

December Tax Tips & News

Welcome to the Northover & Co Tax Tips & News monthly newsletter, bringing you the latest news to keep you one step ahead of the taxman.

If you need further assistance just let us know or send us a question for our Question and Answer Section.

We're committed to ensuring none of our clients pay a penny more in tax than is necessary and they receive useful tax and business advice and support throughout the year.

Please contact us for advice on your own specific circumstances. We're here to help!

COMPANY VANS UPDATE

Newsletter issue - December 2018

A charge to **income tax will generally arise if a company van is made available**, by reason of the employment, to an employee or to a member of his or her family or household. It must be made available without a transfer of ownership from the employer to the employee. Since 2016/17, when the £8,500 earnings threshold for most benefits-in-kind was abolished, the charge applies regardless of the employee's earnings rate. The charge will however, be proportionately reduced if the van is only available for part of a tax year. The taxable amount of the van benefit may also be reduced by any payments made by the employee for private use.

Under the Government's new timetable, any changes to tax rates, allowances and benefits are now generally announced in conjunction with the Autumn Budget each year. This approach is designed to allow employers time to make the necessary changes to payroll systems in advance of the start of the new tax year.

In relation to company vans, the 2018 Autumn Budget announced that, from 6 April 2019, the flat-rate van benefit charge will increase from £3,350 to £3,430, representing a small increase in real terms to a basic rate taxpayer of £16 a year. In addition, the flat-rate van fuel benefit charge will increase from £633 to £655 from 6 April 2019.

Zero emission vans

Between 2010/11 and 2014/15, there was no charge for zero emission vans. However, this exemption is now being phased out gradually between April 2015 and April 2022 such that from 2022-23, the full van benefit charge will apply to zero-emission vans.

Between April 2015 and April 2018 a rate of 20% of the van benefit charge for vans which emit CO2 applied to zero-emission vans. The reduction for the current and future years is set as follows:

- 2018/19 - 40% of van benefit
- 2019/20 - 60% of van benefit
- 2020/21 - 80% of van benefit
- 2021/22 - 90% of van benefit

From 2022/23, the van benefit charge for zero emission vans will be 100% of the van benefit charge for conventionally fuelled vans.

Whilst the nil benefit charge on vans is gradually being phased out, the Government continues to offer other tax incentives to promote greener travel. Autumn Budget 2018 announced that the period for which 100% first-year allowances (FYAs) are available to businesses for expenditure on plant or machinery for electric vehicle charging points, is to be extended. 100% FYAs will be available for expenditure incurred on or after 23 November 2016 up to and including 31 March 2023 for corporation tax purposes and 5 April 2023 for income tax purposes. The relief is subject to certain conditions, in particular, the expenditure must be on plant that is 'unused and not second-hand'.

Given the tax incentives currently available, businesses thinking of buying or changing vans may wish to consider the options for electric, or types of zero emission, vehicles.

VAT REVERSE CHARGE IN THE CONSTRUCTION INDUSTRY

Newsletter issue - December 2018

Autumn Budget 2018 announced a new measure, designed to counter fraud in the construction industry, which has seen gangs of criminal traders artificially extending the chain of supply of labour services, then failing to account for all the output VAT due to HMRC by collecting the VAT on the supplies (sales) and then going "missing" before passing the VAT on to HMRC.

The proposed change, which is scheduled to take effect from 1 October 2019, will mean that for certain specified supplies of construction services, **the customer will be liable to account to HMRC for the VAT in respect of those purchases rather than the supplier** (this is commonly known as the 'reverse charge'). The reverse charge will apply through the supply chain where payments are required to be reported through the Construction Industry Scheme (CIS) up to the point where the customer receiving the supply is no longer a business that makes supplies of specified services - these businesses are referred to as 'end users'.

The reverse charge will exclude businesses that supply specified services to connected parties within a corporate group structure or with a common interest in land. In these circumstances, the supplies in question will then revert to normal VAT accounting rules.

The VAT treatment of construction services supplied to unregistered customers will remain the same. So, in such cases, the supplier will retain responsibility for charging VAT and accounting for it to HMRC.

HMRC estimate that this measure will impact on up to 150,000 businesses in the construction and building sector. However, the draft legislation was revised at draft stage to ensure that the reverse charge will only apply where the payment for the supply needs to be reported for CIS purposes. This will automatically remove many end users from its scope without the need for further consideration.

There is one area in particular where this change may cause problems. The receipt of reverse charge supplies is treated as part of a person's taxable turnover for the purposes of the VAT registration threshold. This means that receiving certain supplies from 1 October 2019 could result in a trader, whose sales were previously below the threshold, becoming liable to register for VAT. In the Budget, the Chancellor confirmed that this treatment could be disapplied in relation to any specified VAT reverse charge if HMRC deem it necessary. Any affected businesses should, however, proceed with caution.

PGLS FOR EMPLOYERS

Newsletter issue - December 2018

The Department for Education has launched a new Student Loan product known as Postgraduate Loans (PGLs). From April 2019, **individuals will be able to start loan repayments of this type through PAYE**, so employers need to be aware of their new obligations.

Broadly, if an individual has a PGL:

- HMRC will send their employer a new Postgraduate start notice (PGL1) to ask them to start taking PGL deductions
- HMRC will send their employer a new Postgraduate stop notice (PGL2) to ask them to stop taking PGL deductions
- employers will collect payments through the normal PAYE process
- individuals may also be liable to repay a Student Loan Plan Type 1 or 2 concurrently with PGL. HMRC will let their employer know this by continuing to

send the normal Student Loan start (SL1) and Student Loan stop (SL2) notices as well as PGL1s and PGL2s.

HMRC are currently working with software developers to finalise the technical specifications for PGL repayment and hope to publish further guidance in due course.

It is also worth noting here that the earliest individuals can start repayment of PGL via Self-Assessment is April 2020.

HMRC WARN OF TAX SCAMS TARGETING UNIVERSITY STUDENTS

Newsletter issue - December 2018

HMRC have published a series of warnings that university students are being targeted by scammers with fake tax refunds in an effort to steal money and personal details.

The scammers are using seemingly legitimate university email addresses (for example '@uc.ac.uk') in order to avoid detection, and HMRC have received thousands of fraud reports from students at colleges across the UK.

This is the first time HMRC has seen a tax scam attack directly targeting university students in such high volumes.

HMRC never inform people about potential tax refunds by email, text or voicemail. Therefore, if someone does receive such a notification, they can be certain that it is a scam. People should not click on any links in these messages, and they should be forwarded to HMRC's phishing email address (phishing@hmrc.gsi.gov.uk).

HMRC are taking action encouraging all universities to raise awareness of scams and many have already begun taking action to warn their students of the risks. Often HMRC-related email scams spoof the branding of GOV.UK and well known credit cards in attempt to look authentic. The recipient's name and email address may be included several times within the email itself.

Fraudulent emails and texts will regularly include links which take students to websites where their information can be stolen. Between April and September this year, HMRC requested that 7,500 of these phishing sites be deactivated. This compares to around 5,200 requests during the same period in 2017. Last year HMRC deactivated more than 20,000 fake HMRC websites, an increase of 29% on the previous year.

To avoid falling foul of the scams, people should:

- avoid disclosing private information, such as personal data, bank account details, PIN numbers etc.;
- not reply to text messages purporting to be from HMRC or other Government department;
- not click on any links in unexpected emails or download any attachments.

Individuals who are the victim of an attempted fraud can contact Action Fraud on 0300 123 2040 or report the fraud using their online tool.

DECEMBER QUESTIONS AND ANSWERS

Newsletter issue - December 2018

Q. I am aware that there is to be a temporary increase in the limit for claiming Annual Investment Allowances. Are all assets eligible for the allowance?

A. Unfortunately not all expenditure on plant and machinery will qualify for annual investment allowances (AIA). The most common examples of assets that are not eligible are cars and assets that have been used for some other purpose before being brought into the business, for example a personally owned computer. These assets should still qualify for capital allowances, but allowances will be given gradually over several years, rather than the full cost being allowed against income all at once, which is what the AIA gives.

The AIA was set at its current level of £200,000 from 1 January 2016, but it was announced in the 2018 Autumn Budget that, subject to enactment, the limit will be increased to £1,000,000 from January 2019.

Q. Due to cash flow difficulties I have not yet paid my self-assessment payment on account, which was due on 31 July 2018. I realise that I will have to pay interest on the amount outstanding, but will I also have to pay a penalty?

A. As you correctly say, HMRC will charge interest on the overdue amount. The charges will accrue from the due date of payment (31 July 2018) to the date the payment is made. The interest rate for late paid tax was increased on 21 August 2018 from 3.00% to 3.25%.

With regards to penalties, you will only be charged if your balancing payment (due 31 January 2019) is late. The penalties for late payment under self-assessment are as follows:

- 30 days late: 5% of the unpaid tax
- 6 months late: additional 5% of the unpaid tax
- 12 months late: additional 5% of the unpaid tax.

HMRC may reduce a late payment penalty in 'special circumstances', which does not include inability to pay. In addition, a defence of 'reasonable excuse' may be available.

In relation to payments on account, the maximum penalty for fraudulent or negligent claims by taxpayers to reduce payments on account is the difference between the correct amount payable on account and the amount of any payment on account made.

Q. Following the 2018 Autumn Budget announcement, will my company's capital losses be restricted?

A. Under current proposals, from 1 April 2020, a company's use of carried-forward capital losses will be restricted to 50% of capital gains.

However, to ensure that the restriction only impacts on companies making substantial gains, the Government proposes to extend the allowance of £5 million (provided for the corporate income loss restriction) to capital losses as well. This is designed to ensure that over 99% of companies remain financially unaffected by both restrictions.

A [consultation paper](#) was published on 29 October 2018 and it is expected that draft legislation will be published in summer 2019. An anti-forestalling measure, details of which can be found in chapter 4 of the consultation document, took effect from 29 October 2018.

DECEMBER KEY TAX DATES

Newsletter issue - December 2018

19/22 - PAYE/NIC, student loan and CIS deductions due for month to 5/12/2018

30 - Deadline for 2017/18 self-assessment online returns to be filed if you are an employee and want tax underpaid to be collected by adjustment to your 2019/20 PAYE code (for underpayments of up to £3,000 only)