

# TAX NEWSLETTER

Welcome to our monthly newsletter. We hope you enjoy reading this newsletter and find it useful.

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February 2019

## NO DEAL BREXIT – WHAT ABOUT VAT?



**The Government and HMRC have updated its collection of high-level guides called “partnership packs”, intended to help businesses involved in importing and exporting prepare for changes to customs procedures after 29 March 2019 in the event of a “no deal” scenario.**

If the UK exits the EU without a deal, UK businesses will have to apply customs, excise and VAT procedures to goods traded with the EU, in broadly the same way that already applies for goods traded outside of the EU.

In the event of a “no deal” Brexit the government’s aim will be to keep VAT procedures as close as possible to what they are now. This will provide continuity and certainty for businesses.

However, there will be some specific changes to the VAT rules and procedures that apply to transactions between the UK and EU countries.

## Postponed VAT Accounting for Imports

The government has announced that in the event of a “no deal” Brexit, it will introduce postponed accounting for import VAT on goods brought into the UK.

This means that UK VAT registered businesses importing goods to the UK will be able to account for import VAT on their VAT return, rather than paying import VAT at or soon after the time that the goods arrive at the UK border. This procedure will apply both to imports from the EU and non-EU countries.

## Low Value Consignments

If the UK leaves the EU without an agreement, VAT will be payable on goods entering the UK as parcels sent by overseas businesses. Low Value Consignment Relief (LVCR) will no longer apply to any parcels arriving in the UK. For parcels valued up to and including £135, a technology-based solution will allow VAT to be collected from the overseas business selling the goods into the UK.

## VAT Mini One Stop Shop (VAT MOSS) will come to an end

A further change if the UK leaves the EU without an agreement is that the UK will stop being part of EU-wide VAT IT systems such as the VAT Mini One Stop Shop which currently simplifies VAT reporting for UK businesses.

## CUSTOMS CHANGES

Businesses can currently move goods freely between EU countries. For customs purposes, this means that businesses trading with the rest of EU do not have to make any customs import or export declarations, and their trade with the EU is not subject to import duty.

In the event of a “no deal” Brexit there would be immediate changes to the procedures that apply to businesses trading with the EU. It would mean that the free circulation and movements of goods between the UK and EU would end.

HMRC is currently introducing its new Customs Declaration Service (CDS), which replaces its Customs Handling of Import and Export Freight (CHIEF) system.

From 11pm on 29 March 2019, for businesses trading with the EU, the impacts would include businesses having to apply the same customs and excise rules to goods moving between the UK and the EU as are currently applied in cases where goods move between the UK and non-EU countries.

This means customs declarations would be needed when goods enter the UK (an import declaration), or when they leave the UK (an export declaration).

For imports into the UK, a separate safety and security declaration needs to be made by the carrier of the goods (usually the haulier, airline, freight train operator or shipping line).

**Please contact a member of our team if you would like to discuss any of the issues raised.**

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For exports from the UK, the export declaration includes the safety and security declaration.

## WELCOME CGT ENTREPRENEURS' RELIEF CHANGE FOR SHAREHOLDERS

In the December 2018 newsletter we alerted you to important changes to CGT entrepreneurs' relief included in the latest Finance Bill that could have the effect of denying the relief to certain employee shareholders. As the result of lobbying by the professional bodies the government have made a late change in the Finance Bill to the definition of "personal company" so that fewer shareholders will be denied the relief when they dispose of their shares.

The normal test is that the shareholder is required to be entitled to at least 5% of the company's ordinary share capital, voting rights, profits available for distribution, and assets available on the winding up of the company.

The amendment provides an alternative test which would allow relief where the individual is entitled to at least 5% of the sale proceeds in the event of a disposal of the whole of the ordinary share capital of the company, even if the 5% test in relation to distributable profits and assets on a winding up was not satisfied.

This remains a complex area and we would suggest that you contact us to review your company's share structure to check whether particular shareholders would be entitled to relief for their shares.

## CORPORATION TAX RELIEF BACK FOR ACQUIRED GOODWILL

A further late change to the Finance Bill will re-introduce relief for acquired goodwill on the acquisition of businesses with eligible intellectual property from 1 April 2019.

This relief was withdrawn back in July 2015 and the restoration of relief for goodwill and customer-related assets is very welcome although the new form of relief will be more restricted.

The proposed new relief will be given at a fixed rate of 6.5% on up to 6 times the value of any qualifying intellectual property assets in the business being acquired. Qualifying assets will include patents, registered designs, copyright and design rights and plant breeders' rights. This means that the qualifying costs will be written off over just over 15 years and will not follow the treatment in the company accounts as currently applies to other intangibles.

## TERMINATION PAYMENT CHANGES DELAYED TO 2020

HMRC have announced that the changes to the national insurance (NIC) treatment of termination payments and sporting testimonials have been delayed to 6 April 2020.

From 6 April 2020 Employer class 1A NIC will become payable on termination payments in excess of £30,000 and on sporting testimonials that exceed £100,000 (lifetime limit). The changes are intended to align the NIC treatment with the treatment for income tax although there is no NIC liability for the employee on such

payments.

Whether or not the £30,000 exemption applies on termination of employment is a complex area and specialist advice should be obtained.

## DON'T BE LATE IN PAYING YOUR PERSONAL TAX BILL

Individual's 2017/18 income tax, CGT, class 2 and 4 NIC liabilities should have been paid by 31 January 2019.

Note that if the balance is still unpaid at the end of February 2019 a 5% surcharge penalty is added in addition to the normal interest charge unless a time to pay arrangement has been agreed with HMRC.

## DIARY OF MAIN TAX EVENTS

### FEBRUARY / MARCH 2019

Date	What's Due
1/02	Corporation tax payment for year to 30/4/18 (unless quarterly instalments apply)
19/02	PAYE & NIC deductions, and CIS return and tax, for month to 5/02/19 (due 22/02 if you pay electronically)
1/03	Corporation tax payment for year to 31/5/18 (unless quarterly instalments apply)
2/03	5% penalty imposed on 2017/18 income tax, CGT, class 2 and 4 NIC still unpaid at this date
19/03	PAYE & NIC deductions, and CIS return and tax, for month to 5/03/19 (due 22/03 if you pay electronically)

**Please contact a member of our team if you would like to discuss any of the issues raised.**