



COVID-19
UK TAX MEASURES
May 2020

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In the light of COVID-19, HMRC has taken various measures which modify the UK's taxation system. This blog post summarises the changes which UK taxpayers should be aware of, and the tax implications of various other measures which the Government has introduced to combat the present crisis.



TAX IMPLICATIONS OF FURLOUGH SCHEME

Employers can use the Government's Coronavirus Job Retention Scheme to recover a proportion of pay from HMRC for qualifying furloughed employees. The recovery is limited to the lower of 80% of wage costs or £2,500 per employee per calendar month, plus the associated employer National Insurance contributions and minimum employer auto-enrolment pension on that wage. Full details of this may be found at <https://bit.ly/2TrxyK6>.

The sum paid to employees is subject to income tax and employee's National Insurance contributions. On 12 May 2020 an extension of the furlough scheme was announced until the end of October 2020. Businesses are expected to share the cost of furloughed employees from August.



NICS SETTLEMENT RETURNS – FOR INTERNATIONALLY MOBILE EMPLOYEES

HMRC has announced a two-month extension (from 31 March 2020 to 31 May 2020) for the deadline for submitting the 2019/2020 National Insurance contributions annual settlement returns on forms NSR Appendix 7A and NSR Appendix 7B.



TIME TO PAY SCHEME

The Government has introduced a new dedicated COVID-19 helpline for their "time to pay" scheme. It is designed to help businesses and self-employed individuals manage their cash flow through deferring tax payment. Bespoke arrangements may be offered to taxpayers on request, their terms depending on the circumstances of the relevant taxpayer.

HMRC has also publically expressed its intention to waive late payment penalties and interest where a business experiences administrative difficulties contacting HMRC or paying taxes due to COVID-19.

HMRC has also confirmed that where a taxpayer is unable to make a payment or a filing deadline, COVID-19 will be considered a reasonable excuse.



CORPORATE INTEREST RESTRICTION ELECTIONS

Again for a temporary period HMRC will accept elections for the restriction on tax deductibility of corporate interest by email when they cannot be posted or included with a Corporate Interest Restriction return.



VAT PAYMENT DEFERRED

UK VAT registered businesses which have a VAT payment due between 20 March 2020 and 30 June 2020 may defer certain payments until 31 March 2021. The payments which may be deferred are:

- Quarterly and monthly VAT returns' payments for the periods ending in February, March and April
- Payments on account due between 20 March 2020 and 30 June 2020
- Annual accounting advance payments due between 20 March 2020 and 30 June 2020

HMRC has also confirmed that no interest or late payments will apply to the deferred payments during this period. The scheme does not cover payments for VAT MOSS or import VAT.

Firms wishing to defer payment which have direct debits in place for VAT payment should cancel them. HMRC will not automatically cancel the collection of VAT payments by direct debit.

VAT refunds and reclaims will continue to be processed as normal. VAT MOSS or import VAT payments may not be deferred.



DAC 6

On 8 May 2020, the EU Commission published a proposal to defer key filing deadlines under the EU's disclosure initiative known as DAC 6. Under the proposal, DAC 6 would still come into force on 1 July 2020, but certain key filing deadlines would be deferred by 3 months.

The proposal requires adoption by all member states which is expected imminently.



LEGAL PROCEEDINGS WITH HMRC

The First-tier Tribunal (Tax Chamber) (the "**Tribunal**") has issued a general stay until 30 June 2020 for all proceedings which were received by the Tribunal before 24 March 2020 and assigned to the standard or complex category prior to 21 April 2020. The direction also implemented an extension of 70 days for all time limits in those proceedings. It is highly likely that there will be further extensions.

The general stay does not apply to any proceedings received by the Tribunal on or before 24 March 2020; it also does not extend any statutory time limits for notifying an appeal to the Tribunal.

Further, all face-to-face hearings listed in the Tribunal up to 31 August 2020 have been cancelled. Only a small number of cases remain in the list where the parties have agreed to a video or telephone hearing, or where the matter is to be determined on the papers.



STAMP DUTY GOES ONLINE

No stock transfer forms are presently being stamped. Instead, HMRC request the submission of signed copies (HMRC will accept e-signatures) of the relevant documents via email and electronic payment of the applicable duty. Stamp duty group relief adjudications are also by way of electronic submission only. In place of stamped hard copies, HMRC are issuing letters which confirm the relevant duty has been paid and that no action will be taken against a company Registrar for registering the transfer. Similarly, all payments of stamp duty reserve tax must for a temporary period be made electronically.



TEMPORARY HOLD ON HMRC ENQUIRIES

HMRC has been notifying taxpayers with open enquiries of a temporary hold it is placing on open enquiries during the COVID-19 pandemic. However, taxpayers can request HMRC to continue the enquiries despite the pandemic, and lift the temporary hold. This may be the preferred option for taxpayers involved in particularly complex enquiries who do not want to prolong an already very lengthy enquiry process.



NON-STATUTORY TAX CLEARANCES

For a temporary period HMRC will not process postal applications for non-statutory clearances. Instead, clearance applications should be made via email.



COMPANY RESIDENCE

HMRC has published guidance on the implications of COVID-19 travel restrictions for UK tax residency. It provides that non-UK resident companies will not necessarily become UK resident because a few board meetings are held in the UK, or because decisions are taken in the UK over a short period of time.

The guidance is generic, and does not offer specific reassurance, but it does express a spirit of leniency and suggests HMRC will be sympathetic to firms which are required to alter their normal arrangements to accommodate the COVID-19 travel restrictions for a limited period.

HMRC also emphasise the significance of double taxation treaty residence tie-breakers (where applicable), in taking firms that may be UK tax resident out of the domestic tax net. Helpfully the OECD has said it is unlikely that the COVID-19 situation will create any changes to an entity's residence status under a tax treaty.



INCOME TAX DEFERRED

For the self-employed, the second payment on account of income tax, which had been due on 31 July 2020, has been deferred until 31 January 2021. Late payment penalties and interest will not be charged on such deferred payments for this period.

GETTING IN TOUCH

When you need a practical legal solution for your next business opportunity or challenge, please get in touch.

Matthew Poole
Tel: +44 (0)20 3400 2382
matthew.poole@bclplaw.com

Kate Ison
Tel: +44 (0)20 3400 4488
kate.ison@bclplaw.com

Anne Powell
Tel: +44 (0)20 3400 2162
anne.powell@bclplaw.com

Calum Young
Tel: +44 (0)20 3400 4470
calum.young@bclplaw.com

Jessica Hocking
Tel: +44 (0)20 3400 3052
jessica.hocking@bclplaw.com