



DAVID PATTINSON CHARTERED ACCOUNTANTS

Tel: 01636 706543 E-mail: david@davidpattinson.co.uk



June 2019

NEWSLETTER

Making Tax Digital

After I had sent out my last newsletter, the Chancellor announced in his Spring Statement that there would be no increase in the scope of MTD in March 2020, so 2021 is the earliest date that any more businesses could be brought into the system or MTD could be extended to Income Tax. The original plans were that only the smallest businesses (turnover up to £10,000) would be exempt, so most traders and many people with rental income will be included eventually.

Whenever I see TV adverts for MTD software, I get very annoyed because they give the impression that the software does everything automatically, which is not the case. An accounting program can only deal with transactions as the operator instructs it to, so if that person does not know what to do, it will just produce records full of errors. Many people would not realise that their records are essentially rubbish, because the system produces nice, neat reports giving a false impression of accuracy.

Over the next few years, most businesses will have to give up paper records and move to digital. Bookkeeping software was required under the original MTD rules, but they were relaxed to allow a spreadsheet with bridging software to link to HMRC electronically. Either way, traders will have to get used to using a computer to record business transactions. People who have been using their business bank accounts to make a lot of private payments should think about how much extra work that will make when they go digital, as every transaction will need to be entered.

Traders whose last VAT return was for the quarter ended 31 March 2019 were the first in MTD and their first return under MTD will be for the quarter ended 30 June 2019, due to be filed by 7 August 2019. Traders with July and August quarters will file their first MTD returns in the following two months. As this is a new system and unexpected problems may arise, it would be unwise to delay submission until close to the deadline; there is no harm in filing earlier, as it does not bring forward the deadline for payment. Also, it is wise to review the figures before filing, to ensure that they look reasonable in light of expectations and previous returns.

PPI Deadline

The deadline for making PPI claims is 29 August 2019. We will all then be free from annoying telephone calls and TV adverts.

VAT and Builders

A new VAT rule for builders, which has been poorly publicised, comes into operation on 1 October 2019. It is called the Domestic Reverse Charge (DRC) and applies where a VAT-registered subcontractor is doing work which is not zero-rated for a VAT-registered contractor. An example would be where a specialist such as a roofing contractor works for a builder who is building an extension on a customer's house.

That work would normally be liable to VAT but, under the DRC, no VAT is charged by the subcontractor (the roofer). The contractor (the builder) then has to show the VAT not charged in box 2 of the VAT return; if the builder is entitled to reclaim the VAT on the supply (which will normally be the case) it is included in the input tax in box 4 of the return. The two figures cancel each other out and the builder ends up in the same position as if VAT has been charged and then reclaimed. It is important for the builder to get this right because, if VAT is incorrectly charged by the subcontractor, then it cannot be reclaimed on the builder's VAT return as, legally, it is not VAT.

This new rule may seem rather pointless but has been introduced because there has apparently been a problem with subcontractors charging VAT (presumably large amounts) then disappearing without paying it over to HMRC.

Scams

There has been a spate of telephone calls recently, pretending to be from HMRC and threatening enforcement action if an alleged tax debt is not paid immediately. The calls appear to come from a real HMRC number, so seem credible. HMRC recently announced, however, that they have found a way to stop their number appearing when fraudsters call.

Scam e-mails continue to be a problem as well. One way to confirm that they are fraudulent is to check where the link in the e-mail actually goes: position the cursor over the link and the destination will be displayed at the bottom of the screen; you can also right-click and select copy, then paste the link into a text file.

Tax Returns

Many people will have received a notice to complete a tax return in the last two months. If you know anyone who needs assistance to complete it, please do not hesitate to put my name forward.