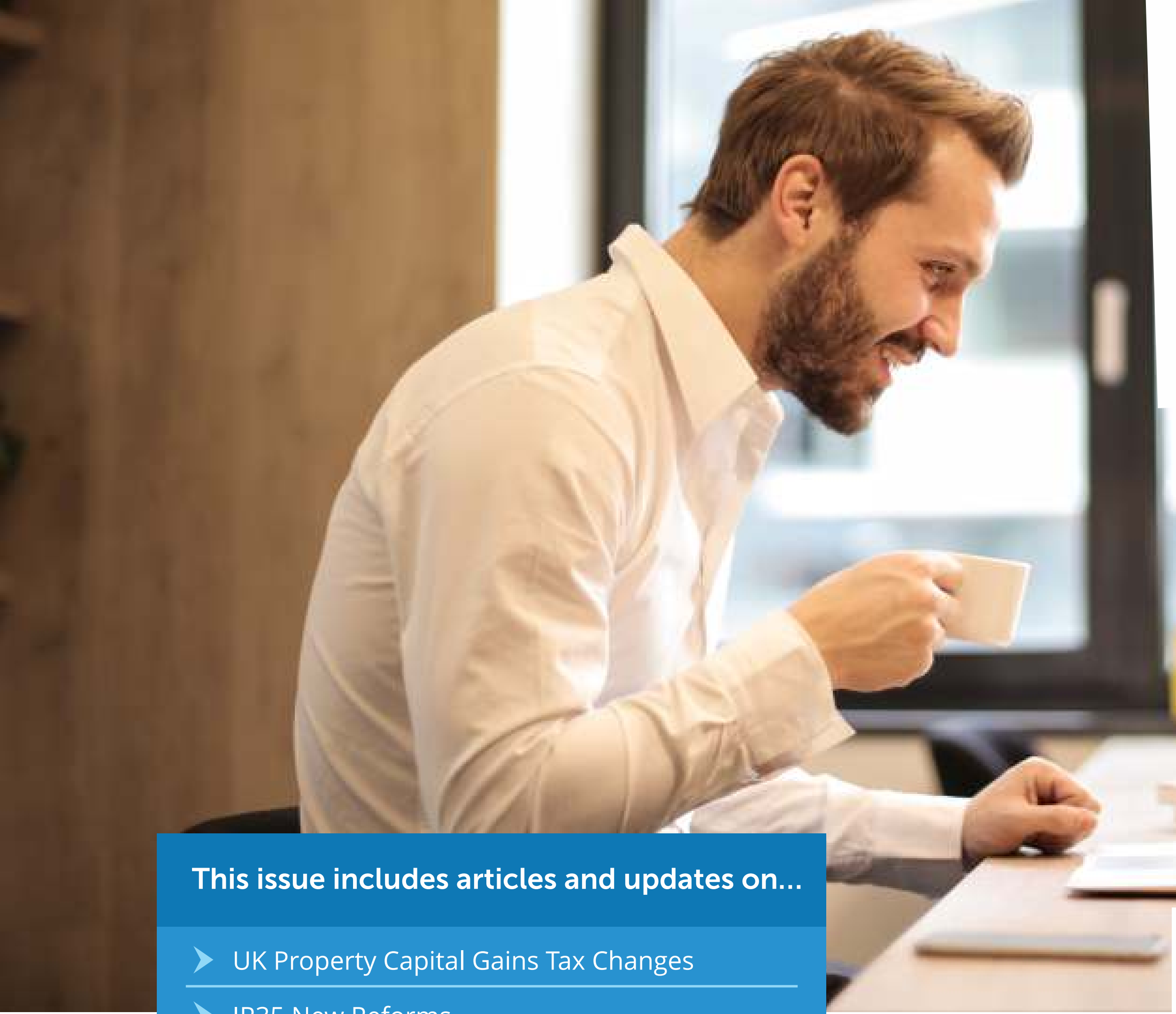

DNS Accounting Group

This issue includes articles and updates on...

- UK Property Capital Gains Tax Changes
- IR35 New Reforms
- Is Your Business Prepared for Brexit?

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- Tax treatment for medical insurance?

TAX TIPS & *News*

Newsletter November 2019

WELCOME

Welcome to our new monthly Tax Tips Newsletter, replacing our previous 'Building a Better Business' newsletter. The focus will be to update you on the latest tax changes and how it will affect you as well as other topical subjects that many of you would need to be aware of.

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We hope you find this new format informative and helpful, and if you would like to discuss anything in more detail please contact your account manager and they will arrange for the appropriate team member to contact you.

Please let us know what you think, we'd love to have your feedback.

Best Wishes,

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

Update for UK resident property owners - 30 days to pay Capital Gains Tax from April 2020

Currently, where a Capital Gains Tax (CGT) liability arises for UK residents on the sale of a residential property, the liability is declared through self-assessment tax returns and payable by 31 January following the tax year in which the gain arises.

From 6th April 2020, where there is a disposal of a residential property by UK resident individuals as well as non-resident individuals and companies, a CGT return will need to be submitted to HMRC within 30 days of the completion of the disposal, and a payment on account of the full calculated CGT liability will be payable within the same 30-day window. Please click here for more details.

IR35 New Reforms - Off payroll rules in Private Sector

If you are a contractor, you may be aware that the off-payroll rules (IR35) are going to be extended across the private sector from April 2020, bringing larger companies under the regulatory framework, currently only mandatory in the public sector. The changes mean the responsibility of deciding the employment status shifts from you the contractor to the end client hiring you.

Further guidance on this was expected on the budget day, 6th November 2019, which is now cancelled due to the ongoing Brexit discussions and delays, and the announcement of a general election on 12 December 2019 means the Finance Bill 2019-20 will not be passed in the current parliamentary session. It is highly unlikely a budget will be announced before end of January-2020, giving very less time for the companies to prepare themselves for the changes.

In amidst of all of this and less than six months to go until the new IR35 rules come into force, HMRC has set out its approach to the operation and enforcement of the new regulations.

In their briefing notes, HMRC has said it will only apply the rules retrospectively in cases of suspected fraud or criminal behaviour. Although this is a welcome move which confirms the reforms are not retrospective, it still leaves a bit of ambiguity as to what would happen if contractors haven't previously complied with the rules correctly.

Summary of the key changes from 6 April 2020 are:

- All public sector authorities and medium and large-sized private sector clients will be responsible for complying with the new rules.
- If you provide services to a small client in the private sector, your intermediary will remain responsible for deciding the IR35 status.
- Similar to the public sector engagements that were introduced in April-17, your PSC will no longer be allowed to deduct a 5% allowance in relation to engagements with medium and large-sized clients.
- These rules are only applicable to payments made on or after 6th April-2020.
- It is mandatory for the end clients to provide you with a status determination statement (SDS) on or before the contract date or before the work starts.
- If you disagree with the determination, then the client needs to consider the reasons for the disagreement and must provide a response to you within 45 days of receiving the disagreement.

Tip: *Contractors are encouraged to discuss their status with the end clients and start preparing for the changes as it has come to light that some organisations have adopted a blanket ban on contractors working through PSC's, forcing them to take permanent employment or using umbrella. In these cases, the PSC may not be required and it may be practical to consider winding-up the business.*

Is Your Business Prepared for Brexit?

The PM's plan to take the country out from the EU on 31st October 2019 failed after EU confirmed to extend the Brexit deadline to 31st January 2020. This means the businesses have yet another 3 months to prepare themselves for Brexit. The below points will be handy to help you prepare for any outcome.

Register for a UK EORI (Economic Operator Registration Identification) number

Firstly, you'll need an EORI number that starts with GB to move goods in or out of the UK if there's no Brexit deal.

HMRC has now begun automatically issuing businesses identification numbers for its customs system to allow them to continuing trading with the EU in the wake of Brexit. Find out more online at www.gov.uk/eori.

Register for simplified import procedures

You should register for transitional simplified procedure if you are importing goods from the EU into the UK (including goods travelling through the EU from the rest of the world if they've gone through EU customs). UK government would be enabling many businesses to defer VAT and duty payments on imports. This will save them having to settle these immediately at port, which will help cash-flow. For registration please click here.

Find out how you'll claim VAT refunds

You may not be able to use HMRC's VAT online services to claim a VAT refund from an EU member state depending on the outcome of Brexit. You'll still be able to view your previous claims.

Each EU member state has its own process for refunding VAT to businesses based outside the EU. Find out what the process is for each country on the European Commission website.

EU/EEA/Swiss-national employees registered for the settlement scheme

If you have employees who are EU/EEA/Swiss nationals, they may be required to register for the settlement scheme. They will need to be living in the UK before it leaves the EU to apply. The deadline for applying is 30 June 2021.

November's Tax Tips

Can I claim VAT on purchase of electric car?

In order to recover input tax on any car it has to fall under one of the exception conditions summarised below:

- The car is stock in trade of a motor manufacturer or dealer or
- is intended to be used primarily as a taxi, for driving instruction, or for self-drive hire or
- will be used exclusively for the purposes of the business and would not be made available for the private use of anyone

The above rules apply to all cars and an electric car is no different from any other car and the input VAT tax will be blocked unless it meets one of the above conditions.

How does the tax treatment work if the company provides medical insurance to its employees?

The tax treatment depends on who arranges for the insurance and how the payment is made to the provider.

- Company arranges and pays for the cover: Report as a benefit in kind on P11D and the company will pay Class 1A employer's National Insurance Contributions (NIC).
- Employee arranges the cover and the company pays: Report the benefit on P11D and the company needs to run PAYE including the amount in gross pay of the employee and will be liable to Class 1 NIC.
- Employee arranges and pays for the cover: The company is simply reimbursing the expense and hence no P11D reporting is required. The payment will only be subject to PAYE.

For the company, the expense to cover the treatment or medical insurance and the employer NIC is a tax deductible expense and reduced from corporation tax computation.

Tip: *Best is for Company to arrange Medical Insurance and pay. This way employee NI can be saved.*

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Get in Touch

DNS ACCOUNTANTS

03300 886 686

info@dnsaccountants.co.uk

www.dnsaccountants.co.uk

DNS House, 382 Kenton Road, Harrow, Middlesex, HA3 8DP