Ask ICAS Webinar Series

Spring tax update – Part 2
Taxation of business

This webinar begins in 05.01
Ask ICAS
Webinar Series
Spring tax update – Part 2
Taxation of business
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Ask ICAS Webinar Series

Spring tax update – Part 2
Taxation of business
Your ICAS experts for today

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Ask ICAS Webinar Series

Spring tax update – Part 2
Taxation of business

Spring tax update - Part 1 Taxation of individuals - 21 May: recording available on icas.com/webinars
Introduction - taxation of businesses

Spring Update – an online offering this year - designed as an overview. The aim:

• Pointers to what is changing
• Where to find further information
• The ICAS role (for example, ICAS response: House of Commons Treasury Committee Inquiry into the March 2020 Budget)
• The ICAS tax team https://www.icas.com/landing/tax/tax-resources/support-and-guidance/the-icas-tax-team
• Charlotte Barbour – Director of Taxation
• Susan Cattell – Head of Tax Technical Policy
• Philip McNeill – Head of Taxation (Practice and OMB taxes)
• Justine Riccomini – Head of Taxation (Scottish and employment taxes)
The Budgetary/policy cycle across the UK…. …..unique (we hope) to 2020/21!

The expected autumn Budget was delayed due to Brexit and an election

Scotland

• 6 February – Budget 2020 published
• 18 March Royal Assent - Budget (Scotland) Act 2020

The UK

• 11 March UK Budget
• 18 March – Finance Bill 2019-21 published
• July or later ??? Finance Act 2020
Overview – taxation of businesses

- **Corporate taxes**
- Mandatory Disclosure (DAC 6)
- OMB taxes
- The tax horizon – The Future of Taxation in the UK
Corporate taxes

• CT main rate remains at 19% from April 2020, rather than reducing to 17% (FB Clause 5)
  • Main rate also set at 19% for FY 2021 (FB Clause 6)
• Increase in the Structures and Buildings allowance from 2% to 3% from April 2020 (FB Clause 28)
• Increase in Research and Development credits (RDEC) from 12% to 13% from April 2020 (FB Clause 27)
• Amendment to QIPs rules for ‘very large’ companies (FB Clause 25)
  • Addresses an issue arising from the rules introduced from 1 April 2019
  • Applies to companies only chargeable to CT on account of chargeable gains and currently defined as ‘very large’ for payment purposes
  • With effect from 11 March 2020 will be treated as ‘large’ for the purposes of QIPs
Corporate taxes

• **Corporate Capital Loss Restriction (FB Clause 24 & Sch 3)**
  - Announced in Autumn Budget 2018: has effect for APs beginning on or after 1 April 2020 (subject to transitional and anti-forestalling provisions)
  - ICAS responded to the consultation on delivery
  - Amount of carried forward capital losses a company can offset restricted to 50% of chargeable gains arising in a later AP
  - Maximum deductions allowance shared between CG and trading
  - Rules tweaked for companies in insolvent liquidation

• **Intangible fixed assets: pre-FA 2002 assets (FB Clause 30)**
  - Allows pre-Finance Act 2002 intangible assets acquired from related parties from 1 July 2020 to come within the intangible fixed assets regime
  - BUT there are anti-avoidance provisions and significant restrictions on scope
  - Details need to be carefully considered
Digital Services Tax (FB Clauses 38 to 71 & Schedules 7 to 9)

- Autumn 2018 Budget announced that the UK would unilaterally impose a DST, for an interim period, until an international agreement could be reached
- ICAS responded to consultations in 2018 and 2019
- Budget 2020 confirmed DST would be introduced from 1 April 2020
- Applies to groups providing search engines, social media platforms and online marketplaces
  - Only applies where group receives £500m of revenue from the relevant activity, of which £25m is from UK users
  - 2% tax on revenues derived from UK users
    - Alternative available in limited circumstances where UK operating margin very low
- International progress will be reviewed in 2025 and reported to Parliament
- Impact on customers?
Notification of uncertain tax treatment by large businesses

• Announced in Budget 2020: consultation published 19 March 2020
  • Intention to legislate in Finance Bill 2020-21
  • Will apply to uncertain tax treatments in returns filed after April 2021

• Large businesses (corporates, partnerships and LLPs) will be required to notify HMRC where they have adopted an uncertain tax treatment
  • Broadly, an uncertain tax treatment is one where the business believes HMRC may not agree with their interpretation of legislation, case law or guidance
  • Large businesses are those with either or both of:
    • Turnover above £200 million
    • Balance Sheet total over £2 billion

• ICAS will be responding to the consultation: email your views to tax@icas.com
Making Tax Digital

Making Tax Digital for VAT

• We are no longer hearing about significant problems with MTD filing
• HMRC figures May 2020: 84% of businesses mandated for VAT periods from April 2019 and 70% of businesses deferred until October 2019 have signed up
• Soft landing period for full digital links extended: links between all software programs not now required until first VAT Return period starting on or after 1/4/21
  ➢ Businesses can formally apply for a specific direction for an extension, where it is “unachievable and not reasonable” to meet the deadline
  ➢ Cost alone is not sufficient reason to issue a specific direction

Making Tax Digital for CT

• 2019 announcement: MTD not to be mandated for new taxes or businesses in 2020
• Consultation has been expected since informal discussions with HMRC in 2017
• Impact of Covid-19?
Overview – taxation of businesses

- Corporate taxes
- **Mandatory Disclosure (DAC 6)**
- OMB taxes
- The tax horizon – The Future of Taxation in the UK
Are you affected by Mandatory Disclosure (DAC 6)?

EU Directive (DAC 6) entered into force on 25 June 2018

- Requires intermediaries (e.g., accountants, advisers, lawyers, and banks) to report information on certain cross-border tax arrangements to their home member state.
- In some cases (e.g., in-house arrangements or non-EU intermediaries), the taxpayer will have to report.

A cross-border arrangement will be reportable if it falls into at least one of 5 hallmark categories:

- For categories A, B, and certain elements of category C, an arrangement will only be reportable if it is also caught by a main benefit test.
- Some hallmarks are very broad and will catch ‘benign’ transactions.

Reports to be shared between EU tax administrations via a database.
Are you affected by Mandatory Disclosure (DAC 6)?

ICAS is a member of the HMRC working party on DAC 6 and responded to the consultation on the regulations incorporating DAC 6 into UK legislation: https://www.icas.com/landing/tax/icas-responds-to-the-hmrc-consultation-on-disclosable-arrangements

We also took part in informal consultations on draft guidance

UK regulations are applicable from 1 July 2020 and first reports due to be filed by 31 August 2020 [but this deadline could be extended]

**First report must include details of any arrangements where the first step was undertaken between 25 June 2018 and 1 July 2020**

COVID 19:

- HMRC guidance on reasonable excuse for late filing already added to the IEIM: https://www.gov.uk/hmrc-internal-manuals/international-exchange-of-information/ieim800000
- EU has proposed an extension to the filing deadline but this would need to be approved by ECOFIN & the EU Parliament and the UK government would need to implement it
Overview – taxation of businesses

• Corporate Taxes
• **OMB taxes**
• Mandatory Disclosure (DAC 6)
• The tax horizon – The Future of Taxation in the UK
Finance Bill 2020 – Entrepreneurs’ Relief

Now even more complex

- Lifetime limit reduced –
- £10m to £1m for disposals on or after 11 March 2020
- Renamed ‘Business Asset Disposal Relief’ from 2020-21
- No transitional provisions – anti-forestalling measures
  - Unconditional contracts for sale
  - Share exchanges
- Complex market value rules still apply ….
Finance Bill 2020 – Research and Development

Already covered

• RDEC - Large Companies - to 13% from 12%

Due April 2021

Watch for

• R&D and PCRT – new guidance from 1 June 2020

Why?

R&D Cap
3 times
PAYE/NIC
plus £20K

Concerns
around
14.5% refund
for surrendered losses

Second
Condoc
Preventing
abuse of the
R&D tax relief
for SMEs
Finance Bill 2020 Structures & Buildings Allowance

- Since 29 October 2018 – 2% on constructing of non-residential building used for ‘qualifying activity’
- Increases to 3% pa from 1 April 2020 CT / 6 April 2020 Income tax
- Gives relief over 33⅓ years rather than 50 years
- Transitional calculations and some minor adjustments
Construction changes

• HMRC new power to ‘correct’ the CIS deductions figure on employer’s EPS return

What’s the issue?

Limited company sub-contractors setting off invalid CIS deductions against in-year employer liabilities

• VAT reverse charge – still due 1 October 2020

Tackling Construction Industry Scheme Abuse
Tax consequences of Covid-19 measures

TAXATION of SEISS

• All taxed in 2020-21 – no accruals
• Separate box on income tax return expected
• Taxation of other Covid-19 support grants

Watch for

• Dividend and bonus waivers
• Gifts to charity and other Covid-19 related expenditure
• Cash basis elections, utilising tax losses, tax deferrals
What can we expect in the Autumn Budget?

- Revenue raising but not austerity…
- Levelling up Employed
- Self-employed
- Close company
- National Insurance Class 4 rate aligned with Class 1?
- Employer NIC issue
- Profit allocation?
Making Tax Digital – next steps

Covid-19 experience

The Enterprise Tax Management Platform

Treasury cashflow

- Making Tax Digital review: lessons to learn
- Making Tax Digital: the future and the virus
The economics of API
Overview – taxation of businesses

- Corporate taxes
- OMB taxes
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ICAS Recommendations - Future of Tax in the UK


Areas discussed:

• Tax and the common good & Making effective tax policy
• Devolving tax powers across the UK
• Professional relationships – regulation of the tax profession?
• Improving Tax Administration & Going digital
• Agents and taxpayers – working together with HMRC
• Corporation tax and multinational enterprises
• Income tax, NICs and workers
• VAT in a post-Brexit environment
• Environmental taxes – adapting to changing conditions
Ask ICAS Webinar Series
Q & A
Further information and guidance

• Coronavirus Hub on icas.com/coronavirus

• CA Connect on icas.com/caconnect

• Technical Helpdesk (Contact us on icas.com)

• Follow on Twitter @ICASaccounting and LinkedIn ICAS - The Professional Body of CAs
# ICAS Webinars – What's coming up

## ASK ICAS

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## ICAS INSIGHTS

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Thank you for joining us