

JTC NEWSLINE

Issue 116

July 2018

Reverse Charge VAT - coming 1st October 2019

We are getting closer to knowing how Reverse Charge VAT will work. A diagram at the end of this Newsline shows the effect of VAT on the Construction Industry payments tree from 1 October 2019. Next month there should be more help available to show how your business will have to operate a Reverse Charge VAT system.

In the meantime have a look at the draft legislation - <https://www.gov.uk/government/consultations/draft-legislation-vat-reverse-charge-for-construction-services>

If you reply to the consultative document, which is open for comment until 20th July, please say -

- You think this legislation is a sledgehammer to crack a nut and that the margins in construction are too small to afford such a major change.
- That all construction businesses about to pay for a supply and fix contract must be able to verify with HMRC whether their customer is CIS registered and rely on that information (with evidence of VAT registration) to decide whether to reverse charge.
- There must be written confirmation from a customer of 'excepted' status under Article 8 and the seller should be entitled to rely on it.
- VAT treatment should be taken as at invoice date or payment certified date.

I hold out no hope of this legislation not coming into force, so prepare now by looking at your cash flow and trying to get your business into a position where it would still be able to pay its bills if it received no VAT from trade customers. ■

Do you own commercial property that is let?

Have you opted to tax any of the property?

Can you put your hand on a copy of the election form submitted and the HMRC acknowledgement?

If you ever wanted to sell a property you would be asked for these documents and knowing where they are now is sensible.

If you opted to tax more than 20 years ago there is scope to revoke your election and your accountant might like to consider your options. ■

NWR Changes to the CIJC Working Rule Agreement

effective 25th June 2018.

Basic Pay Rates

A two-year settlement.

- Year one 3.2% taking the National Minimum Craft Rate to £12.31 per hour.
- Year two 2.9% taking the National Minimum Craft Rate to £12.67 per hour (effective 24th June 2019). The pay rate for first year apprentices in year one of the agreement to increase by 7% to £5.50. In the subsequent year the rate will increase in line with the agreement (2.9%).

Lodging Allowance

HMRC have given approval for the nightly lodging allowance to increase to £40.00.

Benefits

Subject to confirmation of cost from B&CE the death benefit will be increased from £32,500 to £40,000. This will be doubled to £80,000 if death occurs either at work or travelling to or from work. To do this B&CE have commissioned actuarial work and the B&CE Board will need to sign off the final arrangements including the increase in premiums. The target date for this improvement to come into effect is October 2018. However, this is outside of the control of the parties to the Agreement.

Industry Sick Pay

Industry Sick Pay (ISP) will increase to £130.00 per week (£26.00 per day). The maximum period of payment will increase from 10 to 13 weeks in any rolling year or single period of absence.

Fare and Travel allowances

The non-taxed fare allowance is increased by the March 2018 CPI of 2.5% (HMRC have given approval) and the taxed travel allowance will be increased by the same amount as basic pay rates (3.2%). New scales are contained within the general promulgation (IR 2018.21). ■

If you have any queries on any of the items in this newsline or a tax query please contact

Tel: 020 8874 4335

liz@thetaxbridge.com

Advisory fuel rates from 1 June 2018

HMRC have published new advisory fuel rates for company car drivers which will apply from 1 June 2018.

The new rates will be:

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

The old rates can continue to be used until 30 June 2018.

Advisory fuel rates are set by HMRC

- Employers can use these rates to reimburse company car drivers for business fuel.
- These rates can also be used if employees are required to repay the cost of fuel used for private travel.
- These rates should not be used in relation to vans.
- Hybrid cars can be treated as either petrol or diesel cars for this purpose.
- These amounts also apply for VAT purposes, but employers can only reclaim input VAT if the employee supplies a receipt.

On 1 December 2017, the Government announced it had considered the position and had no plans to change the current system; particularly it would not introduce specific rates for hybrid and electric cars. ■

Construction Industry Scheme makes it to the Supreme Court

The CIS scheme is rarely taken to a tribunal never mind taken through all the courts right to the top but this week a decision from the Supreme Court was released in the case of JP Whittier (Water Well Engineers) Ltd.

JPW had a rather poor tax paying record – seven late payments of PAYE, and HMRC removed their gross status. They appealed arguing that loss of gross status would ruin their business, no contractors would give them work if they were only net paid. Although they won at First Tier Tax Tribunal, the higher courts have all supported HMRC. Loss of gross status may be very serious but they have decided it was what Parliament intended.

So be careful with payments of PAYE if you have or want gross CIS status. HMRC will be very confident now that they can remove or refuse gross status for any firm with a poor record of taxpaying. ■

RTI penalties: 3 day grace period extended to 2019

HMRC has announced it is continuing its RTI penalty concession. Employers have an extra three days to report their payrolls online until April 2019.

Under the late filing penalty system for Real Time Information Reporting (RTI) HMRC has, by concession, always operated a grace period. Originally this was due to end in April 2016, however many employers in different parts of the country were lacking the necessary IT capabilities and in September 2017 it was extended to April 2018. It has now been extended by a further year to April 2019.

The grace period is not an extension to the statutory filing date which remains unchanged. Employers are required to file on or before each payment date unless the circumstances set out in HMRC's 'sending an FPS after payday guidance' are met.

HMRC will not charge a late filing penalty for delays of up to three days after the statutory filing date. Employers who persistently file after the statutory filing date but within the three day grace period, will be monitored and may be contacted or considered for a penalty. ■

JTC BRIEFING

July 2018

Reverse Charge VAT - coming 1st October 2019

