

COVID-19: Build UK

April 2020

This top-line summary outlines key tax measures adopted by the UK Government in response to COVID-19 relevant to Build UK's members and the construction industry. Please note that the comments provided in this document are accurate as of 23 April 2020. For further information please visit our [website](#) or contact our team overleaf.

Time to Pay

What is Time to Pay?

Under Time to Pay, requests can be made to HMRC to defer tax payments which are due (or overdue) for payment to HMRC. For taxpayers with a Customer Compliance Manager ('CCM') this is likely to be the quickest route to get a deferral agreed. There is also a HMRC Coronavirus helpline on 0800 024 1222 for other requests.

These arrangements are agreed on a case-by-case basis and are tailored to individual circumstances and liabilities.

What has happened so far?

HMRC have set up a Coronavirus Helpline and allocated a large number of staff to act as a gateway into HMRC Debt Management. To ensure ongoing support HMRC have made a further 2,000 experienced call handlers available to help firms and individuals.

Time to Pay arrangements historically involved ring fencing a liability and repaying it in instalments in fixed amounts, on fixed dates, whilst maintaining future liabilities as and when they fall due.

Prior to the crisis HMRC would not entertain payment holidays (deferrals) but this has changed in view of the exceptional circumstances.

Business rates and property related grants

Business rates

What are the measures?

The government has introduced a business rates holiday for the retail, hospitality and leisure businesses in England and Scotland for the 2020/21 tax year. Further guidance on eligibility is available [here](#).

This document covers the following areas:

1. Time to Pay
2. Business rates and property related grants
3. Income tax deferral
4. VAT
5. Corporate tax

This document does not cover the Job Retention Scheme or Statutory Sick Pay. Build UK has separate guidance on these areas.

The government has announced that some of the exclusions for this relief have been temporarily removed to ensure that estate agents, lettings agencies and bingo halls that are required to close will not pay any business rates next year.

The local authority should adjust the next council tax bill to remove the business rates charge.

In Northern Ireland no rates will be charged for April-June 2020 for all business ratepayers excluding public sector & utilities.

The Welsh measures announced to date are aimed at smaller retail, leisure & hospitality businesses.

Distressed businesses may also be able to request Hardship Relief via their local authority.

Local authority administered grant funding

What are the measures?

Under the Retail, Hospitality & Leisure Grant Fund ('RHLGF') businesses can access cash grants of £25,000 for each property in England with a rateable value of £15,001-£51,000 and £10,000 for each property in England with a rateable value of £15,000 or lower.

Under the Small Business Grant Fund ('SBGF'), small businesses which occupy premises in England and already receive small business rate relief or rural rate relief are eligible for a one-off Small Business Grant of £10,000 to help meet their ongoing business costs.

The Government has issued [guidance](#) providing details of eligibility and delivery of the RHLGF & SBGF.

Northern Ireland, Scotland & Wales have announced similar grant schemes.

Income tax deferral

What has been announced?

Income Tax payments due on the 31 July 2020 ('payments on account') may be deferred until 31 January 2021 and HMRC will not automatically charge penalties or interest for late payment.

The deferment is optional. Those who are still able to make July payments are encouraged to behave as 'good citizens' and pay the tax they owe on time thereby helping our Government.

Payments on account normally apply to income that has either not been accounted for through the PAYE system, or has not had sufficient tax deduction through PAYE.

Examples of the types of income individuals may receive that are subject to payments on account include:

- Business profits
- Property rental income
- Dividends and loan interest income received from private companies
- Portfolio income (dividends and interest income)
- Earnings and pension income of higher rate taxpayers where only basic rate tax paid via PAYE system

Who is this relevant for?

Taxpayers within the income tax regime; which would typically be those not operating via a company structure within the charge to corporation tax such as:

- Individuals:
 - Operating a business on a self-employed basis;
 - Partners in a partnership (including LLPs); and
 - With income tax obligations outside of PAYE
- Trustees
- Companies subject to income tax

VAT

VAT payment deferral

What has been announced?

The Chancellor announced a VAT payments deferral on 20 March to support businesses with cash flow during the COVID-19 pandemic.

This means that businesses with a UK VAT registration have the option to defer VAT payments due between 20 March and 30 June 2020. This includes non-established taxable persons. Businesses have until 31 March 2021 to pay any VAT deferred as a result of this announcement. HMRC will not charge any penalties or interest on payments deferred by this announcement.

Businesses do not need to inform HMRC if they wish to defer payments. They can opt in to the deferral simply by not making VAT payments due in this period. Businesses that pay by Direct Debit should cancel their Direct Debit with their bank. This can normally be done online and should be done in sufficient time so that HMRC does not attempt to automatically collect the VAT due.

Businesses can continue to make payments as normal during the deferral period and can continue to make ad hoc payments after the deferral period to repay any deferred VAT up to 31 March 2021. HMRC will also continue to pay repayment claims as normal.

Businesses must continue to submit VAT returns as normal.

What payments are covered by this announcement?

All payments of VAT to HMRC due between 20 March 2020 and 30 June 2020 can be deferred until 31 March 2021. This includes:

- Payments for quarterly returns ending 29 February due 7 April,
- Payments for quarterly returns ending 29 March due 7 May,
- Payments for quarterly returns ending 29 April due 7 June,
- Payments for monthly returns due in this period
- Payments on account due in this period
- Annual Accounting advance payments.

Can payments of Import VAT/Customs Duties be deferred as part of this announcement?

No, businesses must pay import VAT and customs duties in line with existing rules.

If a business is struggling to pay a tax bill on time, HMRC is delivering an enhanced Time to Pay offer to fit the specific impacts of COVID-19 (please see [Time to Pay](#) section).

Does the deferral apply to VAT due to be paid in relation to disclosures and assessments due to HMRC?

No, only VAT payments due alongside normal VAT returns between 20 March and 30 June will be deferred. For any other debts HMRC's Time to Pay system has been enhanced, please see further information [here](#).

Can I still make a VAT payment at my usual time?

Yes. The deferral is optional.

What other help is available where businesses needs more help?

Please refer to the section on [Time to Pay](#).

What happens after the VAT deferral ends?

VAT payments due following the end of the deferral period will have to be paid as normal.

Payment of deferred VAT must be made on or before 31 March 2021.

How will repayments work in practice, and will HMRC offset repayments against VAT due?

Repayments will be paid as normal. This means that HMRC will offset repayments against any existing debt before this announcement but not against any VAT deferred through this announcement. Most repayments are paid within five working days.

I am now in or going to be in a repayment position, can I move to monthly returns to improve future cash-flow?

Businesses, or their agents, can apply online to request to change to monthly VAT returns. Visit GOV.uk and search for "change VAT details".

I have made Time to Pay arrangements with HMRC before the 20 March, can I defer payment until 31 March 2021?

For [Time to Pay](#) arrangements that have been entered into for payments due before 20 March 2020, you will need to continue to make these payments. If you are struggling to meet these obligations, then you can contact the dedicated helpline on 0800 024 1222.

For Time to Pay arrangements made for payments due between 20 March 2020 and 30 June 2020 only, you can benefit from the ability to defer payment until 31 March 2021. You do not need to notify HMRC. You will need to cancel any Direct Debits set up for these arrangements.

Corporate Tax

Have there been announcements made regarding the deferral of Corporate tax payments?

There is currently no formal deferral of corporate tax payments in the same way as for VAT.

Under [Time to Pay](#) arrangements, requests can be made to HMRC to defer corporation tax falling due in the next 3 months. For taxpayers with a Customer Compliance Manager, this is likely to be the quickest route to get a deferral agreed.

What is the procedure for refunds of instalment payments?

Larger businesses paying corporation tax through instalments should also consider requesting refunds of corporate tax payments on account already made, where it is clear that the corporate tax liability for the year will be less than originally forecasted.

Revised current year profit reforecasts will help to support requests for repayments. HMRC are likely to be sympathetic to challenges of forecasting given the level of economic uncertainty.

It should be noted as above there is no formal arrangement by HMRC to defer corporate tax in the same way as for VAT. Please contact your tax advisor for further details.

What is the position for businesses who have made a loss in 2020?

A company that has made a loss in an accounting period can choose to carry back that loss and offset against total profits in the preceding 12 months.

Businesses should consider early filing of corporate tax returns for cases where tax instalments have been overpaid or a loss can be carried back to earlier years to generate a prior year repayment. For example, consider early filing of April 2020 or May 2020 corporate tax returns, where a loss has arisen that could be carried back to the 2019 corporate tax accounting period.

What tax reliefs might be available for House Building and Construction Businesses?

Companies should ensure that claims for incentives and reliefs are maximised where these have a cash tax effect. For the construction sector, Research & Development relief may be a valuable tax relief. The sector requires innovative problem solving at a practical level to overcome challenges. R&D relief is a tax relief that in KPMG's experience is often overlooked in the sector.

What are the rates of R&D relief for Large Companies?

Large companies (generally >500 full time employees) can claim a gross R&D expenditure credit ("RDEC") of 13% of the qualifying R&D expenditure with effect from 1 April 2020 (prior to this date the credit was 12%). The RDEC increases accounting profit before tax, and is itself subject to corporate tax.

For example, a large business which has £10m of qualifying R&D spend, will obtain a gross credit of £1.3m which equates to a net of tax cash benefit of £1,053,000 (for expenditure incurred prior to 1 April 2020 this equates to a gross RDEC of £1.2m and net benefit of £972,000).

What are the rates of R&D relief for SME companies?

Small and medium-sized companies can claim R&D tax relief for 230% of their qualifying revenue expenditure on research and development expenditure. The relief would normally be claimed by deducting, from taxable profits in the company's corporation tax computation, an additional amount equal to 130% of the qualifying expenditure.

Can loss-making SME's make a claim for cash back from HMRC?

Where an SME company has a trading loss, it may surrender the R&D tax relief (or the unrelieved loss if lower) in exchange for a tax credit equal to 14.5% of the surrendered amount. This equates to a 33% cash benefit per £1 spent or 33p cash tax repayment for every £1 spent on qualifying R&D.

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We've already submitted a claim – when will it be processed?

For businesses that have already submitted R&D claims, it is recommended that they contact HMRC to see if repayment of any refunds for previously submitted claims can be accelerated.

What if we haven't submitted a claim yet?

It is recommended that businesses consider whether a claim could have been made within the 2 year time limit and re-visit previous corporate tax returns. For example, a claim for the accounting period ended 30 June 2018 can be amended and re-filed up to 30 June 2020. KPMG UK have the technological capability and resources to prepare R&D claims remotely from start to finish and can help companies deliver claims despite the restrictions in place for COVID-19.

What projects might qualify?

Below are some examples of eligible activities:

- Design, development and implementation of sustainable construction methods and green building technologies;
- Development of new construction products such as stronger, more resilient or easier to process materials;
- Design of bespoke buildings and structures for specific industrial use and/or design of structures with specific engineering considerations.
- Resolving technical issues related to the implementation of Modern Method of Construction (MMC) or off site manufacturing techniques to improve project delivery time and reduce costs.
- Development of Building Information Models (BIM) to support the decision making process.

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