

JTC NEWSLINE

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Reverse Charge - Tier 2's - do you need to register to send in monthly VAT returns?

The latest instructions from HMRC are as follows;

“The simplest way is for the VAT registered business to make the change themselves online (or their online agent can do it on their behalf), either through their government gateway account or their business tax account depending on whether they are an MTD customer or not. The relevant guidance link is <https://www.gov.uk/vat-registration/changes-to-your-details>

“Although this guidance only lists the mandatory registration details that have to be kept up to date, it is exactly the same process for making a change to VAT return periods. (The customer could alternatively fill in a VAT484 and send it in via the same link, but current workload is high so any paper applications on form VAT484 are likely to take some considerable time to process.)

“On either system, there should be an option to change their return periods or frequency, and they simply pick the monthly option and send us the change. They may also be asked

if they expect regular repayments, and the monthly option might not be available until they affirm that. They should get an on-screen acknowledgement that the request has been sent. Once submitted online it should take only a couple of days to process. Many customers get digital confirmation on the next working day.

“The customer will then need to check what VAT return periods they end up with because how they transition from quarterly to monthly depends on what period they were already on, and how far through the period they are at the moment the approval is given. In essence, if there is already a return visible to be completed they should not expect it to change, and so the monthly returns will take effect from the next VAT return. For MTD customers the system does attempt to truncate the existing return period to make the monthly return available earlier, but this will only work in certain circumstances.

“So the easiest, most predictable way to proceed is to apply to change stagger within the last month of the current return, leaving a bit of time, so that normally the next return will then be the first monthly return”. ■

Reverse Charge VAT - will the start be delayed?

There is increased talk that the Government will delay the start of the Reverse Charge measures because of the level of ignorance of the approaching change in the wider construction market.

Do not rely on a delay, get everything ready, software, invoices, trained staff, informed subcontractors, client VAT numbers and CIS UTRs. If a delay is announced you can always hold fire. **Getting ready in time is important.** ■

IR 35 Off-Payroll working rules to change

The trouble with tax is that the major changes have such boring names and no one thinks anything sounding so dull could be so serious for them.

From April 2020 any business that is 'large' will have to use new tests to decide whether a worker, working for them through his own limited company, is really an employee of their business using the HMRC online check employment status for tax (CEST) tool. The firm using the actual worker will be responsible for doing the test. They must report any decision to the worker and to any intermediary agency which provided the company that provided the worker.

If the CEST tool shows that the individual worker should be treated as an employee, the agency must operate PAYE on the payments to the worker's limited company. If there is any failure the agency is responsible for the PAYE, but if the agency does not account for that PAYE the liability passes and rests with the construction company.

This all sounds like the king asked the queen who asked the dairymaid who asked the cow – but it matters.

Many workers own their own limited company. They get work through agencies which place them with construction employers. The construction company pays the agency who pays the limited company who pays the worker. There is often the suspicion that the worker might be or should be an employee of the construction company in terms of control etc, but that the legal rigmarole between the parties means that PAYE is avoided.

What is a large company?

- with more than 50 employees
- with a turnover of more than £10.2 million
- with assets on the balance sheet more than £5.1 million.

If your firm is large on any of these tests you must find out more. If you are a one man business trading through your own limited company you must learn more. If you run an agency placing workers who operate through limited companies you must find out more.

Check out the online CEST tool

<https://www.gov.uk/guidance/check-employment-status-for-tax> ■

Capital Gains Tax on sales of domestic housing

Be careful, many construction businesses and their directors buy housing for redevelopment. If it is sold the profits may be treated as business income but sometimes it is returned as a capital gain.

Currently capital gains tax (CGT) is payable by UK residents by 31 January following the tax year of disposal. From April 2020 this will reduce to 30 days from the date of completion for residential property.

In practice the change will apply to any property not benefitting from private residence relief, such as holiday homes and rental properties. ■

If you have a query on any item in newsline contact

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2018/19 Payment on account problems

There have been problems with the HMRC self-assessment system and payments on account for 2018/19 which may result in some taxpayers facing larger than usual tax bills in January 2020.

The second payment on account (POA) of income tax for 2018/19 was due by 31 July 2019. In January 2019 HMRC's self-assessment system failed to generate POA's for 2018/19 for some taxpayers.

- This has only been rectified where the taxpayer and/or their agent discovered the issue, contacted HMRC, and insisted on payments on account being set up.
- Where this was not done and the first POA due in January 2019 was missing, the second payment due by 31 July 2019 was also affected.

Whilst this means that taxpayers who did not contact HMRC and who did not receive a statement of account in June or July 2019 did not need to make a payment by 31 July this year, the effect is that all of their 2018/19 tax will now be due in January 2020.

Taxpayers not aware of this may be caught out as they will not have budgeted for their tax bill accordingly. ■