Copson Grandfield
CHARTERED ACCOUNTANTS

# NEWSLETTER

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## Inside



# Welcome to the Copson Grandfield Newsletter

## HMRC publishes guidance on accounting for VAT in event of a 'no deal' Brexit


According to the guidance, if the UK leaves the EU without a deal, VAT-registered businesses may choose to account for import VAT on their VAT return, rather than paying when the goods arrive at the UK border.

Businesses not registered for VAT in the UK, will not be able to record the import VAT on their VAT return, and will be required to pay VAT up front at the time of import. Any goods already in transit from the EU must continue to be treated as acquisitions, and VAT must be accounted for on the return for the period in which the acquisition occurred.

In the event that we leave the EU on 29 March 2019, all businesses importing goods into the UK will need a UK Economic Operator Registration and Identification (EORI) number. HMRC intends to write to all VAT-registered importers and exporters in order to explain the steps they will be required to take in the event of a no deal Brexit scenario.

Jim Harra, Deputy Chief Executive of HMRC, stated that HMRC 'recognises the challenges businesses face' in getting to grips with the new requirements by the deadline (currently 29 March 2019). Mr Harra also said that the Revenue is 'committed to supporting' firms. More information can be found via the following link:

https://www.gov.uk/government/publications/partnership-pack-preparing-for-a-no-deal-eu-exit/changes-to-customs-excise-and-vat-you-need-to-know-about-if-there-is-no-deal

# Lorraine Kelly defeats HMRC in latest IR35 ruling

Television presenter Lorraine Kelly has defeated HMRC at an IR35 tax tribunal, successfully appealing a tax bill of £1.2m.

This ruling marks another setback for the taxman, casting further doubts over HMRC's grasp of IR35.

In a decisive ruling, control was the key factor, with Judge Jennifer Dean concluding: "The level of control falls far substantially below the sufficient degree required to demonstrate a contract of service and the factors strongly indicate that the contract was one for services." She added: "In looking at the overall picture, we were wholly satisfied from the evidence that contrary to being part of a jigsaw, Ms Kelly was the jigsaw."

HMRC's understanding of 'control' was also called into question. Representing Kelly, tax barrister Keith Gordon contested that HMRC's approach in relying on ITV's editorial control is flawed, drawing comparisons between Kelly's arrangement and that of an actor appearing in a West End show.

His argument was summarised within the ruling: "The actor is required to follow a script, wear the clothes chosen for the production and move around the stage as directed. In contrast, Ms Kelly has considerably more control over her performance." HMRC's understanding of ITV's responsibility as a broadcaster was also called into question by Gordon, who argued that the taxman had drawn incorrect comparisons between this and the test of control.

This is the latest ruling in a number of cases involving the taxman and high profile television presenters. As Contractor Calculator CEO Dave Chaplin highlights, it also continues HMRC's recent wretched streak when contesting IR35 in court: "When HMRC began its probe into the tax affairs of hundreds of high profile presenters, it was viewed that the taxman was trying to make a statement. With cases such as this, and the BBC debacle currently being examined by the Public Accounts Committee (PAC), it's quite evident that it has backfired substantially.

"The ruling was a slam dunk for Ms Kelly, and it's astonishing given the level of ultimate control she exercised that this one ever got to court".

Chaplin concludes: "Ms Kelly was able to successfully appeal a significant and unsubstantiated tax bill. Unfortunately, many contractors who may be subject to a similar fate due to the Off-Payroll rules won't have the finances or resources to do the same."

# The NEF calls for Personal Allowance to be replaced

The New Economics Foundation (NEF) has called for the Income Tax Personal Allowance to be replaced with a new 'Weekly Personal Allowance'.

From April 2019, the Personal Allowance will rise from £11,850 to £12,500. In a new report, the NEF dubbed the increase of the Personal Allowance as an 'expensive and regressive' use of public spending.

It is therefore urging the government to introduce a new Weekly Personal Allowance of £48.08 for individual's resident in England, Wales and Northern Ireland, and an allowance of £45.68 for those in Scotland instead.

The NEF said that, under its plans, eligibility for the allowance would be extended to everyone over the age of 18 with a National Insurance Number.

The proposal is cost neutral, NEF says. But the poorest 10% of households on average would see an increase in disposable income of £1,160 per year or around £20 per week, equal to a 15.8% increase.

The think tank says in total, the Personal Allowance is estimated to cost £111.2bn in 2019/20.

The report proposes using this money to fund a Weekly National Allowance, worth £2500 per individual, per year (being equal to the Personal Allowance (£12,500 @ 20%) and paid to everyone outside of the top 1% of earners.

The report's modelling suggests that in comparison, the current Personal Allowance of income tax will reduce tax liabilities for the 10% richest families by almost £6500 in 2019/20 alone, compared with just £600 for the poorest 10%.

Alfie Stirling, head of economics at NEF, said: 'The persistent increases to the Personal Allowance of income tax seen over the past decade represents one of the most expensive and regressive public spending initiatives of the 21st century so far.

'Repurposing the funds from the Personal Allowance into a new Weekly National Allowance, paid to everyone outside of the richest 1%, would significantly improve upon the UK's social security system at a time when the botched rollout of universal credit is otherwise causing acute financial hardship and misery.

'With Brexit among a number of recessionary threats on the horizon, the weekly national allowance would not only help to shield families from the worst effects of recession, but would also aid future recovery by maintaining a minimum level of income and spending in the economy.'

# VAT – Direct Debits

If you're VAT registered, you typically pay VAT quarterly, usually one month and seven days after the period end, as long as this falls on a working day.

**Did you know that you can set up a Direct Debit for VAT using your "HMRC VAT Account" in order to pay your VAT liability?**

Once set up, HMRC will automatically take the liability (declared in box 5) for future submitted VAT returns, and this payment will be taken 3 working days after the due date of the return.

The above gives you the peace of mind that once the return is submitted, payment will be taken, plus you effectively gain an extra 3 working days to pay!

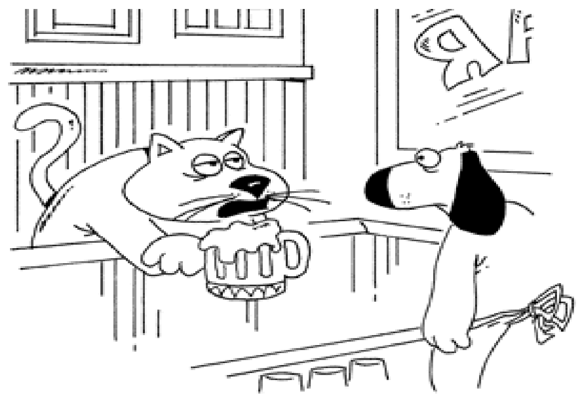
The due date of any VAT return is 1 month and 7 days after the period end, unless this falls on a weekend, in which case the due date is the working day before the weekend.

**Examples:**
VAT Return period 01.01.19-31.03.19: Return due Tuesday **7th May 2019**. If no Direct Debit set up, payment required as cleared funds by Tuesday 7th May 2019. However via Direct Debit, HMRC would take the funds on Friday **10th May 2019** (3 ***working*** days later).

VAT Return period 01.02.19-30.04.19: Return due date Friday **7th June 2019**. If no Direct Debit set up, payment required as cleared funds by Friday 7th June 2019. However via Direct Debit, HMRC would take the funds on **Wednesday 12th** June 2019 (3 ***working*** days later).

Please note however that if you are late submitting your VAT return, the Direct Debit will not take effect and you will have to make separate payment to your VAT account. Direct Debit's also do not include any Penalties or Surcharges; these also need to be paid separately.

Finally, please note that setting up a Direct Debit for VAT does not affect other taxes such as PAYE, Corporation Tax, Self-Assessment or CIS.



**"Nine lives are great, but the Inheritance Tax is what kills you!"**

# VAT & PCP contracts

Personal Contract Purchases/PCP contracts have become a popular way of finance the purchase of a new car or van in recent years, allowing customers to pay a series of lease payments for a set period of time, and then make a choice whether to make a 'balloon' payment to acquire the asset, or to return it at the end of a 'lease' period.

However, you need to be careful when claiming back the VAT under such arrangements.

A recent case concerning HMRC & Mercedes-Benz challenged the correct VAT treatment of the Mercedes-Benz PCP finance scheme. The conclusion being that the correct treatment is dependent on the value of the asset at the end of the contract period

Therefore if you have, or are about to take out a PCP arrangement, you need to be aware that if the value of the asset at the end of the contract is expected to be less than the balloon payment, then you can only reclaim input VAT on the payments made, not the amount on the original invoice.

This could make a huge difference since some deposits are the VAT amount; therefore you will not be allowed to reclaim all the VAT in that quarter. Consequently, we suggest that you speak with a member of our VAT team before entering into such an arrangement.

The rules regarding VAT are complicated, and expert advice needs to be taken in order to ensure that you calculate, reclaim and pay the correct amount(s). If we currently take care of your VAT, then rest assured that we will deal with this for you.

However, if you complete your own VAT returns but you are unsure on any aspect of VAT, please note that our team are always on hand to point you in the right direction.

# 2019/20 Income Tax Rates

The **6th April 2019** marks the start of the **2019/20** Tax Year, and as always this means some changes to the Income Tax Rate/ Allowances.

From 6th April 2019, the main rates for **UK Taxpayers** will be as follows:

| Tax Band | Taxable Income | Rate |
|---|---|---|
| Personal Allowance | Up to £12,500 | 0% |
| Basic Rate | £12,501 - £50,000 | 20%* |
| Higher Rate | £50,001 - £150,000 | 40%* |
| Additional Rate | Over £150,000 | 45%* |

*Please note that the 20%, 40% & 45% bands are lower for Dividend Income, with the rates being 7.5%, 32.5% and 38.1% respectively.

# Staff News

We would like to welcome **James Cook**, who recently joined our Accounts Department.

We also wish to congratulate **Vicki Griffin** on the birth of baby Alfred.

# GDPR – The General Data Protection Regulation

As many of you will know, the GDPR came into force on May 25, 2018, and was designed to modernise laws protecting the personal information of individuals.

Prior to GDPR, the previous data protection rules were created during the 1990s, but have struggled in recent years to keep up with technological changes.

Whilst these new (GDPR) provisions have been in place for nearly a year, there is still confusion as to what is compliant/ acceptable under GDPR.

One such issue is the sending of confidential information via Email.

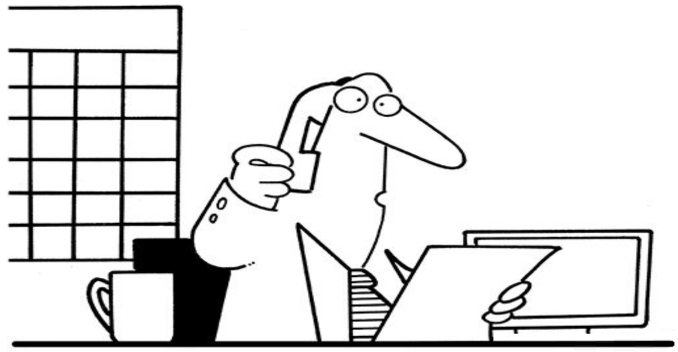
Previously, it was thought that an individual could 'opt out' of receiving Encrypted emails, and that this would be sufficient under GDPR. However this is not the case.

In order to remain compliant, there are currently only three ways to share information safely, being:

- Encrypted Emails
- Using a Secure Web Portal; such as Iris Openspace or Pay Dashboard
- Sending information via the Post

Please also note; according to the **Information Commissioner's Office** (the office in charge of upholding information rights in the interest of the public); individuals who 'consistently' send things unencrypted should be reported to the ICO.

Therefore if you have not already put sufficient policies in place, we suggest that you do as soon as possible, as fines for non-compliance could prove very costly to your business.



**"I've reduced your tax by coming up with some more expenses; I billed you twice!"**

# Future Copson Grandfield Client Seminars

We always aim to provide our clients with up to date information on topics that are relevant to them.

Over the past few years we have hosted a number of Seminars, covering subjects such as Auto-Enrollment, FRS102 & MTD/ Making Tax Digital.

So that we can continue to give our clients the information and support they require; we are now asking you for suggestions on future Seminars, and the topics you would like to see covered.

Therefore if there are any subjects that you would like us to focus on, please contact our Office Manager: Neil Townsend on 0117 956 1067, or email him at: Neil.Townsend@Copsongrandfield.co.uk

# Approving Documents via IRIS Openspace

For those of you who have adopted our Online Portal; IRIS Openspace, don't forget that you need to review and approve your documents once they have been sent to you.

We cannot submit your documents to HMRC or Companies House until we have received an approval notification. Therefore in order to speed up the process and ensure the delays are kept to a minimum, we urge you to keep an eye out for any Openspace notifications.

# Accountants are a Joke!

1. What's the difference between death and taxes? **The Government doesn't meet every year to make death worse.**
2. How do you audit a fisherman? **You check his 'Net' Income.**
3. What do you get when you cross an accountant with an airplane? **A Boring 747**
4. Where does a fish keep its money? **In a River Bank**