

## Changes on the tax horizon in 2021

Leontia Doran, UK Tax Specialist with Chartered Accountants Ireland, looks at what's on the UK tax agenda in the coming twelve months

On the Brexit front, businesses should consider how the imminent changes will impact them and prepare immediately. Practical measures include registering online with HMRC for an EORI number; signing up for the trader support service;

checking with suppliers and logistics providers about the continuity of goods and services; classifying the business\* import and export goods for customs duties; and deciding whether you need to engage a customs agent or do you have sufficient experience and knowledge to complete customs declarations in-house.

The end of January brings the 2019/20 self-assessment ("SA") filing deadline. At the time of writing, taxpayers and agents must still file 2019/20 SA returns by 31 January 2021, however HMRC will consider COVID-19 as a reasonable excuse for missing some tax obligations (such as payments or filing dates), with an explanation of how you were affected and an undertaking to make the return or payment as soon as possible.

Many taxpayers deferred their second 2019/2020 payment on account due on 31 July 2020 until 31 January 2021. Any taxpayer unable to make full payment of tax due (which includes the deferred second payment on account, the balance due for 2019/20 and the first payment on account for 2020/21) may be able to set up a Time to Pay ("TTP") payment plan online of up to 12 months.

Taxpayers with SA tax debts up to £30,000 who need extra time to pay can access the enhanced TTP facility and can get automatic and immediate approval. Those with SA debts over £30,000, or who

need longer than 12 months to repay, may still be able to set up a TTP arrangement but will need to contact HMRC to set it up. HMRC are making it clear however that only taxpayers unable to pay their liability in full due to the pandemic can defer 2019/20 SA payments.

### VAT changes

Turning our attention to the construction sector, from 1 March 2021, the domestic VAT reverse charge is expected to come into operation. This new measure must be used for most supplies of building and construction services and applies to standard and reduced-rate VAT services:

- for individuals or businesses registered for UK VAT.
- reported within the Construction Industry Scheme.

If the VAT reverse charge does not apply, then normal VAT rules continue to apply. Under the new rules, the customer (not the supplier) within the construction industry receiving the supply of construction services pays the relevant output VAT to HMRC rather than paying it to the supplier. The customer then reclaims the relevant amount on their VAT return via the reverse charge mechanism.

Businesses who deferred VAT payable to HMRC to 30 June 2020 due to the pandemic are required to pay this liability in full on or before 31 March 2021. However, businesses have the option to further defer by paying the amount due in 11 monthly payments to the end of March 2022.

The reduced rates of stamp duty land tax for residential properties, the 5 per cent VAT rate for the hospitality sector and the job retention and self-employed income support schemes are also scheduled

to end on 31 March 2021. Budget 2021 will either confirm these cliff edges or introduce new supports in their stead.

Delayed since 1 April 2020, the offpayroll working rules or IR35" are extended to the private sector from 6 April 2021. From this date, medium or large-sized private sector clients will be responsible for deciding the employment status of contractors which means paying tax and NIC as if they are an employee instead of a contractor where the IR35 rules apply.

Broadly, an exemption from these rules is available if the private sector business has annual turnover of less than £102 million; balance sheet assets of less than £5.1 million; and fewer than 50 employees.

Businesses should begin the process of assessing the impact of this change by examining their contractual relationships, including those directly with personal service companies, or, with agencies or other service providers.

## The future

Finally, turning to HMRCs long running project Making Tax Digital ("MTD").

In July 2020, the UK Government published its vision for tax administration in 'Building a trusted, modern tax administration system.' The MTD project will be extended to VAT to VAT-registered businesses with turnover below the £85000 VAT registration threshold from April 2022. MTD for income tax will commence for selfemployed businesses and landlords with income over £10,000 from April 2023.

HMRC is also consulting on MTD for corporation tax. This consultation will close on 5 March 2021.

Whatever the future holds for 2021, one thing is for sure, tax is as important a consideration for businesses as it has ever been.

As unprecedented as 2020 has been, 2021 will be another year of significant change in UK tax. As we move into January, the Brexit transition period will have ended, heralding an unfamiliar operating environment for most of us.

