounce Back loans**.

It is generally a criminal offence for someone who is neither authorised nor exempt to carry on a regulated activity under Financial Services and Markets Act 2000.

A new type of exempt agreement is created where a lender provides a borrower with credit of £25,000 or less for a business purpose under the Bounce Back Loan scheme.

The statutory instrument makes some related amendments.

The Financial Services and Markets Act 2000 (Regulated Activities) (Amendment) Order SI 2020 No 480

Companies that are already **heavily geared** should seek further funding from share issues rather than taking on more debt. Andrew Bailey, governor of the Bank of England, so said on 20 May 2020 in giving evidence to MPs on the Treasury Select Committee.

Companies have taken on record levels of debt in recent years while interest rates are very low.

Insurance companies have been accused of failing to pay out for the forced closure of businesses. Most basic business policies have no such cover. For additional premium, some policies have offered insurance against forced closure by authorities. Many insurers maintain that the coronavirus lockdown does not come within that scope.

A group of 691 business leaders sent a letter to the Association of British Insurers (ABI) in May 2020 accusing it of “abrogation of responsibility”. Insurance companies Allianz, QBE, RSA and Zurich have been threatened with group action. In some cases, the position is exacerbated by poorly worded policies.

The Financial Conduct Authority (FCA) told insurers in April 2020 that there were policies where it was clear the business has cover. The FCA is believed to be planning to bring the matter to court in July 2020.

Separately, the British Dental Association which represents 42,000 dentists, is considering its own action against insurers for not paying.

ABI says that insurers expect to pay £1.2 billion in coronavirus-related claims.

The Financial Conduct Authority (FCA) has said that it is to start a test case about **insurance** on behalf of thousands of businesses. FCA said that insurers should have paid businesses forced to close because of coronavirus where the businesses had interruption policies.

Many insurers have refused to pay, arguing that the policies do not cover a government-ordered lockdown.

The US government is considering imposing stricter requirements on **Chinese companies** seeking a listing on the US stock exchange.

Relations between China and USA have deteriorated, particularly as President Trump criticises China over the coronavirus outbreak.

Chinese companies do not follow US accounting standards, which has led to accusations of fraud and investor losses.

In May 2020, the government ordered its retirement fund to disinvest $4 billion from Chinese companies.

Hertz, the well-known car hire company, filed for insolvency on 22 May 2020 because of debt. The company has 400 outlets in UK and Irish Republic.

Under US law it has filed for Chapter 11 protection.

Commercial rents are more likely to be linked to turnover and footfall, according to property consultants Colliers International. They believe about 40% of landlords are more likely to consider such factors when agreeing rents. About 80% expect the procedures for setting rents to change after lockdown.

The UK has a tradition of long leases with upward-only rent reviews. The USA and many European countries have traditions of shorter leases linked to tenants’ income. This is seen as leading to a closer relationship between landlord and tenant.

AIM-listed company Volga Gas admitted on 11 May 2020 that it inadvertently released **market-sensitive data** in a hoax. The company produces gas in the Volga region of Russia.

The company’s former finance director Tony Alves (and now a consultant for the company) received an email purporting to be from Andrew Yakovlev, a recently appointed non-executive director. The director responded in words that indicated the company had received interest from many parties, information not publicly released until 11 May. This led to a 30% rise in share prices on 7 May 2020.

The company said it had tightened up its protocols on internal and external communications.

The **Pivotal Enterprise Resilience Fund** was launched in Scotland in May 2020. Its initial funding of £45 million was doubled to £90 million on 8 May 2020.

The fund provides grants to small or medium-sized enterprises that are vital to Scotland's local or national economy but are vulnerable to the coronavirus crisis. Housebuilders can apply separately for loans of up to £1 million, it was announced on 7 May 2020. [

The capital requirements for banks under **Basel III** has been delayed to 2023, it has been confirmed. The delay allows banks to concentrate on coronavirus-related measures.

Personal Finance

Almost two million property owners with mortgages are taking a **mortgage holiday**, according to the consultancy Capital Economics at the beginning of May 2020. That represents about one in five mortgages.

Lenders have agreed a three-month holiday from repayments to borrowers who need one. Interest continues to be added during the holiday.

On 22 May 2020, the Treasury said that the existing three-month holiday for **mortgage payments** will be extended to six months to 31 October 2020. About 1.8 million borrowers have taken a mortgage holiday. People who have continued to make repayments may apply for a payment holiday.

Alternatively, borrowers may elect to make a smaller repayment. As interest continues to be applied, it is advisable to continue making payments where possible.

Lenders are expected to contact customers whose mortgage holiday is coming to an end to see if they wish to extend.

The Financial Conduct Authority (FCA) guidance to lenders can be downloaded from https://www.fca.org.uk/publications/guidance-consultations/mortgages-coronavirus-updated-draft-guidance-firms.

The government issued guidance in May 2020 on how coronavirus has impacted on **the Help to Buy** Scheme.

The main points are:

- the Scheme continues during the lockdown. As the homes are newly built, there are few issues about spreading the virus
- most mortgage offers for such property remain valid for three months
- the government continues to honour equity loans agreed with home buyers. If the mortgage lender is still happy to proceed, so is the government, even if the value of the property has fallen
- the government will accept "desktop valuations" if the lender also accepts it

• if the lender asks for a survey, the borrower should ask if a desktop valuation is possible instead

• a desktop valuation remains valid for three months.

The full guidance can be downloaded from https://www.gov.uk/government/news/information-for-help-to-buy-equity-loan-customers-during-coronavirus-covid-19

The average price of a UK **residential property** at the end of March 2020 was £248,271, an increase of 2.2% a year earlier.

In London, the average is £485,794. The lowest regional average is North East at £126,945.

Mastercard is being sued in the UK's biggest class action claim. On 13 May 2020, the Supreme Court started to hear a class action brought on behalf of 46 million consumers.

It is alleged that Mastercard overcharged merchants between 1992 and 2008, resulting in higher prices for consumers. If the action succeeds, consumers could share £14 billion.

The class action is being brought on an opt-out basis. This means that all Mastercard customers are considered part of the action unless they opt out.

On 17 May 2020, *The Sunday Times* published its 32nd annual rich list of the wealthiest people in the UK.

The top ten are:

1 Sir James Dyson and family, household goods supplier: £16.2 billion
2= Sri and Gopi Hinduja and family, industry and finance: £16 billion
2= David and Simon Reuben, property and Internet: £16 billion
4 Sir Leonard Blavatnik, investment music and media: £15.8 billion
5 Sir Jim Ratcliffe, chemicals: £12.15 billion
6 Kirsten and Jorn Rausling, inheritance and investment: £12.1 billion
7 Alisher Usmanov, mining and investment: £11.68 billion
8 Guy, George and Galen Jnr, retailing: £10.53 billion
9 Charlene de Carvalho-Heineken and Michel de Carvalho: £10.3 billion
10 Duke of Westminster and family: £10.295 billion

Other well-known names are:

18 Earl Cadogan, property: £6,817 billion
56 Bernie Ecclestone, motor racing: £2.5 billion
70 Richard Desmond, media and property: £2 billion
75 Mike Ashley, sports equipment: £1.949 billion
119 Sir Cameron Mackintosh, entertainment: £1.24 billion
121 Lord Sugar, property: £1.21 billion
122 Lord Grantchester and Moores family, football pools: £1.206 billion
123 Lord Ashcroft, business services: £1.2 billion
137 Peter Jones, property: £1.092 billion
154 Sir Philip Green, retailing: £930 million
158 Earl of Iveagh and Guinness family: £906 million

161 Duke of Devonshire, land: £895 million
174= Andrew Lloyd-Webber, entertainment: £800 million
174= Paul McCartney, music: £800 million
178 J K Rowling, author: £795 million
188 Duke of Bedford, land and art: £750 million
192 Viscount Rothermere and family: £738 million
212 Lord Rothschild, finance: £650 million
226 Peter Cruddas, finance: £623 million
240 Duke of Sutherland, art and land: £585 million.

Law

On 20 May 2020, the Department for Business, Energy and Industrial Strategy introduced the new **Corporate Insolvency and Governance Bill.** This is designed to ease the duties on companies during the coronavirus lockdown. It comprises six insolvency measures and two governance measures.

The Bill will:

- introduce temporary easing on filing requirements and annual general meetings
- introduce new corporate restructuring tools to give companies time to maximise their chances of survival
- temporarily suspend parts of insolvency law.

There will be extensions to deadlines for:

- confirmation statements (which have replaced the annual return)
- accounts
- registration of charges
- event-driven filings, such as a change of directors.

This Bill will do this by;

- introducing a new moratorium to give companies breathing space from their creditors while they seek a rescue (which provisions will continue after the lockdown)
- prohibiting termination clauses that engage on insolvency, preventing suppliers from ceasing their supply or asking for additional payments while a company is going through a rescue process
- introducing a new restructuring plan that will bind creditors to it
- enabling the insolvency regime to flex to meet the demands of the emergency
- temporarily removing the threat of personal liability for wrongful trading from directors who try to keep their companies afloat through the emergency
- temporarily prohibiting creditors from filing statutory demands and winding up petitions for coronavirus related debts
- temporarily easing burdens on businesses by enabling them to hold closed Annual General Meetings (AGMs), conduct business and communicate with members electronically, and by extending filing deadlines
- allowing for the temporary measures to be retrospective so as to be as effective as possible.

On 22 May 2020, the government extended the deadline for people who cannot travel home because of coronavirus.

Anyone whose **visa** expired after 24 January 2020 and who cannot return home will have their visa automatically extended to 31 July 2020. The government previously announced the visas would be extended to 31 May 2020.

There are some other changes, such as allowing non-EU nationals to work or study in the UK from home.

Unofficial work before the start of a contract of employment does not count towards the two years necessary to bring a claim for unfair dismissal, the employment appeal tribunal has decided.

The worker did some work on a site, dismantling and removing a lift, from 26 October 2015. His contract of employment and first wage payment date from 2 November 2015. The later date was held to be when the employment started.

The case report can be downloaded from https://assets.publishing.service.gov.uk/media/5ec29947e90e071e2e067ff2/Mr_R_O_Sullivan_v_DSM_Demolition_Ltd_UKEAT_0257_VP.pdf

O'Sullivan v DSM Demolition Ltd [2020] UKEAT/0257/19/VP

The courts have powers to control **company administrators**, the Court of Appeal ruled on 4 March 2020.

The court would not allow company administrators, who are court officials, to act in a way that did not accord with the standards of right-thinking people, even if the administrators were acting in way that was lawful and in accordance with enforceable rights. The test was an objective one of fairness.

Lehman Brothers Australia Ltd (in liquidation) v MacNamara and others. [2020] CA. The Times 19 May 2020

An injunction would not be granted against **persons unknown** when it had not been established that they had been served with proceedings, no attempts had been made to identify the persons, and it was insufficiently clear what unlawful acts were to be prohibited. The Court of Appeal so ruled on 5 March 2020.

A company that sold animal products sought an injunction against animal rights protesters. An interim injunction had been granted, but there had been no form of service permitted by rule 6.5 of the Civil Procedure Rules.

The company could have sought alternative service such as by posting on social media, displaying the order at shop premises, and giving copies to people while protesting.

Canada Goose UK Retail Ltd v Persons Unknown. [2020]. The Times 20 May 2020

A person has the **right to remain silent** during proceedings for contempt of court, but must be warned that adverse inferences may be drawn. The Court of Appeal stated on 17 March 2020 when it set aside a ruling given in the Family Division of the High Court where the judge advised the person to give evidence.

Moutreuil v Andreewitch, [2020] CA. The Times 29 May 2020

The courts have power to order the taking of evidence by way of deposition from a non-party witness to assist a **foreign arbitration**. The Court of Appeal so ruled on 12 March 2020.
A and another v C and another [2020] CA. The Times 26 May 2020

From 2 May 2020, certain provisions of competition law are disapplied to the provision of **dairy products.**

The broad effect is to allow producers to co-operate to ensure continuity of supplies.
The Competition Act 1998 (Dairy Produce) (Coronavirus) (Public Policy Exclusion) Order SI 2020 No 481

Jury trials resume on 18 May 2020, having been suspended on 23 March 2020.

Trials resume in a few courts, including the Old Bailey, using two or three rooms. Jurors will be spaced out in areas usually reserved for barristers.

A **litigation funder's** liability for costs is not automatically limited to the amount of funding provided. The Court of Appeal so decided on 25 February 2020.
Davey v Money and another [2020] EWCA Civ 246. The Times 7 May 2020

When settling a claim for **bribery** against multiple defendants, no account should be taken of the amount paid by one defendant to settle a claim when determining amounts for other defendants. The Court of Appeal so decided on 26 February 2020.
FM Capital Partners Ltd v Marino. [2020] CA. EWCA Civ 245

From 19 May 2020, new legislation comes into force relating to **alcohol-fuelled crime**.

An offender may be required to wear an ankle tag to monitor their alcohol consumption. This could result in the offender returning to court for further sanctions.

A court may order an offender to wear a tag for 120 days.

An estimated 39% of violent crime is alcohol-related. The social cost is estimated a £21.5 billion a year. The scheme is designed to both punish and rehabilitate offenders.

The scheme was piloted in London and Humberside. They showed that wearers were alcohol free for 97% of days. It is reported that some were grateful for getting their drinking under control.

Where a person who has a serious medical condition is facing **deportation** for a serious crime, consideration must be given to whether the person would receive appropriate treatment in the country to which he is deported. The Supreme Court so decided on 29 April 2020.
R (AM Zimbabwe) v Secretary of state for the Home Office [2020] UKSC 17

For the purposes of assessing the right to family life, a **foster care** relationship was to be treated the same as life in the family of birth. The Court of Appeal so decided on 12 March 2020.

The case concerned a Bangladeshi citizen born in 1999. In 2013, he was abandoned with his birth family unknown. He was treated as a trafficked child and placed with foster carers. He was granted leave to remain as an unaccompanied asylum-seeking child until 2017.

His application to stay was turned down by the Home Office on the basis that foster life was not the equivalent to family life. The Court found that this approach had no basis in law.
Uddin v Secretary of state for the Home Office [2020] EWCA Civ 338

Two 18th century urns were not covered by the **Grade II listing** of a building, the Supreme Court ruled on 20 May 2020.

Marcus Dill sold the urns for £55,000 to fund restoration work a Idlicote House in Warwickshire.

The urns were sold in 2009. When Stratford-on-Avon district council discovered this in 2014, it ordered Dill to find the urns or be prosecuted for breaching planning rules. The urns had been shipped abroad. Dill said he did not know where they were, so the council started enforcement proceedings in 2015.
Dill v Secretary of state for Housing, Communities and Local Government and another. [2020] SC. The Times 9 June 2020.

Coronavirus (Scotland) (No 2) Act 2020, passed by the Scottish Parliament, received Royal Assent on 26 May 2020. It makes further provisions with regard to coronavirus in Scotland. The Act can be downloaded from
http://www.legislation.gov.uk/asp/2020/10/pdfs/asp_20200010_en.pdf

Other matters

On 11 May 2020, the government announced some small relaxations in **lockdown** provisions for England.

The changes are:

- a call for people to “go to work if you can’t work from home”. Businesses that cannot ensure social distancing of workers were told to stay shut
- a three-month plan to get some children back to school from June 2020, but no penalty for parents who choose not to send their children back
- garden centres may open from 13 May 2020
- the phased reopening of shops and cafes, possibly from July 2020. Pubs are not expected to reopen until August 2020
- (from 13 May 2020) unlimited outdoor exercise, and the reopening of tennis and golf facilities where social distancing is easier than in other sports
- introduction of quarantine for people coming to UK, details of which are yet to be announced
- (from 13 May 2020) allowing a household to make one-to-one contact outdoors with one other person, provided they maintain social distancing
- (from 13 May 2020) allowing people to visit a property with a view to buying it
- increased fines for non-compliance. A first offence attracts a fine of £100. This doubles for each successive offence to a maximum of £3,200.

There is a new system of threat level from 1 to 5 where 1 indicates no virus and 5 that the NHS is struggling to cope. On 11 May 2020, the government indicated that the UK was moving from 4 to 3 which indicates a low level of epidemic.

The later dates depends on the infection rates remaining low and falling.

From 15 June 2020, many further categories of shops in England may open provided they can comply with social distancing. This includes shops selling clothes, household goods and books. Many service outlets such as hairdressers will remain closed.

These changes do not apply to Scotland, Wales or Northern Ireland, where existing lockdown provisions remained unchanged.

From 18 May 2020, anyone aged 5 or more with **coronavirus symptoms** may apply for a test.

The symptoms are:

- a new continuous cough
- high temperature, or
- loss or change in sense of taste or smell.

All members of the person's household must self-isolate unless the person receives a negative test result.

A test is booked by logging on to www.nhs/uk/coronavirus. Alternatively, a person may call 119 on England and Wales or 0300 303 2713 in Scotland.

Further details can be downloaded from https://www.gov.uk/government/news/everyone-in-the-united-kingdom-with-symptoms-now-eligible-for-coronavirus-tests.

Some changes in coronavirus provisions were announced in **Scotland:**

From 11 May 2020, people may go outdoors more than once a day to exercise.

From 18 May 2020, anyone over five with coronavirus systems is eligible to be tested.

On 21 May 2020, it was announced that pupils will return to Scottish schools when the new term starts in August.

On 22 May 2020, the Scottish government provided £8 million to support projects to deal with mental health and welfare provision arising from coronavirus isolation.

From 29 May 2020. Two households are allowed to meet in open spaces to a maximum of eight people, provided social distancing is maintained.

Among other **coronavirus** news, train companies started to reintroduce normal timetables from 18 May 2020 with about 70% to 80% of services reinstated.

Some criminal trials resumed on 18 May 2020. The Old Bailey is using three court rooms for a trial: one is for the judge, jury, lawyers and witnesses; a second is for the press and public; and a third is where the jury retires. There is a backlog of 37,000 crown court cases. Normally about 1,000 are heard each month.

Speaking loudly can leave coronavirus in exhaled droplets for 14 minutes, according to a study in Maryland, published in May 2020

Lloyd's of London expects its coronavirus claims to cost between £2.5 billion and £3.5 billion, it said in May 2020.

This will be the insurance market's biggest pay-out since the terrorist attack on the World Trade Center, New York in 2001.

It also said that governments round the world will collectively be borrowing more than £10 trillion to fund assistance schemes.

Oxfordshire County Council has been forced to withdraw its guidance on **transgender** after a 13-year old girl won a High Court case.

The guidance said that a transgender child could use lavatories and changing rooms according to the sex with which they identified. The girl successfully argued that allowing boys to self-identify as girls compromised her privacy.

In a separate case, a 14-year old girl is threatening the Crown Prosecution Service (CPS) with legal action for its alleged bias on transgender. She says the CPS must pull out of a diversity champions programme run by Stonewall. Her lawyers say that its involvement shows bias.

More needs to be done to reduce the complexity and distress of reporting a **bereavement**, according to Baroness Ludford who is leading a campaign, it was reported in May 2020. The campaign is backed by the charity Cruse Bereavement Care. It is also supported by television presenter John Stapleton whose wife Lynn Faulds Wood recently died.

The government already has a Tell Us Once service run by the Department of Work and Pensions. This links to government departments, including HMRC, so that a bereaved person only needs to report the death once.

Problems particularly relate to banks, finance companies, and utilities. Notifying them of a death can take months, involve tiresome completion of forms and visiting branches, and dealing with often unsympathetic staff.

If the coronavirus **vaccine** from Oxford University, now being tested, proves suitable, Astra Zeneca has said it can produce 100 million vaccines for the UK, which is about 1½ times the population. Its chief executive so said on *The Andrew Marr Show* on 24 May 2020.

The government has said it will buy those vaccines. The UK vaccines will be produced in the UK.

Agreement has been made to provide the vaccine across the world, including in poorer countries. The company is not seeking to make a profit but to cover its cost, which is believed to be about £2 per vaccine.

Provided it works, the vaccine can be available in September and October 2020. This will be a record for developing and producing a vaccine, which traditionally can take 20 years.

The **fiscal deficit** for the one month of April 2020 was £62.1 billion. This is more than the £55 billion budgeted for the whole of the 2020/21 financial year. The figure for March was revised to show another £14.0 billion of debt.

Public sector net debt increased to £1887.6 billion which is 97.7% of GDP.

These massive figures largely reflect the high cost of various government initiatives to support businesses and individuals during the coronavirus outbreak.

This is exacerbated by a fall in tax revenues. Retail sales in April 2020 fell by 18.1% as many stores had to close.

Andrew Bailey, government of the Bank of England, said in May 2020 that he could not rule out **negative interest rates**. This would mean that savers would be paying banks and other institutions to look after their funds.

The base rate is already at a record low of 0.1%.

The Bank is looking at the experience of other countries where negative rates have been introduced.

On 20 May 2020, the government issued long-term bonds with a **negative interest rate** for the first time.

The government sold £3.8 billion of gilts with a negative interest rate of 0.003% and a life of three years. The Debt Management Office said that investors were prepared to lend £8.1 billion on those terms.

On 21 May 2020, the yield on two-year and five-year gilts went negative for the first time. The two-year bonds touched -0.003%, and the five-year bond -0.052%.

The government sold a short-term negative interest bond in 2016.

The annual rate of **inflation** for April 2020 was 0.8%, its lowest level since August 2016.

This is largely reflected by lower oil prices and by lower prices charged for goods during the coronavirus lockdown.

All four **assay offices** reopened on 20 May 2020 to hallmark items of precious metal. The offices are based in Birmingham, Edinburgh, London and Sheffield.

Bob Weighton, the world's **oldest man**, died at the age 112, it was announced on 28 May 2020. He became the world's oldest man when 112-year old Chitetsu Watanabe of Japan died in February 2020.

Landmark anniversary

29 July 1980: Enterprise zones
Forty years ago, the government announced plans to create enterprise zones. The first batch were created in 1981, with further zones designated over the next 15 years. In all 48 zones were designated starting with Lower Swansea Valley on 11 June 1981 and ending with Tyne Riverside (Baltic Enterprise Park and Viking Industrial Park) on 21 October 1996.

The zones were designed to provide help to particular areas. The help broadly had three elements: simplified planning procedures, concessions on rent and rates, and 100% initial allowance for buildings, plant and machinery. The first two lasted for ten years from the creation of the zone.

The 100% initial allowance was intended to last for 20 years, but was ended in April 2011. This has the effect of reducing the period for zones created from 1992.

The idea of enterprise zones was revived in 2012 from when, 24 zones were created. A further 24 zones were created in 2016 and 2017. Like their predecessors they receive government support and tax breaks.

A business that locates in a new zone can choose between 100% business rates relief over five years, up to £275,000. Alternatively, it may claim a 100% enhanced capital allowance on plant and machinery in eight zones in assisted areas. These reliefs are subject to conditions.

Articles

Recovering the tax revenue

Information was released in May 2020 on the likely effects on taxation and the economy when the coronavirus lockdown ends. The decision depends on whether the recovery is L-shaped, U-shaped or V-shaped when plotted on a graph of GDP against time. It is estimated that the outbreak could cost the government £300 billion in lost tax revenue and special schemes.

The best case scenario is a V-shaped recovery where the costs could be £209 billion and the economy and tax revenues bounce back quickly. The worst case scenario is an L-shaped recovery which could cos £516 billion this year. The recovery takes three years, doubling the national debt of £1.8 trillion.

The markets seem to trust the government and believe the national economy is resilient. The pound is at a similar value to summer 2019. Government gilts have lower yields than at the beginning of 2020, meaning that the government can borrow money cheaply.

The Bank of England has introduced quantitative easing of £20 billion to buy gilts. This has worked as planned.

The following tax measures have been suggested by various sources:

- removing the triple lock on state pensions. These currently are guaranteed to rise each year by the highest of price inflation, wage inflation and 2.5%. The Treasury says that scrapping this commitment would save £8 billion a year, but such a move would be electorally unpopular
- breaking the promise not to increase tax, VAT or national insurance for five years. This promise was given in the Conservative manifesto of the December 2019 general election. It is the easiest way to raise tax revenue. A one percentage point increase would raise £5.8 billion a year for income tax, £4.5 billion for national insurance, and £6.8 billion for VAT
- introducing a new tax as a coronavirus or NHS supplement, similar to the old national insurance surcharge introduced in 1982. A separate charge for health care would be similar to the pre-war national health insurance deducted from wages. Germany already has such a system
- green taxes are popular with governments. They could be imposed on everything from international flights to red meat. Green taxes already provide £50 billion in revenue, most of it as fuel duty
- pension tax relief could be limited to the basic rate of income tax. This would save £10 billion a year of the £21.2 billion current “cost” of pension tax relief
- corporation tax could increase if the government believes the economy could stand it. A rise to 20% would bring in an extra £2.4 billion
- a public sector pay freeze for two years could save £6.5 billion by 2024. This would be very unpopular, particularly if it was applied to health workers

• a wealth tax has been suggested but has always been rejected by governments as it does not tax money that already exists

• a windfall tax could be imposed on businesses that benefited during the lockdown. A windfall tax was imposed on banks in 1981 and on privatised utilities in 1997. Internet companies could be targeted this time.

Another alternative is to treat the debt in the same way as a war. War loan is issued by the government as a gilt, repayable over decades, if at all. The US loan during the second world war was finally paid in 2006. Other consolidated war loan, going back to the Crimean war (1853-56), was being bought back by the government in 2014. But this is just speculation.

Knotweed

The warm weather in May has created ideal conditions for knotweed, sometimes called Japanese knotweed. Red and purple shoots appeared in May followed by waist-high green stems with heart-shaped leaves. It can grow 4 metres in 10 weeks with roots that spread 7 metres horizontally.

The plant can grow through tarmac, disrupt paving and even exacerbate cracks in buildings. It is believed that 1.4 million homes, about 1 in 20, could be affected.

The plant is difficult to eradicate. Chemical treatment is needed over several years at a typical cost of about £2,500. Contaminated soil must be taken to an off-site treatment centre. It is a job for a specialist company.

The presence of knotweed can make a home difficult to sell, and any sale could be reduced by 25%. Even if it has been chemically cleared, it is believed that the fact it had appeared can reduce a house price by between 3% and 10%.

If knotweed spreads to a neighbouring property, its owner may have a legal claim. Conversely a home owner who finds knotweed on their property may have a claim if it has spread from adjacent land. There are solicitors who specialise in such claims.

From 2009, land contaminated by knotweed qualifies for 150% remediation relief. Knotweed is the only plant regarded as a land contaminant. To qualify, the treatment must follow one of the methods required by HMRC.