Green&Co
ACCOUNTANTS AND TAX ADVISORS

COVID-19 Leads to an Increase in Scams

With uncertainty at an all-time high, fraudsters are seizing opportunities to target certain individuals affected by COVID-19, and those who are more vulnerable in our society.

Criminals are devising sophisticated scams which are more believable than ever before and, with such scams on the rise, more and more people are falling victim to the associated crimes.

We would like to share a case where one of our clients became a victim to a scam after inheriting a sole trade business from his parents.

One evening, he received a call from an alleged HMRC officer who was demanding a payment of £2,000 for unpaid tax liabilities. With the threat of police action and the seizing of personal goods, the client believed the call to be genuine.

Usually, our client asks us to take care of his tax affairs, including communications with HMRC. However, the caller quoted legal statements and case/crime reference numbers which made the call seem legitimate, and worried about the threat of bailiffs turning up at his home causing distress for his family and new-born baby, he agreed to pay half immediately, and the other half later that day.

Following the call, he spoke to his parents about a loan for the money needed, telling them about the call he had received. Having had more experience of being self-employed and dealing with HMRC, they advised him to speak to us to confirm the details before making another payment.

After a quick check, we were able to identify that the call was indeed fraudulent, and we advised him that it was important to do the following as soon as possible:

- Not to make any further payments if they attempted to call him back;
- Contact his bank immediately and inform them of the scam, providing as much detail as possible, as well as ensuring a formal complaint was made;
- Call Action Fraud on 0300 123 2040 to report the scam.

Later that evening, the alleged HMRC officer contacted our client again, but our client informed him that he had spoken to his accountant to confirm the liability, and the caller quickly ended the call.

Unfortunately, he is yet to recover the £1,000 he had already paid, although he is still discussing the matter with his bank.

This is just one example of fraud, but criminals are using several different avenues to target individuals. This could be via phone calls, email or text, so it is very important that you familiarise yourself with the different types of fraudulent activity being perpetrated, and that, at all times, you remain alert to the possibility of a scam.

HMRC will only ever call you asking for payment on a debt that you are already aware of. If you are ever unsure, it is important that you do not pay anything until you have spoken with your accountant – and this should be done on a separate device to ensure the scammer has not tapped into your call to impersonate the individual you are trying to contact.

If you are concerned or would like to discuss your situation with one of our team, please do not hesitate to contact us.

THE BOTTOMLINE

Issue 8 August 2020

IR35 –Why It's Important to Keep Planning

Many contractors would have likely been relieved when the Government announced plans to delay the changes to the IR35 rules. However, we would advise both contractor businesses and businesses who use contractors to still prepare to be compliant by April 2021.

The new rules will predominantly affect contractors who are using a limited company, termed a Personal Service Company (PSC), and would be classed as an employee if the PSC did not exist.

The employing company will need to determine whether the contractor using a PSC would normally be classed as an employee. If so, they should deduct National Insurance (NI) and tax from the payment for services rendered.

If the employing company fails to identify this, they will be subject to penalties.

This is a progression from the current rules, where Public Sector Organisations are responsible for assessing those who work through a PSC.

The new rules will not apply to everyone. If you are a small business who satisfies two of the following criteria, you will be eligible for a Small Business Exemption:

- Annual turnover is no more than £10.2 million
- Balance sheet total is no more than £5.1 million
- No more than 50 employees

It appears that HMRC are still not happy with the system, with adjustments to the criteria still being made. The most recent changes include:

- Customers of PSC's will not be penalised in the first year unless the non-compliance appears deliberate
- Employing companies will not be subject to a new investigation if they start collecting NI and tax, unless there is reason to suspect fraud or criminal behaviour
- Only work carried out from the date the new rules are implemented, will be subject to the new rules
- Employers will be under a legal obligation by the Government to respond to any requests for information about the size of their company from an agency or worker

HMRC have historically been eager to investigate this area, so we expect them to continue when the rules progress to the private sector.

To support companies with this change, the Government has developed an online tool to determine employment status. We would, however, advise you to discuss your situation with your accountant. The Government tool can be found here - https://www.gov.uk/guidance/check-employment-status-for-tax.

If you would like to discuss your situation with one of our team, please don't hesitate to contact us.

Government Announces the Next Steps for Making Tax Digital

On 21 July 2020, H M Treasury released their ten-year strategy to build a trusted, modern tax administration system, to achieve their ambition of a service that is more effective, more efficient and easier for taxpayers.

The plan included the next stages for Making Tax Digital (MTD) following the introduction of phase one back in April 2019.

Where are we now? – Stage One

At present, VAT registered businesses with a taxable turnover above the VAT threshold of £85,000 are required to maintain digital records and submit their VAT returns using MTD compliant software.

Businesses below the threshold can also voluntarily register to use the digital system.

Changes for VAT – Stage Two

The Treasury has announced that from April 2022, all businesses that are VAT registered, even if their taxable turnover is below £85,000 will need to keep digital records and submit their VAT returns through appropriate software.

Changes for income tax – Stage Three

Although the MTD service was originally planned to start with quarterly reporting for income tax, this will now take place from 6 April 2023.

At this stage, any unincorporated business with annual income exceeding £10,000, including landlords with property income, will need to adhere to the system.

What next?

Though the Treasury is yet to determine a timescale for the inclusion of corporation tax within the remit of MTD, it has been set out as the next stage in their ten-year plan and public consultation for this is expected to begin later this year.

If you're not sure what stages apply to you, please don't hesitate to contact us. We would be happy to advise on your situation and the move across to a digitalised accounting system.

The Future for Capital Gains Tax

On the 13 July, the Chancellor wrote to the Office of Tax Simplification (OTS) asking them to "undertake a review of Capital Gains Tax (CGT) and aspects of the taxation of chargeable gains in relation to individuals and smaller businesses".

Why, at the end of lockdown, after giving money to businesses and individuals, has he chosen to do this? Is he looking at ways to increase the tax revenues?

He goes on in his letter to say, "I would be interested in any proposals from the OTS on the regime of allowances, exemptions, reliefs and the treatment of losses within CGT and the interaction of how gains are taxed compared to other types of income".

It appears that everything is to be reviewed and nothing is off the table for change.

Only 1% of HMRC tax income is from CGT. If it doesn't create large amounts of revenue, why are they reviewing it? Is the administrative burden for such a small amount of income too much? Or do they want to increase the income to justify the administrative burden?

The scoping review on the OTS website lists a lot of areas that could affect us all:.

- Review of the various rates that apply (currently 0%,10%, 18%, 20% and 28%)
- The reliefs, exemptions and allowances which can apply, and the treatment of losses
- The annual exempt amount (£12,300) and its interactions with other reliefs
- Interactions with other parts of the tax system such as Income Tax, Capital Allowances, Stamp Taxes and Inheritance Tax
- The acquisition and disposal of property
- The practical operation of principal private residence relief
- Any distortions to taxpayers' personal or business investment decisions

What does that mean for you and me?

If you sell a second property, either your holiday home or a rental property, you might have to pay more CGT. They could reduce or withdraw the annual exemption amount of £12,300, they might even change the CGT rate from 18% and 28% to the same as Income Tax at 20%, 40% and 45%.

When you sell your shares in the family business currently you are taxed 10% Entrepreneurs Relief of CGT up to the first £1million of gain then 20% after that, this could be scrapped or reduced, or the rate of tax increased to Income Tax rates.

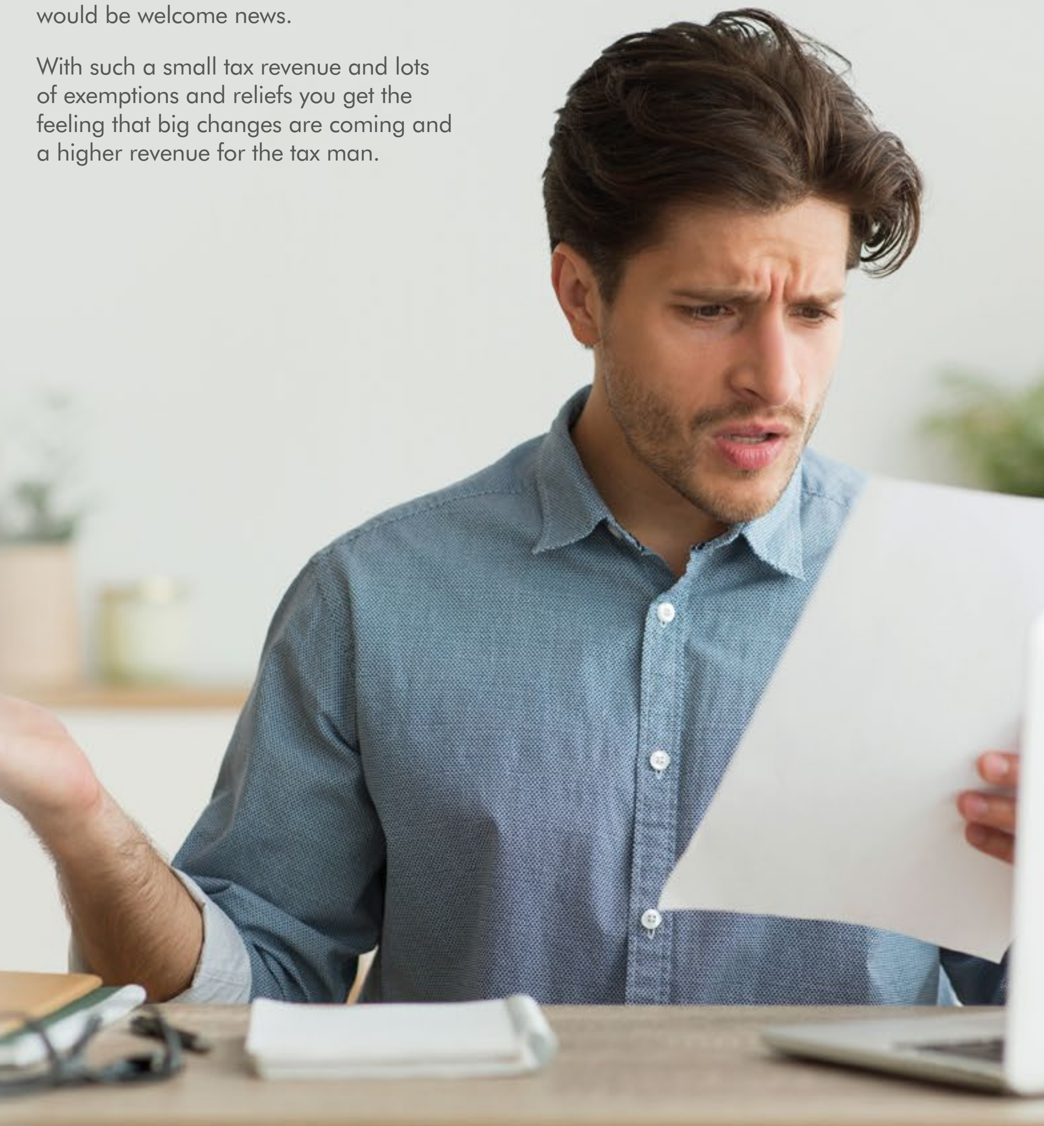
If they are just looking at reducing the administrative burden and complexity of CGT however, that would be welcome news.

With such a small tax revenue and lots of exemptions and reliefs you get the feeling that big changes are coming and a higher revenue for the tax man.

The initial stage of the review is for the OTS to research, and fact find. To do this, they have set up an online questionnaire to gain feedback which you can access here - https://www.smartsurvey.co.uk/s/3HRSVY/. They will also be holding online meetings with interested parties up to 12 October 2020.

These changes may have costly implications so timely decision making is important. If you want to know exactly what tax you need to pay, you may want to work through your options now and crystallise any gains.

If you'd like to set up a meeting to discuss your situation and talk through your options, please don't hesitate to contact us.



Summer Statement Overview

Welsh Land Transaction Tax

The starting threshold for the land transaction tax in Wales will increase from £180,000 to £250,000 for the residential main rate from 27th July until 31 March 2021.

VAT cuts for hospitality and tourism

Between 15 July 2020 to 12 January 2021, a reduced 5% rate of VAT will apply to supplies of food and non-alcoholic drinks from restaurants, pubs, bars, cafés and similar premises across the UK. This reduction in VAT will also apply to supplies of accommodation and admission to attractions.

Job retention bonus

£1,000 job retention bonus for businesses who retain furloughed staff until at least January 2021. The employee must be paid over £520 per month to qualify.

Kickstart Scheme

Under a new "kick-start" scheme, the Government will fund six-month placements for young employees aged between 16 and 24.

Reminders for your diary

August 2020

1	Furlough scheme – employers will now be responsible for NI and pensions contributions.
2	Deadline for submitting P46(Car) for employees whose car/fuel benefits changed during the quarter to 5 July 2020.
7	Due date for VAT return and payment for 30 June 2020 quarter.
17	SEISS grant open for applications for the second and final grant.
19	PAYE, Student loan and CIS deductions are due for the month to 5 August 2020.

September 2020

1	New Advisory Fuel Rates for company car users apply from today.
	Furlough scheme – Government support reduced to 70%.
7	Due date for VAT return and payment for 31 July 2020 quarter.
19	PAYE, Student loan and CIS deductions are due for the month to 5 September 2020.
30	End of CT61 quarterly period.

October 2020

1	Furlough scheme – Government support reduced to 60%.
5	Deadline for notifying HMRC of new sources of taxable income or gains or liability to the High Income Child Benefit Charge for 2019/20 if no tax return has been issued.
7	Due date for VAT return and payment for 31 August 2020 quarter.
14	Due date for income tax for the CT61 quarter to 30 September 2020.
19	Tax and NICs due under a 2019/20 PAYE Settlement Agreement.
	PAYE, Student loan and CIS deductions are due for the month to 5 October 2019.
	PAYE quarterly payments are due for small employers for the pay periods 6 July 2020 to 5 October 2020.
31	Deadline for submitting 'paper' 2019/20 self-assessment returns.

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