



# ***Tax round-up webinar 24 September 2020***

**LATEST FROM THE ICAEW TAX FACULTY TEAM**

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## ***Introducing the team***



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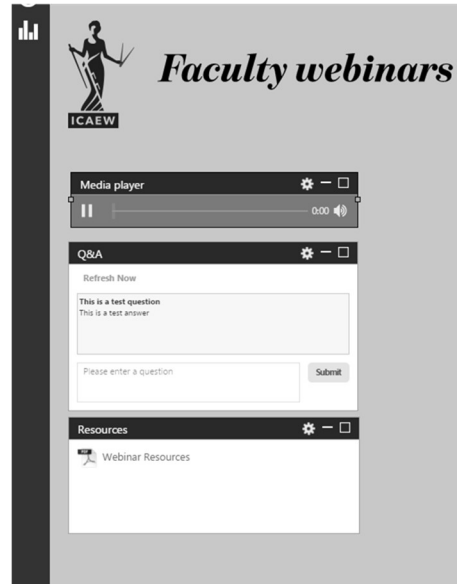


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## Contents

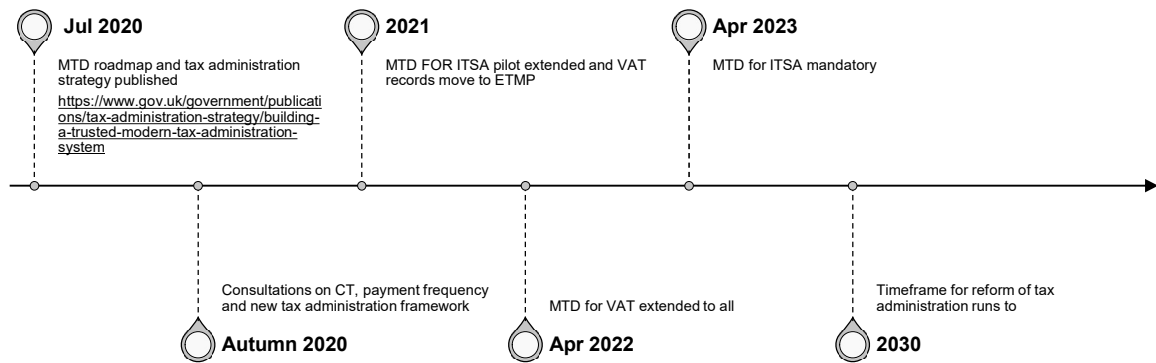


- Digitalisation of Tax
- Off-payroll working and other employment tax changes
- Annual Investment Allowance
- DAC 6 – update and overview
- EU withdrawal – VAT and customs
- Personal tax
- Tax advice market and tackling promoters

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## Digitalisation of tax



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## Sources of information

- MTD hub [www.icaew.com/mtd](http://www.icaew.com/mtd)
- Recording of 5 March 2020 webinar on HMRC agent services <https://www.icaew.com/technical/tax/tax-faculty/webinars-and-recordings/tax-webinars/2020/hmrc-agent-strategy-and-services>
- Information on HMRC digital services for agents [TAXguide 04/20](#)
- Information on HMRC digital forms for agents [TAXguide 05/20](#)

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## ***Off-payroll working and other employment tax changes***

- Off-payroll working
- Employee expenses
  - 24 months travel and subsistence temporary workplace time limit
  - Temporary overnight accommodation and transport costs for key workers
  - Tax relief for expenses of home working
    - Reimbursements and provision of equipment
    - The £6pw/£26pm homeworking allowance
- Interaction between employment allowance (EA) and NIC element of CJRS
- Stranded expat employees

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## ***Off-payroll working***

- Holistic solution needed alongside The Good Work Plan
- Representations on the Bill (now in FA20 s 7 Sch 1) and practical issues to be resolved - ICAEW REP 33/20
- Representations on NIC and transfer of PAYE liability - ICAEW REP 03/20
- House of Lords inquiry evidence - ICAEW REP 19/20
- Guidance eg TAXguide 03/20, Q+As in TAXguides 07/20 & 08/20, TAXline, Insight items
- HMRC's guidance includes ESM10000 <https://www.gov.uk/hmrc-internal-manuals/employment-status-manual/esm10000>
- 6 April 2021 !!

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## ***Employee BiK and expenses***

- 24 months travel and subsistence temporary workplace time limit
- Temporary overnight accommodation and transport costs for key workers
- Home working
  - Reimbursements for and provision of office equipment
  - £6pw/£26pm homeworking allowance

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## ***Employment allowance and NIC element of coronavirus job retention scheme***

- EA and CJRS NIC allocated to same NIC
- 3 situations
  - Total er NIC over £4k
  - Er NIC more than £4k on top of NIC covered by CJRS grant
  - Er NIC less than £4k on top of NIC covered by CJRS NIC but total more than £4k

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## ***Expatriate employees stranded in the UK: residence status***

- Statutory residence test: "exceptional circumstances" too short and narrow
- HMRC's guidance
  - Annex D guidance at <https://www.gov.uk/hmrc-internal-manuals/residence-domicile-and-remittance-basis/rdrm13400>
  - Social security guidance <https://www.gov.uk/guidance/paying-employees-working-abroad>

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## ***Annual Investment Allowance (AIA)***

- Temporary increase in the AIA for expenditure incurred between 1 January 2019 and 1 January 2021

Expenditure incurred:	Maximum AIA
Pre 1 January 2019	£200,000
1 January 2019 to 31 December 2020	£1,000,000

- AIA to return to £200,000 from 1 January 2021
- Transitional rules apply to businesses with an accounting year spanning 1 January 2021

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## ***Example 1 – period spanning 1 January 2021***

### **B Ltd prepares accounts for the ye 31 March 2021**

1 April 2020 to 31 December 2020

$$9/12 \times \text{£}1,000,000 = \text{£}750,000$$

Period 1 January 2021 to 31 March 2021

$$3/12 \times \text{£}200,000 = \text{£}50,000$$

**Total £800,000**

#### **• But beware legislation trap**

- The allowance available on expenditure incurred after 1 January 2021 is restricted to £50,000
- If all of the expenditure was occurred before 31 December 2020, the allowance would be £800,00

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## ***Example 2 – period spanning 1 January 2019***

### **A Ltd prepares accounts for the ye 30 September 2019**

1 November 2018 to 31 December 2018

$$3/12 \times \text{£}200,000 = \text{£}50,000$$

Period 1 January 2019 to 31 September 2019

$$9/12 \times \text{£}1,000,000 = \text{£}750,000$$

**Total £800,000**

#### **• But beware**

- The allowance available on expenditure before 1 January 2019 is restricted to £200,000
- If all of the expenditure was occurred after 31 December 2019, the allowance would be £800,000

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## ***DAC 6 - Background***

- Large number of advisors, clients and taxpayers will be affected
- Lack of awareness of the rules currently
- Some benign transactions with no avoidance motive will be caught
- High level overview to highlight key issues for consideration

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## ***DAC 6 - Introduction***

- New regime to increase tax transparency across the EU
- Requires reporting of cross-border arrangements which meet certain 'hallmarks'
- A cross border arrangement is one that concerns
  - More than one EU State; or
  - An EU state and a third country, and
  - One further condition from a number must be met eg. participants are not resident in same tax jurisdiction ([IEIM630030](#))
- Concern means 'material relevance' ([IEIM630040](#))

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## ***What type of arrangements need to be reported?***

- Cross-border arrangements which meet one or more 'hallmarks'
- Hallmarks are complex and include arrangements involving
  - Loss buying
  - Conversion of income into capital
  - Obscuring beneficial ownership
  - Transfer pricing issues (including cross-border transfers);
  - Transfer of hard to value intangibles, and
  - Much more!
- Some hallmarks require the 'main benefit' test to be met
- Some are not subject to a main benefit test.

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## ***Who needs to report***

- Two types of intermediaries are defined:
  - any person that designs, markets, organises or makes available for implementation or manages the implementation of a reportable cross border arrangement (**Promoter**)
  - any person who provides aid, assistance or advice in relation to the designing, marketing, organising or implementing of a reportable cross-border arrangement (**Service Provider**)
- Key difference: defence available to service providers
  - Did not know and could not reasonably be expected to know they were involved in a reportable arrangement
- No such defence for promoters
- Taxpayers will report where there is no intermediary requirement to report
- Employees in certain circumstances

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## ***Timing and reporting***

- Government introduced a deferral of 6 months to commencement due to COVID-19 pressure ([IEIM800010](#))
- First step of reportable arrangement took place between 25 June 2018 and 30 June 2020 - report by 28 February 2021
- Arrangements caught between 1 July 2020 and 31 December 2020 – report within 30 days from 1 January 2021
- Regime entering full force from 1 January 2021 – reporting then required within 30 days
- Likely to be duplicate reporting of same arrangement

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## ***Reporting the arrangement: the timing***

- Reporting will be required within 30 days of the earliest of the following
  - a reportable cross-border arrangement being ([IEIM651000](#))
    - made available for implementation;
    - ready for implementation; or
    - actually implemented
  - Service providers are required to make a report 30 days after they provide aid, assistance or advice in connection with a reportable arrangement
- Made available
  - exploratory discussions around arrangements which are not implemented could be caught

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## ***Penalties***

- One-off penalty of not more than £5,000
- Whether reasonable procedures were in place to manage the rules will be taken into account ([IEIM660100](#))
- Daily penalties (up to £600 per day) will only apply in serious cases

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## ***Further information***

- HMRC manual - <https://www.gov.uk/hmrc-internal-manuals/international-exchange-of-information/ieim600000>
- Legislation - <https://www.legislation.gov.uk/uksi/2020/25>
- ICAEW DAC 6 Hub - <https://www.icaew.com/technical/tax/dac-6>  
This contains a TAXbite, Webinar and further articles including a [feature on common questions and misconceptions](#).

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## ***EU withdrawal – VAT and customs changes***

- Two particular areas to consider from 1 January 2021
- Major changes to the way VAT is accounted for on imports of goods
- The UK will be leaving the EU single market, and customs procedures will now be required for imports from EU countries

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## ***VAT on imports from non-EU countries – current procedure***

- Current VAT rules on goods imported from outside the EU
- Basic rule – you have to pay import VAT at the port of entry before the goods are released
- Can also apply for a duty deferment account
  - goods can clear the port and import VAT paid on the 15<sup>th</sup> of the following month
  - a bank guarantee may be required
  - VAT must be paid by direct debit

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## ***Postponed accounting - introduction***

- From 1 January 2021, there will be one VAT rule that applies to all imports, whether from an EU country or a non-EU country
- Many UK VAT-registered businesses will be eligible to account for import VAT on their VAT Returns
  - This is often referred to as postponed VAT accounting
- It works in a similar way to the reverse charge on imported services and acquisition VAT on the current “import” of goods from the EU but will apply to imports of goods from anywhere in the world
- There is a cash flow benefit, as import VAT does not have to be paid at the time of entry and reclaimed later

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## ***Postponed accounting - requirements***

You can use postponed accounting to account for import VAT if:

- the goods you import are for use in your business
- you include your EORI number, which starts ‘GB’ on your customs declaration
- you include your VAT registration number on your customs declaration, where needed

For further guidance, see **Check when you can account for import VAT on your VAT Return from 1 January 2021**

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## ***Postponed accounting: Customs special procedures and goods imported under duty suspension***

### **Customs special procedures**

If you initially declare goods into one of the customs special procedures listed below, you can account for import VAT on your VAT Return:

- customs warehousing
- inward processing
- temporary admission
- end use
- outward processing

### **Duty suspension**

You can account for import VAT on your VAT Return when you release excise goods for use in the UK - also known as 'released for home consumption'. This includes when goods are released from an excise warehouse after being in duty suspension since the point of import.

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## ***Postponed accounting – completing your VAT return***

An online monthly statement will be available to download and keep for your records. It will show the total import VAT postponed for the previous month which you should include in your VAT Return.

### **Box 1**

Include the VAT due in this period on imports accounted for through postponed VAT accounting.

### **Box 4**

Include the VAT reclaimed in this period on imports accounted for through postponed VAT accounting.

### **Box 7**

Include the total value of all imports of goods included on your online monthly statement, excluding any VAT.

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## ***Other changes to customs procedures etc***

- On 1 January 2021, the UK will leave the EU single market.
  - The UK will become a separate customs territory
  - Whether the EU and the UK reach some sort of free trade agreement post 31 December 2020, the EU and the UK are separate customs territories
  - As a result, imports from the EU will now become subject to customs procedures in the same way as imports from non-EU countries.
- Proposed removal of VAT retail export scheme for overseas visitors.
- New duty-free shopping limits.

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## ***Further information***

- The Tax Faculty will be holding a detailed webinar on the subject of Customs Duties which will be presented by Stephen Dale and Liam Dushynsky of PKF Francis Clark. Date to be announced shortly.
- HMRC and HM Treasury [Response to the consultation on the potential approach to duty- and tax-free goods](#)
- HMRC note on [Postponed VAT accounting](#)
- [ICAEW Brexit hub](#) contains a wealth of information and checklists.

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## ***Personal tax***

- Self assessment 2019/20
  - HMRC reminders and statements
  - Chargeable events top slicing
  - Payment deferral
  - Final year for corporate non-resident landlords
- CGT changes April 2020
  - 30-day reporting UK residential property ([TAXguide 15/20](#))
  - Principle Private Residence final period reduced to nine months
  - Lettings relief only available where there is co-occupation
- OTS review into CGT – ICAEW webinar on 29 September ([ICAEW rep 52/20](#))
- Trust and estates registration ([TAXguide 14/20](#))
- Entrepreneur's/Business Asset Disposal relief changes

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## ***Raising standards in the tax advice market***

- There are considerable concerns about the activities of certain promoters of tax avoidance schemes, in particular contractor loan schemes
- Sir Amyas Morse's independent [Review of the loan charge](#) published on 19 December 2019 .
- HMRC published [a call for evidence Raising standards in the tax advice market](#) on 19 March 2020.
- The call for evidence asked for views and evidence on a number of issues including:
  - the scope of the market for tax advice and services
  - the characteristics of good and bad practice
  - current government interventions
  - international models
  - possible approaches to raising standards
- ICAEW submitted its response on 10 July 2020

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## ***Call for evidence - options for raising standards***

- Option A: Better use of HMRC's or government's current powers
- Option B: improve rights of recourse for consumers
- Option C: Improving transparency - helping consumers to make better choices
- Option D: Penalties for tax advisers
- Option E: maximising the regulatory/supervisory role of current professional bodies
- Option F: External regulation

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## ***Tackling promoters and disguised remuneration schemes***

- Tackling Promoters of tax avoidance
  - Consultation document published on 21 July 2020 alongside draft legislation
  - ICAEW responded on 15 September 2020 ICAEW Representation 69/20
  - Proposed measures are severe and will need to be properly targeted carefully so that they impact only upon Promoters and not upon the vast majority of bona fide agents.
  - In principle, HMRC does not expect these measures to impact upon professional advisers working within the pan professional code of conduct on tax.
- Tackling disguised remuneration schemes
  - Call for evidence published on 21 July 2020
  - Closing date for comments is 30 September 2020

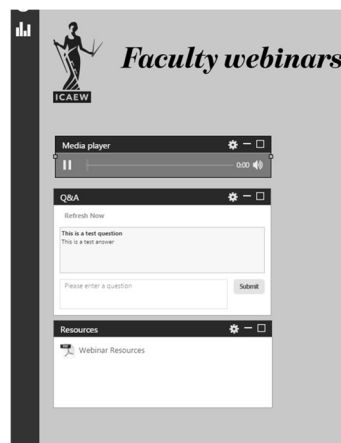
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## ***Future webinars and events***

- 29 September 2020 – OTS Capital Gains Tax Review
- Nov – Brexit
- TBC - Wyman

For further details visit [www.icaew.com/taxfacevents](http://www.icaew.com/taxfacevents)

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## ***Thank you for attending***



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