

TAX



Tax deferral for self-assessment

Postponing a tax payment could be an attractive option if you are having cash flow problems.

All taxpayers using self-assessment can defer their second self-assessment payment on account for the tax year 2019/20 as part of the government's Covid-19 support. You can take advantage of the option to defer the payment, normally due on 31 July 2020, without incurring any interest or penalties, provided you pay it by 31 January 2021.

Paying the deferred amount

If you choose to defer, and you normally make your payments on account by direct debit, you should ensure you have cancelled the direct debit so that HMRC doesn't automatically collect the amount due. You can then pay the deferred amount at any time between 31 July 2020 and 31 January 2021, either:

- in full using normal payment methods; or
- in instalments by setting up a payment plan with HMRC. However, you cannot use this option if you have any other overdue taxes.

Although you do not need to make the deferred payment until 31 January 2021, bear in mind the potential snowball effect of not paying it off by that date: 31 January 2021 is also the deadline for paying any 2019/20 balancing amount, plus the first payment on account for 2020/21.

If, as a sole trader, you make your accounts up to 31 March or 5 April, then these amounts will be based on profits for the year ended 31 March/5 April 2020, so they will mainly be based on earnings before the Covid-19 pandemic had an impact.

Your payments on account for 2020/21 can be reduced to an estimate of the tax and national insurance contributions that will actually be due for this year. However, after including any Covid-19 grants and amounts received under the self-employment income support scheme, these amounts might be more than you expect.



Bear in mind the potential snowball effect of not paying taxes off by 31 January 2021 - it is the first 2020/21 payment on account deadline too.

VAT

VAT reverse charge delayed

The impact of coronavirus on the construction sector has prompted the government to delay the introduction of the VAT domestic reverse charge until 1 March 2021.

The measure, which is intended to reduce VAT fraud, means that UK customers who receive supplies of construction services must account for the VAT on these supplies on their VAT returns, rather than the supplier doing so. It prevents suppliers from charging VAT that they then do not pay to HMRC.

This is the second delay to the charge. It was originally due to start on 1 October 2019 but it was deferred for 12 months because of concerns about lack of preparation and the impact on businesses.

The reverse charge will affect specified building and construction services supplied at the VAT standard and reduced rates that are reported under the Construction Industry Scheme (CIS). It will not apply to zero-rated services.

In a change to the legislation, HMRC has said that businesses will only be excluded from the reverse charge as end users or intermediary suppliers if they have informed their subcontractors of this in writing. This will bring certainty for subcontractors about the correct treatment for their supplies.

HMRC says it will work closely with the construction sector to provide guidance and support to make sure all businesses will be ready for the new implementation date.



The Chancellor's summer of spending

Almost four months after the Spring Budget and the start of the Covid-19 crisis, the Chancellor has had to return to parliament with a new round of spending measures:

- **A temporary stamp duty cut** The nil rate band for Stamp Duty Land Tax (SDLT) on residential property in England and Northern Ireland was increased from £125,000 to £500,000 with immediate effect until the end of March 2021. Scotland and Wales both followed suit, raising the nil rate bands on their land taxes to £250,000, but in Wales the increase does not apply to buyers of second homes, buy to let, etc.
- **Green Homes Grant** A £2 billion grant will provide at least £2 for every £1 that homeowners and landlords in England invest in making their homes more energy efficient, up to £5,000 per household.



- **Job Retention Bonus** UK employers will receive £1,000 for every previously furloughed employee who remains continuously employed from the end of the Coronavirus Job Retention Scheme in October through to 31 January 2021. Qualifying employees must earn over £520 per month on average.
- **Kickstart Scheme** This scheme aims to provide six-month work placements for those aged 16-24, who are on Universal

Credit and considered to be at risk of long-term unemployment. Employers in Great Britain will receive a payment that will cover 100% of the relevant National Minimum Wage for 25 hours a week plus the associated employer NICs and automatic enrolment pension contributions.

- **Apprenticeship payments** Employers in England will be entitled to a new payment of £2,000 for each new apprentice aged under 25 they hire, and £1,500 for each new apprentice hired aged 25 and over.
- **A temporary VAT cut** A 5% rate of VAT will apply to supplies of food and non-alcoholic drinks from UK restaurants, pubs, etc and accommodation and admission to attractions. The rate will operate from 15 July 2020 through to 12 January 2021.

As has become clear with many of other Covid-19 initiatives, the devil is in the detail. In many instances, expert advice is recommended before taking any action.

BUSINESS



To the rescue: insolvency law reforms

New legislation on company insolvency and corporate governance is aimed at helping companies in difficulty deal with the Covid-19 pandemic by giving them more time to create a rescue plan.

The Corporate Insolvency and Governance Act, which gained Royal Assent on 25 June 2020, makes the biggest changes to insolvency legislation in 20 years. On a permanent basis it:

- Introduces a new moratorium of 20 business days, extendable to 40 days, to give companies breathing space from their creditors while they seek a rescue.
- Safeguards a company's supply chain by prohibiting the use of termination clauses that come into force when a company enters an insolvency procedure, a new moratorium period or a new restructuring process. Suppliers will not be able to rely on contractual terms to stop supplying or vary contract terms such as price, while a company is going through a rescue process.
- Introduces a new restructuring plan for companies in financial distress, to allow more companies to be rescued rather than go into liquidation. Companies will be able to propose a plan for restructuring their liabilities, which can bind a class of creditors even if they do not agree to the plan. There are safeguards for affected creditors.

The restructuring plan process is a new option for businesses needing to restructure their liabilities - adding to the existing Company Voluntary Arrangement and Scheme of Arrangement. It will require 75% creditor consent and court approval.

The new law also contains some temporary changes:

- For any period of trading between 1 March and 30 September 2020, directors who try to keep their company afloat will not be held personally liable for wrongful trading should the company ultimately become insolvent.
- Until April 2021, certain Companies House filing deadlines are extended.
- Companies are given greater flexibility to hold their AGMs in alternative safe ways.

The permanent changes in particular have been widely welcomed by people working in restructuring and advising companies in difficulty.

TAX

CGT disposals reminder

HMRC is reminding people that they now only have 30 calendar days in which to inform them of any capital gains tax (CGT) payable on the disposal of a residential property and to pay the amount due.

HMRC will not issue a late filing penalty for reports made by 31 July 2020, but after that the tight 30 days deadline will apply. It is therefore important to make sure all relevant information is available at the time of disposal, especially about any enhancement expenditure that might have been incurred years ago.

The new rules are only relevant if CGT is payable, so they do not apply where full private residence relief is available or where the disposal is made to a spouse or civil partner.

Any gain will also normally have to be included in the self-assessment tax return, and further CGT might be payable or a refund might turn out to be due.

