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Introduction

We seem to be living in a parallel universe at the moment...

As we prepare this newsletter on a record breaking high temperature bank holiday Monday, having watched Ben Stokes single handedly win the third Ashes test and keep the series alive, and the G7 meeting in Biarritz closes as the Brazilian rain forest burns, we still don't know how Brexit will turn out and it seems as though we are living in a parallel universe where everything is different to what it was before.

After agreeing to extend the Brexit deadline to 31 October, the Government is at least now making better preparations for a no-deal outcome and all this will entail. This includes the provision of extensive guidance to businesses who import or export goods to or from the EU. These traders will require a UK EORI number which previously had to be applied for, but is now being issued automatically by HMRC to all Vat registered businesses, although non Vat registered traders will still need to apply for one.

Since our last newsletter, the value of the pound has fallen significantly, which is likely to have an inflationary effect, and uncertainty has increased, mainly due to the ongoing US/China trade war and this is affecting stock markets across the world. The global economy is currently on a bit of a knife-edge and could tip either way. We sincerely hope these issues will resolve themselves in the right way so that we can all return to our normal universe, although we are more than happy for England to continue beating the Australians.

As always, please let us know if you need any further help or advice regarding any of the matters raised in this newsletter and we will be pleased to help you.

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Employment News

Ultra-Low Emissions Vehicles

- New Tax Breaks

The Government is increasing the tax incentives available in order to persuade more employers in particular to provide their employees with either pure electric or ultra-low emissions vehicles (50g/km CO₂ or less) by reducing the already very low previously announced benefit in kind rates applicable from 6 April 2020. For both existing and newly registered pure electric vehicles, the rate will be 0% for 2020/21, 1% for 2021/22 and 2% for 2022/23. The same rates will apply for ultra-low emissions vehicles registered after 6 April 2020, but for vehicles registered before that date, a flat rate of 2% will apply for all three years.

Employers will also be able to provide their employees with pure electric cars with a home vehicle charging point and a charge card to allow access to public charging points without creating any charge to tax. Hybrids will continue to be subject to normal fuel benefit rates.

Clean air



Employers will be able to claim 100% capital allowances relief on the purchase of pure electric and ultra-low emissions vehicles.

These changes mean that owner managed company clients can now provide themselves with a company owned pure electric or ultra-low emissions vehicle very tax efficiently.

“Worker” Status

After a series of Employment Tribunal cases including Uber, Addison Lee and Pimlico Plumbers which have highlighted the unusual status of a “worker”, who is neither an employee or fully self-employed, more attention is being given to their rights, which are more extensive than previously understood. These include entitlement to the national minimum wage, holiday pay and limits on working hours. Since 6 April 2019, they are also entitled to a payslip.

Worker status arises when a self-employed individual is committed to work on a regular basis for the same organisation and both parties are unable to refuse to provide or undertake the work.

Payslip A Business Ltd



Hours Worked

Since 6 April 2019, employees whose pay varies because of time worked will be entitled to receive a payslip which shows the number of hours worked, either as a single aggregate figure, or as separate figures for different types of work or different rates of pay.

Advisory Fuel Rates for Business Mileage

From 1 September 2019 (previous quarter in brackets)

| | | | |
|--------|-----------|-----------|-----------|
| Petrol | 12p (12p) | 14p (15p) | 21p (22p) |
| Diesel | 10p (10p) | 11p (12p) | 14p (14p) |
| LPG | 8p (8p) | 10p (9p) | 14p (14p) |

VAT

Construction Industry Reverse Charge for VAT

Despite concerns raised by both industry and tax professionals, the new reverse charge for VAT will commence from 1 October 2019 and clients will need to be prepared for this.

It is perhaps worth mentioning the new method of dealing with Vat will only apply when both the subcontractor and contractor are VAT registered, the work falls under the CIS system and will be liable at the standard or reduced rate of VAT. In all other circumstances, the new rules will not apply. When they do apply, the subcontractor will no longer charge VAT, which must then instead be accounted for by the contractor under the reverse charge mechanism. This will not cost either party any extra money, unless they get the new procedure wrong, although HMRC have said they will apply a light touch to the new rules until 31 March 2020.

Contractors must inform their subcontractors if they are acting as either an “end-user” (scheme does not then apply), or as an “intermediary supplier” (scheme applies). If the reverse charge applies, the subcontractor will not include VAT on their invoice. The contractor will then have to declare the subcontractor’s output VAT in Box 1 of their Return and, if eligible, reclaim it in Box 4. The net value of the supply will need to be included in Box 7.

The subcontractor must ensure the contractor is registered for both CIS and VAT. He must also specify in his invoice the amount and rate of VAT the contractor must declare and include the wording “Reverse charge: customer to pay the VAT to HMRC”.

Further detailed guidance is available in HMRC VAT Notice 735: Domestic reverse charge procedure.

Property Corner

Principle Private Residence Relief (PPR)

From 6 April 2020, the current exemption for gains made in the final 18 months of ownership will be reduced to just 9 months. At the same time, private lettings relief will be restricted to sales of property in which the owners share occupancy with their tenants, rather than to any property that was previously their main residence at any time. This will increase the chargeable gain by up to £80,000 for those worse affected.

Letting Agents’ Charges

Since April, agents have been unable to make any charge to tenants other than for deposits and rent charges. As a result, they are now seeking to recover the fees they have lost from the landlord instead and many agents are attempting to impose increases in their fees without consent. However, it is worth checking the terms of your original management agreement with the agent, as such changes can often only be made when the existing tenancy ends and this may not happen for some time.

Changes to Capital Gains Tax (CGT) on Disposal of UK Land and Property

For Non-UK residents with effect from 6 April 2019 and for all UK residents with effect from 6 April 2020, a Return and provisional payment of CGT must be submitted within 30 days of completion of the sale. The amount of tax due will need to be estimated based on specified criteria, which will then be confirmed and adjusted in the normal end of year Tax Return. The requirement to make the new Return will not apply where no tax is due.

It will therefore be extremely important that you inform us as soon as you know you will be selling a property on which CGT will be due, so that we can ensure the new Return is submitted on time, otherwise penalties will be incurred. It is quite possible your lawyers will not consider it part of their responsibility to advise you in this respect.

This and That

We are indebted to one of our clients who recently correctly pointed out the minimum age at which a private pension can be accessed will increase on 6 April 2028 from 55 to 57. This will maintain the ten-year difference to the State Pension Age, which increases to 67 from the same date. Anyone who will be 55 between 6 April 2026 and 5 April 2028 will be particularly affected and may need to consider the timing of any pension withdrawal more carefully.



Extension of the Public Sector Working Rules to the Private Sector (IR35)

The Government remains concerned that non-compliance with the IR35 rules by owner-managed companies is widespread and that only 10% of those that should be applying the rules do so. Following what the Government perceives as the successful introduction of the off-payroll working rules to the public sector in 2017, the same rules are being extended to the private sector from 6 April 2020.

However, they will not apply to end-users who are "small", that is entities that meet at least two of three separate requirements; turnover below £10.2m, balance sheet total less than £5.1m, or average number of employees below 50.



**HM Revenue
& Customs**

Responsibility for determining an off-payroll workers status for IR35 purposes will now shift from the worker to the medium or large sized end-user. HMRC have promised to update and improve their widely criticised "check employment status for tax" (CEST) service by the end of the year and there are many private sector companies that can also provide status enquiry checks.

The end-user will be required to pass its status determination and the reasons for it to the next entity in the supply chain, which must then continue to be passed-down until it reaches the worker. The worker, or any other entity in the chain, can raise an objection to the decision, which the end-user must reply to within 45 days.

If you currently provide your services via a limited company or partnership and work for a medium or large sized private sector entity, then you should expect to hear more about this new rule in the run up to 6 April 2020.

This newsletter has been prepared for general interest and it is important to obtain professional advice on specific issues. We believe the information contained in it to be correct as at 30 August 2019. While all possible care is taken in the preparation of the newsletter, no responsibility for loss occasioned by any person acting or refraining from acting as a result of the material contained herein, can be accepted by the firm or its directors.