

# Tax E-News

July 2018

Welcome to our monthly newswire. We hope you find this newsletter useful.  
Please contact us if you would like to discuss any matters further.

## NEW VAT RULES FOR BUILDING TRADE IN 2019



**Under new rules due to come in on 1 October 2019 builders, sub-contractors and other trades associated with the construction industry will have to start using a new method of accounting for VAT.**

The measure is designed to combat VAT fraud in the construction sector labour supply chain which HMRC argue presents a significant tax loss. HMRC has now published draft legislation to introduce the Reverse Charge for Construction Services.

Under the proposed new rules, supplies of standard or reduced-rated building services between VAT-registered businesses in the supply chain will not be invoiced in the normal way. Under the reverse charge a main contractor would account for the VAT on the services of any sub-contractor and the supplier does not invoice for VAT. The customer (main contractor) would then account for VAT on the net value of the supplier's invoice and at the same time deducts that VAT - leaving a nil net tax position. This is intended to ensure that VAT is correctly accounted for on supplies by sub-contractors.

## CONSTRUCTION WORK AFFECTED

The reverse charge will apply to a wide range of services in the building trade, including construction, alteration, repairs, demolition, installation of heat, light, water and power systems, drainage, painting and decorating, erection of scaffolding, civil engineering works and associated site clearance, excavation, and foundation works. The definitions have been lifted directly from the CIS legislation.

## EXCLUDED WORKS

Professional services of architects or surveyors, or of consultants in building, engineering, interior or exterior decoration or in the laying-out of landscape are not covered by the new rules. The draft legislation sets out other work to which the reverse charge does not apply.

It is hoped that the legislation and guidance will be finalized by October 2018 to allow businesses at least 12 months in which to make the necessary changes to systems. Please contact us if you are likely to be affected by these changes and we can work with you to ensure you are ready for the new system.

## NOTIFY HMRC OF EBT AND SIMILAR LOANS BY 30 SEPTEMBER

HMRC have published revised guidance on settling tax liabilities in relation to the use of disguised remuneration schemes involving Employee Benefit Trusts (EBTs) and similar arrangements.

In order to settle on preferential terms before the outstanding loan charge arises on 5 April 2019, taxpayers must register with HMRC and provide all of the required information by 30 September 2018.

## WHAT IS THE 2019 LOAN CHARGE?

This is a tax charge on any outstanding loans that exist as a result of a disguised remuneration tax avoidance scheme. It applies to any loans that were taken out under a disguised remuneration scheme since 6 April 1999.

The most common schemes were Employee Funded Retirement Benefit Schemes (EFRBS) and Employee Benefit Trusts (EBT). When used for tax avoidance, both involved the diversion of employment income to a trust; the trust would then 'loan' the employment income to the individual (meaning no PAYE/National Insurance tax was paid) who sought to benefit from the Scheme.

It is the responsibility of the employer/company to pay the 2019 Loan Charge under PAYE legislation. The employer is then expected to pass this cost on to the individual. Whilst the initial liability falls to the employer, it can be passed to the individual beneficiary of the scheme by HMRC if unpaid.

By contacting HMRC to settle your tax affairs now, you can obtain certainty of what you owe and if required, arrange a payment plan.

## SHORT-TERM BUSINESS VISITORS



**HMRC are consulting on ways to simplify the tax treatment of short-term business visitors from the foreign branch of a UK company, to ensure the UK is an attractive location for business headquarters.**

The consultation considers potential changes to the PAYE arrangements under which UK employers need not operate PAYE for employees of their overseas subsidiaries on short stays in the UK. This treatment does not currently apply to visits to the UK by employees from overseas branches of UK companies

The consultation proposes two broad options:

- Extending the UK workday rule from 30 to 60 days.
- Introducing a new tax exemption for short-term visitors from overseas branches.

## TRUST TAXATION

We are still awaiting the promised consultation on the taxation of trusts announced in the Autumn 2017 Budget.

However, in the meantime HMRC have updated their guidance on how different types of trust income are taxed, what management expenses and reliefs can be deducted, and understanding the tax pool.

Please contact us if you are considering setting up a trust or wish to discuss estate planning more generally.

## ADVISORY FUEL RATE FOR COMPANY CARS

These are the suggested reimbursement rates for employees' private mileage using their company car from 1 June 2018.

Where there has been a change the previous rate is shown in brackets.

| Engine Size      | Petrol | Diesel   | LPG       |
|------------------|--------|----------|-----------|
| 1400cc or less   | 11p    |          | 7p        |
| 1600cc or less   |        | 10p (9p) |           |
| 1401cc to 2000cc | 14p    |          | 9p (8p)   |
| 1601 to 2000cc   |        | 11p      |           |
| Over 2000cc      | 22p    | 13p      | 14p (13p) |

Note that for hybrid cars use the equivalent petrol or diesel scale charge. However, it may be more beneficial to compute the actual cost.

You can continue to use the previous rates for up to 1 month from the date the new rates apply.

## DIARY OF MAIN TAX EVENTS JULY/ AUGUST 2018

| Date  | What's Due  |
|-------|---|
| 1/07  | Corporation tax for year to 30/9/17 (unless pay quarterly)  |
| 5/07  | Deadline for agents and tenants to submit returns of rent paid to non-resident landlords and tax deducted for 2017/18 |
| 06/07 | Deadline for forms P11D and P11D(b) for 2017/18 tax year  |
| 19/07 | PAYE & NIC deductions, and CIS return and tax, for month to 5/7/18 (due 22/07 if you pay electronically)              |
| 31/7  | 50% payment on account of 2018/19 tax liability due   |
| 1/08  | Corporation tax for year to 31/10/17 (unless pay quarterly)   |
| 19/08 | PAYE & NIC deductions, and CIS return and tax, for month to 5/8/18 (due 22/08 if you pay electronically)              |

Please contact a member of our team if you would like to discuss any of the issues raised.

Call: Buckinghamshire 01296 682943 or Hampshire 023 9226 300



**TaylorRoberts**  
CHARTERED ACCOUNTANTS