

JTC NEWSLINE

Issue 142

September 2020

COVID-19: New benefit payment for people self-isolating in high risk areas

The government has announced a new payment scheme for people living in areas with a high incidence of COVID-19 who are on low incomes, need to self-isolate and cannot work from home.

The scheme, which opens on 1 September 2020, will initially only apply in specific areas subject to local lockdown. Starting, on a trial basis, in Blackburn, Darwen, Pendle, and Oldham. It will apply to people who:

- Are employed or self-employed and receiving either universal credit or working tax credit.
- Have tested positive for COVID-19, as well as their contacts.

Under the initial trial, eligible individuals will receive £130 for their 10-day period of self-isolation.

- Other members of their household, who must self-isolate for 14 days, are to receive £182.
- Non-household contacts advised to self-isolate through NHS Test and Trace will receive £14 per day, up to £182, with the actual amount being dependent on the length of their isolation period.

Those eligible to receive a payment will need to provide:

- Notification from NHS Test and Trace. If you cannot provide this your local authority can check the NHS records for you.
- A bank statement.
- Proof of employment/self-employment.

The government has advised that payments will be made within 48 hours of the necessary evidence being provided. All applicants will be checked to ensure that they cannot work from home and that this will result in a loss of income. ■

COVID-19: HMRC contacts 3,000 employers about CJRS compliance

HMRC have started the next phase of compliance activity on the Coronavirus Job Retention Scheme (CJRS). It has written to around 3,000 employers it believes may have been overpaid. A penalty and tax liability could arise if any overpayment is not repaid in time and there is a failure to notify HMRC about it.

The Institute of Chartered Accountants in England and Wales (ICAEW) has reported that letters have been sent by HMRC to employers in cases where:

- The business may have claimed more Coronavirus Job Retention Scheme (CJRS) grant than they are entitled to.
- The business may not meet the conditions to receive the grant (e.g. including ineligible employees on a CJRS claim).

The letters ask employers to review their CJRS claims and contact HMRC to confirm whether there has been a mistake or not. HMRC will not be actively looking for innocent errors in their compliance approach.

If there has been a CJRS overpayment and the employer voluntarily repays it within appropriate time limits, HMRC say it will prevent future investigations and tax liabilities. A penalty may be charged if HMRC is not notified of the overpayment.

HMRC have released a factsheet containing guidance for employers on what to do if they have received a CJRS grant they are not entitled to and the penalties which may apply if HMRC is not notified in time. ■

Continued overleaf

COVID 19: Delays for CJRS claims if data are not right

HMRC have warned employers that those using its template to upload their CJRS information should make sure the data are in the correct format. If not, applications may be rejected.

HMRC updated their guidance on CJRS on 25 August 2020. Employers with 100 or more employees on furlough are advised by HMRC to download and use its template for supplying their Coronavirus Job Retention Scheme (CJRS) data.

The template has been designed to help ensure claims are processed quickly.

The data may be rejected by HMRC if:

- It is not uploaded in an acceptable format: .xls, .xlsx, .csv and .ods formats are allowed.
- More or less than the required information is provided.
- Additional rows and columns are added to the HMRC template (e.g. to split the data by contract type).

It should be noted that the CJRS is now closed to new claims for employees unless they relate to an employee who is a military reservist or returning from statutory parental leave. ■

COVID 19: Coronavirus Job Retention Scheme (CJRS) continues in diminished form

What employers need to do from 1 August.

- From 1 August CJRS no longer funds employers' National Insurance (NI) and pension contributions. Employers must pay these for all employees, whether furloughed or not.

What employers need to do from 1 September.

- From 1 September, the government will pay 70% of wages up to £2,187.50 per month for the hours that their furloughed employees do not work
- Employers will need to pay 10% of furloughed employees' wages to make up 80% of their total wages up to a cap of £2,500 per month. The cap is proportional to the hours not worked.
- Employers will continue to pay furloughed employees' NI and pension contributions. ■

COVID-19: End of VAT payment deferrals period

As part of government support during the COVID-19 pandemic, HMRC gave businesses the option to defer VAT payments due between 20 March and 30 June until 31 March 2021 without incurring late payment interest or penalties.

VAT deferred through the scheme can be paid through ad hoc payments and overpayments ahead of the deadline if preferred, so long as full payment is made by that date.

The scheme ended on 30 June. **Businesses now need to set up any cancelled direct debits in time for payment of their next VAT return.** ■

P11Ds

Ironically, all this preoccupation with COVID-related support has meant that many employers who submitted their P11Ds on time are getting penalty warning letters. It seems HMRC do not currently have enough staff available to process them.

HMRC has reassured the ICAEW Tax Faculty that employers should ignore a penalty warning letter if they filed forms P11D and P11D(b) online or in paper form on time. ■

**If you have a query on any item in
newsline contact Liz Bridge
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COVID-19: Job Retention Bonus

HMRC have issued a paper with the details of the Coronavirus Job Retention Bonus. The bonus is a one-off payment to employers of £1,000 for every employee who they previously claimed for under the Coronavirus Employee Job Retention Scheme (CJRS) and whose employment is maintained until the end of January 2021.

The Job Retention Bonus (JRB) can be claimed for employees, officeholders, company directors and agency workers, including those employed by umbrella companies.

- As with other Coronavirus grants, the JRB will be taxable as the employer's income.

Conditions

- The employee was furloughed and had a Coronavirus Employee Job Retention Scheme (CJRS) claim submitted for them that meets all relevant eligibility criteria for the scheme
- The employee remains continuously employed through to 31 January 2021.
- Eligible employees must earn an average of at least £520 a month between 1 November 2020 and 31 January 2021 (a total of at least £1,560 across the three months), reported under Real-Time Information (RTI).
- The employee must not be serving a contractual or statutory notice period, that started before 1 February 2021, for the employer making a claim.

Timing of claims

- Employers will be able to claim the JRB after they have filed PAYE for January and payments will be made to employers from February 2021.
- More detailed guidance will be published in September 2020.

Employers eligibility

All employers are eligible for the scheme including recruitment agencies and umbrella companies.

Employers should ensure that they have:

- Complied with their obligations to pay and file PAYE accurately and on time under the Real Time Information (RTI) reporting system for all employees.
- Maintained enrolment for PAYE online.
- A UK bank account.

Transfer of Undertakings Protection of Employment (TUPE)

- A new employer may be eligible to claim the JRB in respect of employees of a previous business which were transferred to the new employer if either TUPE applies, or the PAYE business succession rules apply to the change in ownership.
- An employer will not be eligible for the JRB in respect of any employee transferred under TUPE or under the business succession rules after 31 October 2020.

Parental leave

- If an employee was on statutory parental leave, returned after 10 June 2020 and was claimed for under the CJRS then the employer will be able to claim the JRB in respect of that employee provided the other eligibility criteria are met.

Employees who are military reservists returning to work

- If an employee was mobilised as a military reservist, returned after 10 June 2020 and was claimed for under the scheme then the employer will be able to claim the JRB in respect of that employee provided the other eligibility criteria are met.

Preparing for JRB claims

- HMRC suggests that employers should ensure that their employee records are up to date, including accurately reporting their employee's details and wages on the Full Payment Submission (FPS) through the RTI reporting system.
- Employers should also make sure all their CJRS claims have been accurately submitted and any necessary amendments have been notified to HMRC.
- Where a claim for an employee was incorrectly made, a JRB will not be payable. ■

COVID-19: Help for self-employed - revisions - in case you have forgotten!

Support for the self-employed during the Coronavirus crisis:

- Two separate taxable grants were claimable:
 - First grant for the period ending 13 July 2020.
 - Second grant for the period from 14 July 2020.
- The grant payable is the lower of:
 - £7,500 (if claiming for the first grant), or £6,570 (if claiming for the second grant) and
 - 80% of your average monthly profits over the three years 2016/17, 2017/18 and 2018/19* for the first three months, reducing to 70% of the same average profits for the second three months.
- The grant was initially capped for three months and was subsequently extended.
- A variation of the second grant was announced on 23 June and applies to new parents.

- The grant is available to self-employed individuals:
 - With trading profits up to £50,000 per year whose majority of income comes from being self-employed.
 - Who have been adversely affected by the Coronavirus crisis.
- If you receive the grant you can continue to work or take on other employment including voluntary work.
- You do not have to have claimed the first grant to be able to claim the second.

Claims for the first three months commenced on 13 May 2020, with the first payments arriving from 25 May 2020 and within 6 working days of claims being made.

The deadline for claiming under the first round was 13 July 2020. Claims for the second round of grants at the lower rate can be made from 17 August with a deadline of 19 October 2020.

Note: Company directors are employees for PAYE purposes and not self-employed.

If you failed to qualify for the SEISS, it was possible to apply for funding via the Coronavirus Discretionary Grant Fund. ■

New law to ensure furloughed employees receive full statutory redundancy payments

The Government has introduced legislation to ensure that employees who have benefitted from the CJRS do not lose out on certain entitlements.

This includes making sure that redundancy pay, notice pay and compensation for unfair dismissal are based on an employee's normal pay, rather than their reduced furlough pay.

The Advisory, Conciliation and Arbitration Service (ACAS) can advise you about how to work out average weekly pay for someone that has been on furlough. ■

Off-payroll working rules (IR35)

Just a reminder that this has not gone away, and you **MUST** check who you pay for work done for you that is 'off-payroll'.

- Off-payroll rules start for firms in construction from 6 April 2021 and the legislation is included in Finance Act 2020.
- The Check Employment Status Tax tool (CEST) can be used by organisations and contractors to consider the appropriate employment status for contract continuing past 6 April 2021. HMRC have said they will stand by the results given by the tool, provided it is used in accordance with all guidance and the information entered is and remains, accurate. ■

Advisory fuel rates from 1 September 2020

HMRC have published new advisory fuel rates for company car drivers which will apply from 1 September 2020. You can continue to use the old rates up to 30 September 2020. The new rates are:

Engine size	Petrol	Diesel	LPG	Electric*
1,400cc or less	10p		7p	4p
1,600cc or less		8p		4p
1,401cc - 2,000cc	12p		8p	4p
1,601cc - 2,000cc		10p		4p
Over 2,000cc	17p	12p	12p	4p

* Fully electric cars only

Advisory fuel rates are set by HMRC

- Employers can use these rates to reimburse company car drivers for business fuel.
- These rates can also be used if employees are required to repay the cost of fuel used for private travel.
- These rates should not be used in relation to vans.
- Hybrid cars can be treated as either petrol or diesel cars for this purpose.
- These amounts also apply for VAT purposes, but employers can only reclaim input VAT if the employee supplies a receipt.
- HMRC would accept that if employers pay up to 4 pence per mile when reimbursing employees for business travel in a fully electric company car there is no profit for income tax or earnings for NI purposes.
- Employers can use their own rate if it better reflects circumstances, for example, if their cars are more efficient, or if the cost of business travel is higher than the guideline rate.
- If employers pay a rate that is higher than the advisory rate and cannot demonstrate the electricity cost per mile is higher, they must treat any excess as taxable profit and as earnings for Class 1 National Insurance purposes. ■

Cyber fraud update

HMRC recently warned students about a new wave of cyber frauds offering them bogus tax refunds, advising them to take a moment to think before parting with personal information, clicking on links or downloading attachments in unexpected texts or emails.

Individuals are advised to forward to **phishing@hmrc.gov.uk** any suspicious emails claiming to be from HMRC and any suspicious texts to 60599. They should also contact their bank immediately if they think they have fallen victim to a scam and report it to Action Fraud.

HMRC has detected 112 COVID related financial scams since March, most by text message and they have asked internet service providers to take down more than 126 web pages linked with these scam campaigns. ■

NIC holiday for employers that hire former members of the armed forces

The Government is seeking views from employers of veterans, software providers and accountants about an NIC holiday for employers who hire former members of the UK regular armed forces.

It is likely that:

- The measure will exempt employers for any NIC liability on veteran's salary up to the Upper Secondary Threshold in their first year of civilian employment.
- The relief will be available to employers from April 2021. From April 2022, employers will claim through PAYE in Real-Time with transitional arrangements for the 2021/22 tax year. ■

Stamp Duty Land Tax: Temporary reduction in residential rates

- On 8 July 2020, the Chancellor announced a temporary reduction in the amount of Stamp Duty Land Tax (SDLT) payable on purchases of residential property in England and Northern Ireland with immediate effect, to apply until 31 March 2021.
- The nil rate band (NRB) threshold for residential SDLT is increased from £125,000 to £500,000.
- The NRB applying to the 'net present value' of rents payable for residential property is also increased to £500,000.
- For purchases liable to Higher Rates for Additional Dwellings, the 3% rate band is increased from £125,000 to £500,000.
- The temporary rates do not apply where the transaction was substantially performed before 8 July 2020. ■

Stamp Duty Land Tax (SDLT), Higher Rates for Additional Dwellings (HRAD)

- Where an individual buys a dwelling in England and Northern Ireland as a replacement main residence whilst still owning the previous main residence, they must pay an additional rate of SDLT of 3% on top of the standard rates.
- A refund of the additional 3% can be claimed if the previous main residence is sold within three years of buying the new one.
- The COVID-19 situation has highlighted that there can be exceptional circumstances (including but not limited to COVID-19) which might prevent individuals from selling their previous main residence within the three-year time limit.
- A refund can now be granted where HMRC is satisfied that the sale was prevented by exceptional circumstances, and where the previous main residence is then sold as soon as is reasonably practicable once the exceptional circumstances ceased to apply.
- The change applies where the three-year period ended on or after 1 January 2020. ■

Capital Gains Tax (CGT) payment for property disposals, penalties reminder

- From 6 April 2020 UK residents disposing of UK residential property which is not their main private residence, and non-UK residents disposing of UK residential and non-residential property must notify HMRC about the disposal or pay the tax due within 30 days from the date of completion.
- For disposals that were notified between 6 April and 30 June 2020, there is no late filing penalty, provided the return and payment due, was made by 31 July 2020
- For transactions completed from 1 July 2020, late filing penalties will apply if the details of the gain and payment is not made within 30 calendar days from completion. ■

Making Tax Digital update

In July 2020, the Government announced a series of reforms to Making Tax Digital.

- If you are a VAT-registered business with a taxable turnover above £85,000, you should have followed the rules for Making Tax Digital (MTD) for VAT unless:
 - Your business uses the VAT GIANT service. HMRC will contact you to tell you when the deadline is.
 - You apply for (or already have) an exemption.
- All VAT-registered businesses must follow the rules regardless of turnover for their first return on or after 1 April 2022.

Making Tax Digital for Income Tax Self-Assessment (ITSA)

- If taxable turnover from a self-employed business or income from property is above £10,000 PA, they must follow the rules for MTD for the next accounting period starting on or after 6 April 2023.
- HMRC are expanding the pilot service for Income Tax from April 2021.
- HMRC will be consulting in Autumn 2020 on the detail of the plan for Corporation Taxpayers. ■

DIY builder's claim decided by date on certificate of completion

In *Carl Sansom v HMRC [2020] TC07684*, the First Tier Tribunal (FTT) held that HMRC cannot refuse to accept the certificate of completion as primary evidence of the property's completion and the appeal was allowed.

Mr Sansom had constructed a house in Essex. He moved into the property on 4 July 2013, but Building Control refused to issue a certificate of completion until 19 June 2018. On 1 September 2018, within the three months of the issue of the certificate of completion, Mr Sansom applied for a VAT refund of £17,641.48 incurred on building the house under a Scheme.

HMRC refused to refund Mr Sansom's VAT. They said the date of 'completion' was not decided by reference to the certificate of completion, but by applying a multi-factorial test. Having applied that test, HMRC decided that the application had been made outside the three-month time limit and refused the claim.

Mr Sansom argued that between October 2016 and June 2018 he had incurred costs on fixing issues identified by Building Control. He also stressed that until the completion certificate was issued and, given the 'one-off' nature of the DIY reclaim scheme, until the completion certificate was issued there was no way for him to know if he still had to incur significant building costs on the property.

The FTT concluded that HMRC cannot refuse to accept claims within three months of the issuance of the certificate of completion on the basis that the individual has failed to meet some uncertain and imprecise multifactorial test

Comment

The DIY claim form must be submitted within a strict three months of completing the project. HMRC takes a tough policy on when a building is 'complete' for VAT purposes. They are increasingly challenging claims where the building is occupied more than three months before a DIY claim is submitted, on the basis that the building was 'complete' at the time of occupation. It is important to warn clients who are DIY builders of their time limits. ■

Resurfacing was not a capital improvement

In *Steadfast Manufacturing & Storage Limited v HMRC TC7770*, HMRC were unsuccessful in attempting to disallow the costs of resurfacing a yard used as a lorry park, as capital.

The First Tier Tribunal (FTT) found there was no improvement and allowed the costs as a revenue deduction for repairs.

Always take advice if HMRC challenge a revenue deduction on the basis that it is capital. ■

VAT reverse charge on building and construction services will start on 1 March 2021

Every VAT registered construction business should have received an individual letter in February 2020, advising them to check if they might be liable for the reverse charge. More letters are on their way.

If you do not know what this is about, you must start finding out because it is essential. ■