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Tax E-News

Welcome to our monthly newswire. We hope you enjoy reading this newsletter and find it useful. Please contact us if you would like to discuss any matters further.

June 2020

JOB RETENTION "FURLOUGH" SCHEME EXTENDED TO OCTOBER

Chancellor Rishi Sunak announced on 12 May that the CJRS scheme will be extended until the end of October. The scheme will continue in its current form until the end of July with the Government paying 80% of employees wages up to £2,500 a month. For accounts purposes the amounts received should be credited to a "grants received" account, and this will therefore increase taxable profits of the business.

From 1 August to the end of October, HMRC will introduce more flexibility so employers will be able to bring their furloughed employees back to work part-time and contribute to paying employees' wages while still receiving support from the scheme.

On Friday 29 May the Chancellor announced that the Government will stop reimbursing NICs and pension contributions from 1 August 2020. From 1 September 2020 the amount reimbursed by the Government will be reduced to 70%, limited to £2,190. There will be a further reduction to 60% from 1 October 2020, limited to £1,875.

We will of course continue to assist you in making furlough claims.

SELF-EMPLOYED INCOME SUPPORT GRANTS ALSO EXTENDED

Sole traders and members of partnerships started making claims under the Self-Employed Income Support Scheme on Wednesday 13 May and many have already received their grant.

Unfortunately, unlike the CJRS furlough scheme, claims could not be made by agents on behalf of clients although we can of course check that you have received the correct amount and request a review if the amount is incorrect.

In order to be eligible your self-employed profits in 2018/19 must not exceed £50,000 and must be more than 50% of your total income. If that test is not met, then the same £50,000 and 50% tests are applied to average profits and total income over the three years (or shorter period) to 5 April 2019.

The amount of the grant that can be claimed is 80% of average profits for the three years to 5 April 2019. The grant is capped at £2,500 a month and the maximum amount is £7,500 for the initial 3 month period. The Chancellor has now announced that this scheme would be extended for 3 months from 1 June but reduced to 70% of average profits, limited to £6,570.

There are a number of anomalies, for example if the trade commenced 6 October 2017 the profits for 2017/18 and 2018/19 are divided by 2 to establish an annual profit figure rather than divided by 18 months which we consider to be unfair.

Like the CJRS furlough payments the amounts received are included in your trading profits and thus subject to income tax and national insurance.

CAN WE "FURLOUGH" THE COMPANY CAR?

During the lockdown period many employees and directors have not been using their company cars and it has been sitting on their driveway. You might think that means that the benefit of having a company car does not apply but unfortunately HMRC do not agree.

HMRC have recently confirmed that there continues to be a taxable benefit unless the car is unavailable for private use for 30 or more consecutive days. They would continue to regard the car as available to the employee unless the keys or fobs are returned to the employer or to a third party as instructed by the employer.

This guidance needs to be taken into consideration when form P11Ds are completed.

Note also that where the employee is provided with a motor car with zero CO2 emissions there is no taxable benefit in kind for 2020/21.

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P11D FORMS STILL DUE BY 6 JULY

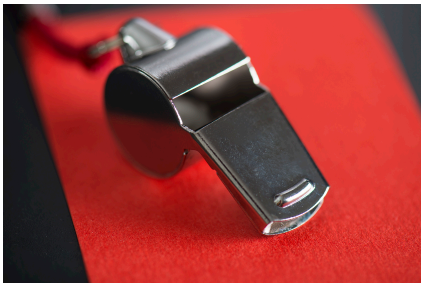
Despite the coronavirus lockdown HMRC have announced that they will still expect P11d forms reporting expenses and benefits to be submitted by the normal 6 July deadline.

Remember that reimbursed expenses no longer need to be reported where they are incurred wholly, exclusively and necessarily in the performance of the employee's duties. Dispensations from reporting are no longer required.

Note also that trivial benefits of no more than £50 provided to employees need not be reported.

FOOTBALL REFEREES ARE SELF-EMPLOYED

Many of you will be looking forward to the football season resuming, albeit behind closed doors. There has been an interesting tax case recently concerning the employment status of referees.



The Upper Tier Tribunal has rejected an appeal by HMRC concerning whether referees officiating at matches in the Championship and lower leagues were employees of Professional Game Match Officials Limited (PGMOL).

Whilst referees in charge of Premier League matches are employees of PGMOL those refereeing other matches have always been treated as self-employed.

A crucial determinant was the degree of control over the individual and whether there is "mutuality of obligations" (MOO) between the parties.

This means that the employer is obliged to provide work and the employee is obliged to perform the work provided. The Upper Tribunal decided that no such obligations were present.

MOO is a key factor in determining employment status and it is considered that insufficient weighting is placed on this factor when using the Check Employment Status for Tax (CEST) software which is a cornerstone of the "off-payroll" working rules scheduled to be rolled out to the private sector from 6 April 2021.

NEW AUTHORISED ECONOMIC OPERATOR PORTAL OPENS 1 JUNE

The Government are still committed to the transitional Brexit period ending on 31 December 2020 and businesses trading with the EU need to make sure they are ready for major changes. If you're submitting an application for Authorised Economic Operator (AEO) status from 1 June 2020, you must submit them through the EU Customs Trader Portal.

This will not change the way HMRC checks your application or visits your business before they approve your application.

You will need to ask HMRC for access to the portal (which can take up to 5 days). The information for the current C117 will be completed online and a completed C118 (Self-Assessment questionnaire) attached to the application.

DIARY OF MAIN TAX EVENTS

JUNE/JULY 2020

Date	What's Due
01/06	Corporation tax for year to 31/8/19 (unless pay quarterly)
19/06	PAYE & NIC deductions, and CIS return and tax, for month to 5/6/20 (due 22/06 if you pay electronically)
01/07	Corporation tax for year to 30/9/19 (unless pay quarterly)
05/07	Last date for agreeing PAYE settlement agreements for 2019/20 employee benefits
05/07	Deadline for agents and tenants to submit returns of rent paid to non-resident landlords and tax deducted for 2019/20
06/07	Deadline for forms P11D and P11D(b) for 2019/20 tax year. Also deadline for notifying HMRC of shares and options awarded to employees.
19/07	PAYE & NIC deductions, and CIS return and tax, for month to 5/7/20 (due 22/07 if you pay electronically)
31/7	50% payment on account of 2020/21 tax liability due. However, due to Covid-19 taxpayers may defer the payment until 31/1/21 without incurring interest and penalties.

Please contact a member of our team if you would like to discuss any of the issues raised.
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