Tax update

A round-up of recent issues

1 December 2020

1. General

1.1 Advertising Standards Agency tackles tax schemes

HMRC and the Advertising Standards Agency (ASA) have launched joint action against misleading marketing by promoters of tax avoidance schemes.

They have issued a joint enforcement notice, requiring promoters to be clear about the potential consequences of tax avoidance in any online adverts. Possible immediate sanctions include having paid advertising removed from search engines and follow-up compliance action potentially including referrals to Trading Standards.

HMRC has also published a page for its new campaign against tax avoidance schemes, along with an online form to report suspicious schemes to HMRC

www.gov.uk/government/news/hmrc-and-asa-launch-new-action-to-disrupt-promoters-of-tax-avoidance-schemes *www.asa.org.uk/resource/enforcement-notice-tax-avoidance.html*

https://taxavoidanceexplained.campaign.gov.uk/

2. Private client

2.1 Personal allowance increase confirmed

From April 2021, various tax bands will rise 0.5% in line with inflation. This increase will apply to the personal allowance and basic rate for income tax, as well as all NI limits and thresholds.

As part of the Spending Review, the Chancellor has confirmed that in 2021-22 the personal allowance for income tax, and the threshold for the higher rate of income tax (40%) will both increase in line with the consumer price index figure for September (0.5%). In addition, this figure will be used to set all NI rates and thresholds for 2021/22.

The ICAEW estimates that this will increase the personal allowance to £12,570, and the income tax basic rate limit to £37,700.

www.icaew.com/insights/tax-news/2020/nov-2020/income-tax-personal-allowance-and-national-insurance-limits-for-202122

www.gov.uk/government/publications/spending-review-2020-documents/spending-review-2020

3. VAT

3.1 Paying VAT deferred during the pandemic

HMRC has released guidance explaining how businesses should pay VAT liabilities that were deferred earlier in 2020. A payment scheme will be introduced to allow businesses to pay by instalments.

Businesses were allowed to defer VAT payments due between 20 March and 30 June 2020 as part of the Government's COVID support package. There are two options for settling those liabilities. Businesses can pay the amount in full before 31 March 2021, or opt into the forthcoming payment scheme. The new payment scheme will launch in early 2021. It will allow businesses to settle their deferred liabilities by up to 11 monthly instalments. No interest will be charged, and all payments must be made by 31 March 2022. Only businesses that are up to date with their VAT returns and are able to pay by direct debit will be eligible for the payment scheme. The guidance also notes that HMRC expects businesses to pay what they can upfront.

www.gov.uk/guidance/deferral-of-vat-payments-due-to-coronavirus-covid-19

3.2 Claiming refunds of VAT paid in the EU from 2021

HMRC has published a policy paper setting out how to reclaim VAT charged in the EU from 1 January 2021. UK businesses may need to follow the processes for EU or non-EU businesses, depending on their location and the type of supplies made.

UK businesses may claim a refund of VAT from EU tax authorities using the EU VAT refund system or the 13th Directive process. The EU VAT refund system is only available to businesses that:

- are established in or have an establishment in Northern Ireland;
- make supplies of goods in or from Northern Ireland; and
- make EU intra-community acquisitions of goods.

Where the EU VAT refund system is not available, the 13th Directive process should be used. It governs refunds of VAT to non-EU businesses, and will therefore be a new process for most UK businesses. It involves a direct application to the tax authority of the EU member state in which the VAT was incurred. Businesses should be careful to adhere to the specific rules and procedures for refunds, which may differ between member states.

UK businesses have until 31 March 2021 to make claims under the current system in respect of periods to 31 December 2020.

www.gov.uk/government/publications/accounting-for-vat-on-goods-moving-between-great-britain-and-northern-ireland-from-1-january-2021/check-how-to-claim-a-refund-of-vat-paid-in-an-eu-member-state

3.3 Accounting for VAT on goods moved between Great Britain and Northern Ireland

HMRC has updated its policy paper to explain how to account for VAT on goods sold between Great Britain and the EU that are transported through Northern Ireland. These rules will apply from 1 January 2021.

Northern Ireland will remain part of the UK VAT system from 2021, but some processes will be aligned with the EU. This will change how UK businesses account for VAT on the movement of goods between Northern Ireland and Great Britain. HMRC has updated its policy paper to include new sections on the UK VAT treatment of sales between the UK and the EU where the goods are transported through Northern Ireland.

British sellers transporting goods to the EU through Northern Ireland will be liable to account for import VAT and zero-rating the goods on export to the EU. The seller must account for VAT charged as output VAT on the UK VAT return. EU sellers transporting goods through Northern Ireland to Britain will be liable to account for the import VAT to HMRC. Those sellers will need to register for VAT in the UK and submit UK VAT returns. The UK customer will usually be able to reclaim the VAT as input VAT.

Further updates to the policy paper include details on the VAT Retail Export Scheme and personal exports of vehicles form Northern Ireland to Great Britain.

www.gov.uk/government/publications/accounting-for-vat-on-goods-moving-between-great-britain-and-northern-ireland-from-1-january-2021/accounting-for-vat-on-goods-moving-between-great-britain-and-northern-ireland-from-1-january-2021

3.4 VAT on goods imported into Northern Ireland from 2021

New procedures will apply to imports of goods into Northern Ireland from outside the UK or EU from 1 January 2021. Businesses may need to adopt postponed VAT accounting, and they should be aware of the precise requirements for different types of transactions.

The new policy paper explains the changes for non-EU, non-UK sellers after the UK's transition out of the EU has ended. The specific procedures depend on the type of customer, the value of the transaction and whether or not the sale is made through an online marketplace. Postponed accounting for VAT is available in some cases and mandatory in others. Generally, for consignments of goods not exceeding £135, the VAT liability falls on the seller or online marketplace unless the recipient is a VAT-registered business. For consignments of goods exceeding £135, the VAT liability falls on the recipient. The procedure for payment will depend on whether the recipient is a consumer or a business.

www.gov.uk/government/publications/accounting-for-vat-on-goods-moving-between-great-britain-and-northern-ireland-from-1-january-2021/accounting-for-vat-when-importing-or-moving-goods-into-northern-ireland-from-outside-the-eu

3.5 VAT on overseas goods sold to British customers from 2021

HMRC has issued guidance on the VAT treatment of goods sold to British customers by non-UK sellers after the UK has transitioned out of the EU. Businesses should prepare for the new compliance requirements, which vary depending on the exact characteristics of the transaction.

Broadly, the seller must account for VAT at the point of sale of consignments of £135 or less, unless the recipient is a business that has provided its UK VAT registration number. If the business customer provides a UK VAT number, it is responsible for accounting for the VAT due using the reverse charge procedure. For consignments of more than £135, the usual VAT rules will continue to apply. There are further considerations where the goods are sold through an online marketplace. In some cases, the online marketplace will be liable for the VAT on the sale. The precise treatment depends on where the goods are located at the point of sale, whether or not the consignment exceeds £135, and the type of customer purchasing the goods.

www.gov.uk/guidance/vat-and-overseas-goods-sold-directly-to-customers-in-great-britain-from-1-january-2021

www.gov.uk/guidance/vat-and-overseas-goods-sold-to-customers-in-great-britain-using-online-marketplaces-from-1-january-2021

4. Tax publications and webinars

4.1 Tax publications

The following Tax publications have been published.

- *VAT Focus*
- *Planning your business exit and the impact of Covid-19*
- *Tax changes in the pipeline*

5. And finally

5.1 Something we can all agree on

As we approach the 2020 festive season, it feels more important than ever to take time to celebrate the important things in life. Family, friends, good food...and tax certainty.

We were utterly delighted to discover that there is such a thing as a Tax Certainty Day, where swift resolution on tax issues is awarded and tax authorities are applauded for cooperating with each other. It's a concept everyone can get behind. If, like us, you appreciate the importance and quirks of tax, you will naturally admire efficient tax decision making. If the thought of tax makes you groan in confusion, you can surely celebrate governments quickly ripping off the Band-aid so you can move on and forget about tax. Take Norway and the US, who managed to agree a whopping 96% of non-transfer pricing cases in 2019 – a triumph for both the victorious tax authorities and the taxpayers who can get on with their lives rather than continuing to wade through endless bureaucratic nonsense. Everybody wins.

Even better: Tax Certainty Day is not held on the same day every year. What could be more appropriate?

www.oecd.org/tax/dispute/mutual-agreement-procedure-2019-awards.htm

Glossary				
Organisations		***Courts***	***Taxes etc***	
ATT – Association of Tax Technicians	ICAEW - The Institute of Chartered Accountants in England and Wales	CA – Court of Appeal	ATED – Annual Tax on Enveloped Dwellings	NIC – National Insurance Contribution
CIOT – Chartered Institute of Taxation	ICAS - The Institute of Chartered Accountants of Scotland	CJEU - Court of Justice of the European Union	CGT – Capital Gains Tax	PAYE – Pay As You Earn
EU – European Union	OECD - Organisation for Economic Co-operation and Development	FTT – First-tier Tribunal	CT – Corporation Tax	R&D – Research & Development
EC – European Commission	OTS – Office of Tax Simplification	HC – High Court	IHT – Inheritance Tax	SDLT – Stamp Duty Land Tax
HMRC – HM Revenue & Customs	RS – Revenue Scotland	SC – Supreme Court	IT – Income Tax	VAT – Value Added Tax
HMT – HM Treasury		UT – Upper Tribunal		

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