

This issue includes updates and news on...

- Furlough breach: HMRC to open 3,000 enquiries
- Loan charge: Reporting deadline and new settlement terms
- Beware HMRC-related fraud and scams
- Stamp duty relief: Buy-to-let property market on the rise

Tax Tips and questions

- Can a company pay for a director/employee's pension advice?
- Tax implications of gifting shares to family members
- Capital allowances for commercial property owners
- The reduced 5% VAT rate for the hospitality industry: How to get it right

TAX TIPS & News

Welcome to September's edition of the Tax Tips & News bulletin.

I have taken full advantage of the 'Eat Out to Help Out' programme. August has been one of the best months for me in terms of enjoying delicious food at umpteen restaurants, and at great prices too. I wish the weather could have shown some more support, but overall the Eat Out programme was a hit and one of the best and most innovative forms of government support seen around the world. My belief in the UK government has increased a lot, and I'm sure they'll be working day and night to save the economy. Will that be enough, though, if the government is acting without the support of entrepreneurs and job creators? So, to all entrepreneurs: Be bold and cautious; let's all play a role in helping the economy recover from COVID-19.

September and the following months will be interesting. We're watching as initial investigation letters about abuse of the furlough scheme have been dispatched, and we expect a lot of post-furlough audits by the government. So, watch out for letters, and do make sure to educate your employees about these letters too.

The government is going to need to balance its books. Therefore, be prepared for upcoming tax rises and for a compliance assault, but at DNS there should never be a need to put in place better systems to deal with an investigation assault — DNS guarantees compliance and is always on the front foot and prepared. In fact, DNS is in the process of setting up its own Tax Investigation Department, dealing with all sorts of enquiries, dispute resolutions, tribunal work and full and aspect enquiries. So feel free to get in touch to discuss your affairs confidentially; we are always here to provide our support.

I hope you stay safe and find a positive and important role to play in the recovery of the economy. I wish you all the very best.

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Please refer to the **Key Dates and Deadlines for September 2020** to keep up to date with the filing deadlines for your business.

Please also look out for our upcoming webinars and ensure you register yourself for the events that interest you. We'll continue to bring you more informative topics based on your feedback and as demand arises from new legislation and news media topics. We have seen increased uptake of webinars and appetite for various topics, and your feedback is vital for delivering the topics that matter most to you.

Kind regards,

Sumit Agarwal ACMA, ACA (India)
Founder & Managing Director



Furlough breach: HMRC to open 3,000 enquiries

The Coronavirus Job Retention Scheme (CJRS) – which pays 60–80% of the wages of furloughed employees up to a cap – is by some distance the largest intervention the UK government has launched for this or any previous crisis. As per the latest data available from HMRC, more than 9.6 million jobs have been furloughed and £35.4 billion has been distributed under the scheme.

Despite CJRS being a national effort to save jobs, some employers have made fraudulent claims or have breached the terms of the scheme, which HMRC plans to investigate. HMRC have claimed they have received thousands of reports of furlough fraud, quoting 7,000 reports received in July and the rejection or blocking of as many as 30,000 applications.

HMRC has further written to some 3,000 employers asking them to review the funds received as part of the scheme, suggesting mistakes may have been made with employers claiming more than they are entitled to or perhaps furloughing employees who are not eligible. Employers will have 90 days from receiving the CJRS money to inform HMRC of an overpayment and then repay the money.

We believe many of the claims made under CJRS could include unintentional breaches, where employers have slightly misinterpreted the rules or have made an error in the completion of the claim form. The good news is that there is time to rectify this, and adjustments can be made to future claims or monies paid back to HMRC.

I strongly urge all employers to audit their use of the job retention scheme before HMRC 'comes knocking'.

For more information on how DNS can help in reviewing your furlough claim, please speak to your account manager or call us to speak to one of our tax specialists.



Loan charge: Reporting deadline and new settlement terms

The loan charge legislation became law in July 2020 and now applies to outstanding loans received between 9 December 2010 and 5 April 2019.

Individuals who have received disguised remuneration loans that are subject to the loan charge and have not settled their position with HMRC will need to report the loans to HMRC by 30 September 2020. In addition to reporting the loans, these individuals will also need to ensure their 2018–19 self-assessment tax return has been submitted to HMRC and that HMRC has agreed the terms of when and how the charge will be paid.

Further, as a result of the recommendations in the [Independent Loan Charge Review](#) (December 2019) anyone who wants to spread their disguised remuneration loan balances evenly across the 2018–19, 2019–20 and 2020–21 tax years also needs to do so by 30 September 2020. Please note that, without a valid election, the loans cannot be spread over three years.

For guidance on disguised remuneration loans that are not in the scope of the loan charge under the amended legislation, HMRC has now published the [August 2020 settlement terms](#). These take into account changes to the loan charge following the independent review.

Further guidance is due to be published in autumn 2020 for settlement terms in relation to loans that have been subject to the loan charge.



Beware HMRC-related fraud and scams

During the pandemic, the number of scam calls and emails claiming to be from HM Revenue and Customs has risen steeply, as scammers look to exploit financial fears caused by the pandemic.

Thanks to a freedom of information request filed by Lanop Accountancy, we found out that HMRC is investigating 10,428 reports of tax scams designed to exploit the coronavirus pandemic. The scams included emails, text messages and phone calls from fraudsters, typically offering tax refunds or asking individuals to make immediate payments to avoid prosecution.

The ongoing financial crisis and the pandemic makes anyone an easy target, and therefore we have listed some of the top things to know in order to combat scam phone calls:

- If you have an agent or accountant acting for you, ask the caller to write to your agent regarding the liability, or end the call and speak to your agent or accountant immediately.
- If you feel there is anything suspicious about the call, it probably is suspicious. End the call and contact HMRC's security and phishing departments using the contact details on [gov.uk](https://www.gov.uk).
- HMRC will only ever call you asking for payment on a debt that you are already aware of, either having received a letter about it or after you've told them you owe some tax.
- HMRC will never request that you make payments over the phone. Any payment requests will be payable to HMRC's designated accounts, which can be seen [here](#).
- HMRC will never ask you to provide your pin, password etc.
- If you have fallen for the scam and made a payment, contact your bank immediately to report the fraud and block the payment.

A complete guide including examples of phishing emails and texts can be found [here](#).

Stamp duty relief: Buy-to-let property market on the rise

As part of the COVID-19 support measures, the government has temporarily increased the stamp duty land tax (SDLT) threshold in England and Northern Ireland from £125,000 to £500,000 for transactions that occur between 8 July 2020 and 31 March 2021. Although most of the rise is down to pent-up demand after a lack of transactions during lockdown, the announcement has still given a significant boost to the buy-to-let market.

The buy-to-let market was growing rapidly after the financial crisis, when the market took a hit, with a number of tax and regulatory changes hitting landlords' pockets. With the cut to stamp duty, new landlords can gain a foothold in the market, making the most of an increase in demand for holiday homes as well as residential properties.

Since the introduction of Section 24 (finance costs relief restriction), holding property in a limited company, especially for higher-rate taxpayers, provides a more favourable tax treatment of rental income. With new investments, demand for mortgages has also seen a surge, with the most popular search among buy-to-let landlords being for loans to limited companies. This suggests that many owners are taking advantage of the stamp-duty break to transfer their properties into a company structure and buy new properties through limited companies.

Experts have urged the Chancellor to extend the temporary change in the SDLT threshold for a longer period, which will further help boost the property market and stimulate demand.

DNS are experts in property tax planning, so if you are looking to invest in buy-to-let properties or need advice on structuring your existing portfolio, contact us today to book a free consultation with one of our property tax specialists.



Can a company pay for the director/employee's pension advice?

With effect from 6 April 2017, a new income tax exemption is available to cover the first £500 of relevant pension advice provided to an employee.

Under this exemption, if an employer provides pension advice to its employees, or pays or reimburses the cost of pension advice incurred by the employee, the cost of this advice is exempt from income tax up to £500 in a tax year, provided either condition 1 or condition 2 is met:

Condition 1 – availability

The relevant pension advice, reimbursement or payment is provided under a scheme that is open to:

- all of an employer's employees generally
- generally to an employer's employees at a particular location

Condition 2 – age, ill health

The relevant pension advice, reimbursement or payment is provided under a scheme that is open to all of an employer's employees or all of the employees at a particular location, where the employees:

- have reached the minimum qualifying age (with respect to the employer's registered pension scheme)
- meet the ill health condition

Employers, therefore, can provide advice to specific employees who are nearing retirement or are about to retire on the grounds of ill health, but only so long as the advice is available to all employees in the same situation.

The exemption applies to the first £500 of advice in any tax year, so if the amount exceeds that figure, only the first £500 is tax-free.

If a person has more than one employer and each employer provides pension advice in the relevant tax year, the exemption can apply to £500 from each employer.

Tax implications of gifting shares to family members

In small, family-operated companies, it is not uncommon for older family members, for example, to own all the shares. Where other family members work and give time to the business, you may wish to give them shares in the company in recognition of their input and hard work.

Though giving shares seems easy, various taxes need to be considered when gifting shares to a family member, including income tax, capital gains tax (CGT), inheritance tax (IHT) and stamp duty.

Employment related securities (ERS): If a family member who is also an employee of a company receives shares free of charge or without consideration, an income-tax charge could arise on the market value of the shares gifted. However, if you can demonstrate that the transfer of shares is for reasons of family or personal affections, the income-tax charge can be avoided.

CGT: A gift of shares to a family member is also considered a 'deemed disposal' at market value, as the gift is being made to a connected party. In the case of a gift, it is typical that the person doing the disposal receives no monies out of which to pay any CGT that may arise. This may discourage family members from making gifts. However, with proper tax planning and provided certain conditions are met, it may be possible to defer or reduce the capital gain on the shares gifted by claiming gift hold-over relief.

Stamp duty: Stamp duty is generally payable on the transfer or sale of shares and is payable by the person receiving or acquiring the shares. However, if the shares are gifted and no consideration is paid or consideration is below £1,000, a stamp-duty gift exemption relief can be claimed, which is likely to reduce the stamp duty costs to nil.

IHT: For inheritance tax purposes, a gift of shares to a family member would be considered as a potentially exempt transfer (PET). Based on current legislation, there should be no IHT on the transfer of shares to the family member, provided you survive seven years from the date of the gift. If you die within seven years of the gift, business property relief may be available on the transfer, provided certain conditions are met. This could potentially reduce any exposure to IHT to nil.

When gifting shares to family members, especially in cases where the family members are not involved in the business, it is important to consider the implications of settlement legislation, as HMRC could possibly argue that the shares have been gifted to split income with lower-rate taxpayers.



Capital allowances for commercial property owners

When you buy or own a commercial property subject to UK tax, you are entitled to claim capital allowances on qualifying fixtures and fittings, because when you buy a capital asset for use in a business, you cannot deduct your expenditure on that asset from your taxable profit to reduce your tax bill. Instead, you may claim capital allowances.

In short, capital allowances are a valuable form of tax relief, deductible for tax purposes on qualifying items of plant and machinery. The claiming of capital allowances will depend on whether you own the property, if you are using it in your trading business or if it was purchased as an investment.

Qualifying expenditure can arise upon the acquisition of a building; the construction of a new building; the extension, alteration or refurbishment of an existing building; and on leasehold improvements to a rented property. This extends to the 'fixtures' you acquire with a commercial property. Fixtures include the electrical, heating and ventilation systems, kitchens, sanitary ware, alarm systems etc.

The tax legislation for claiming capital allowances on fixtures is complex and given that the purchase price does not normally include an apportionment for the value of the fixtures, making a claim requires the skills of professionals in tax and surveying.

Who can make a claim? Owners of commercial property, freehold or leasehold, who pay either UK corporation tax or income tax. Commercial property owners are eligible to claim if they are a company, sole trader or partnership and either are carrying on a trade or a property letting business.

How are capital allowances calculated? The amount of capital allowance tax relief available is dependent on the type of expenditure incurred. The tax relief can vary from 100% relief for energy-efficient plant and machinery, to 6% for expenditure on a new lighting system.

Therefore, capital allowances can provide substantial benefits and cash tax savings for businesses. Regardless of this, many commercial property owners and occupiers neglect benefiting from these either from lack of understanding or poor advice. Early and specialist advice is vital, and therefore the cost of obtaining this knowledge is generally greatly outweighed by the potential tax savings.

If you think a claim is possible on properties owned by you personally or by your company and would like to know more, we would be more than happy to discuss this in more depth with you.

You can further register for our webinar on Capital Allowances by [clicking here](#).

The reduced 5% VAT rate for the hospitality industry: How to get it right

From 15 July 2020 to 12 January 2021, a wide range of supplies in hospitality, hotel accommodation and admission to attractions – all of which are normally subject to VAT at the standard rate of 20% – will be eligible for the reduced VAT rate of 5%. HMRC has published legislation and detailed guidance on how the reduced rate will apply to businesses operating in these sectors.

Restaurants, pubs, bars, cafes and hot takeaway food outlets

The 5% reduced rate of VAT will apply to food and non-alcoholic drinks sold for on-premises consumption in restaurants, pubs, bars and cafés. It will also apply to hot takeaway food and hot takeaway non-alcoholic beverages for consumption off the premises. However, some areas are likely to cause confusion for the hot-food sector.

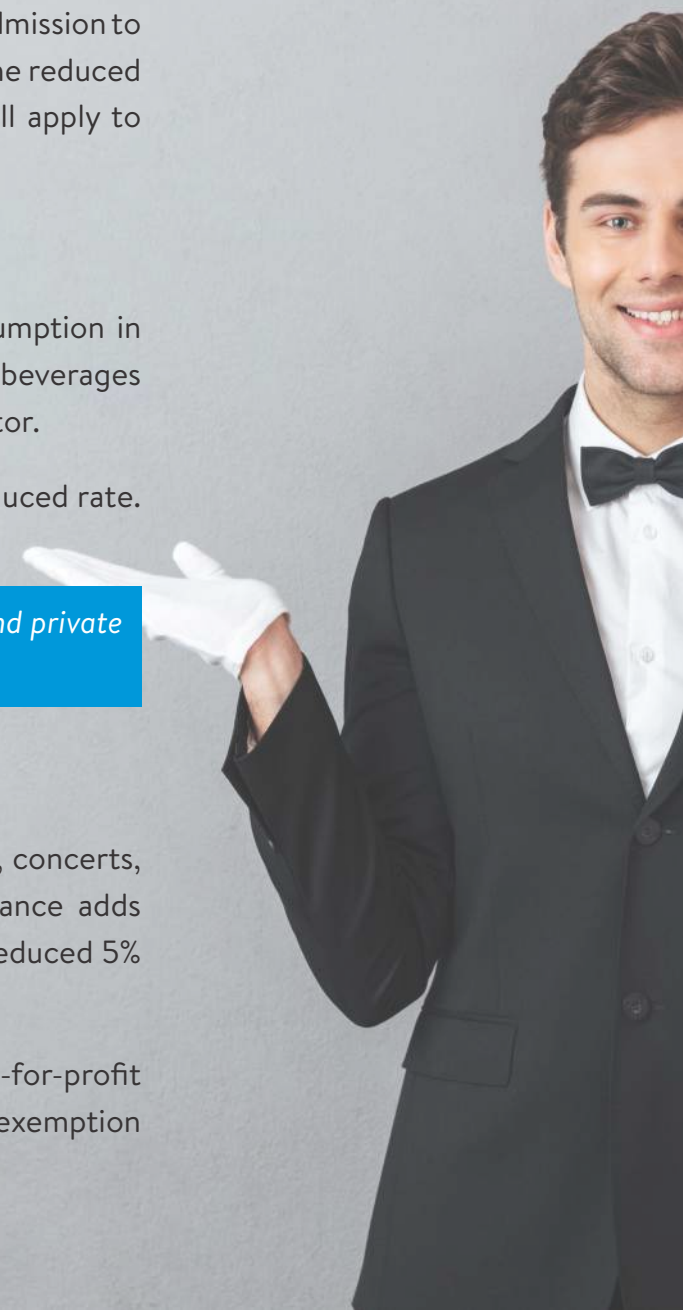
It appears that cold drinks sold for takeaway, such as canned soft drinks, will not be covered by the reduced rate. Takeaway businesses will need to identify the sales of these items separately.

Note: *The guidance states that catering contracts – appearing to refer to buffets or meals for meetings and private events held off-premises – will not be eligible for the reduced rate and remain subject to VAT at 20%.*

Admissions to attractions

The temporary reduced rate will apply to tickets for shows, theatres, circuses, fairs, amusement parks, concerts, museums, zoos, cinemas, exhibitions and similar cultural events and facilities. HMRC's latest guidance adds botanical gardens, planetariums and studio and factory tours as examples of attractions to which the reduced 5% VAT rate for admission fees may apply.

However, the reduced rate does not apply to admissions to sporting events. Additionally, note that not-for-profit organisations and public bodies running attractions and events that qualify for the 'cultural services' VAT exemption must apply the exemption rather than the reduced rate.



Hotels and travel businesses

For the travel sector, the reduced rate applies to supplies of sleeping accommodation in hotels, B&Bs, campsites and caravan parks. Hotel restaurants were also included in the 'Eat Out to Help Out' discount scheme, but room service and catering for private functions were not.

Hotels and other relevant businesses that have already accounted for VAT at 20% on bookings for stays between 15 July 2020 and 12 January 2021 have the option of applying the 5% rate and issuing a credit note to the customer for a refund on overpaid VAT.

For tour operators, the temporarily reduced rate for supplies of hotel accommodation, catering, shows and similar attractions will affect their Tour Operators Margin Scheme (TOMS) calculation.

The reduced rate does not apply to the margin calculated under TOMS, so margin scheme supplies either remain taxable at the standard rate or zero-rate. However, in-house supplies, which are excluded from TOMS, will be subject to the temporarily reduced rate. Bought-in supplies, e.g. from hotels, shows and tourist attractions will also be subject to the reduced rate.

If you would like assistance with applying the temporarily reduced rate of VAT in your hospitality or leisure business, please contact us.

For more information, visit [here](#).



Key Dates and Deadlines for September 2020

- 1st September 2020**
 - Due date for payment of corporation tax for the period ending 31st November 2019.
- 7th September 2020**
 - Deadline for VAT returns and payment accounting for the quarter period ending 31st July 2020.
- 14th September 2020**
 - EC sales list – VAT.
- 19th September 2020**
 - Monthly deadline for postal payments of CIS, NICs and PAYE to HMRC.
- 22nd September 2020**
 - Deadline for electronic remittance of CIS and NICs, including Class1A and PAYE, to HMRC.
- 30th September 2020**
 - Companies House deadline for filing the accounts for the year ending 31st December 2019.
 - Corporation tax return (CT600) for filing the accounts for the year ending 30th September 2019.
 - Deadline for submitting information under loan charge legislation and amended tax return for 2018/19.



Awards & Accreditations



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