TECHNICAL UPDATES

Our regular roundup of legal and regulatory change

TAX

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LOAN CHARGE REPORTING DEADLINE IS APPROACHING

The deadline for reporting disguised remuneration loans that are subject to the loan charge is 30 September 2020, ICAEW reminds members. HMRC has also published guidance on refunds of voluntary payments.

Outstanding disguised remuneration loans that are subject to the loan charge (tinyurl.com/BAM-DisRem) must be reported to HMRC by 30 September 2020. This must be done using the online form (tinyurl.com/BAM-Report) as well as on the 2018/19 self-assessment tax return. Anyone who wants to spread their outstanding disguised remuneration loan charges across the 2018/19, 2019/20 and 2020/21 tax years also needs to do so by 30 September 2020, using the same online form.

Any employer subject to the loan charge in respect of outstanding loans made to employees, or former employees, who has not yet reported and accounted for what they owe, or who needs to change the information they have submitted, must do so now.

Following the recommendations in the *Independent Loan Charge Review* (tinyurl.com/BAM-DisRev), certain voluntary payments ('voluntary restitution') made as part of a disguised remuneration settlement with HMRC can be refunded. The voluntary payments that can be refunded are those made on or after 16 March 2016, in relation to loans made in unprotected years. An unprotected year is one where HMRC did not take action to protect the year – for example, by opening an enquiry. HMRC has published guidance about which voluntary payments can be refunded (tinyurl.com/BAM-Waiver) and how the scheme works (tinyurl.com/BAM-Scheme).

The Tax Faculty recommends that any taxpayer affected by the Loan Charge should seek independent advice.

HMRC can be contacted by phone on +44 (0)30 0059 9110 or by email at ca.loancharge@hmrc.gov.uk

HMRC GUIDANCE ON CHANGES TO IMPORT VAT FROM 2021

The VAT treatment of imported goods is changing from 1 January 2021 following the end of the transition period. HMRC has started to produce guidance on the changes.

HMRC has issued guidance on accounting for import VAT on VAT returns from 1 January 2021 (tinyurl.com/BAM-Import). Until 1 January 2021, the current rules apply and differ depending on whether goods are imported from EU or non-EU countries.

Postponed accounting

For businesses registered for VAT in the UK, it will be possible to account for import VAT on VAT returns for goods imported from anywhere in the world. This will be done by declaring and recovering import VAT on the same VAT return, rather than having to pay it upfront and recover it later. This is commonly referred to as 'postponed accounting' and offers a simplification and cash flow advantages compared to the current rules for imports from outside of the EU.

The normal rules about what VAT can be reclaimed as input tax (tinyurl.com/BAM-Reclaim) will apply.

Postponed accounting can be used to account for import VAT if:

- the goods are imported for use in a business;
- the business's economic operator registration and identification number, which starts GB, is included on the customs declaration; and
- the business's VAT registration number is shown on the customs declaration, where needed.

Special procedures

Import VAT on goods put into a customs special procedure should be accounted for on the VAT return covering the date when the declaration that releases those goods into free circulation is made. This applies to the following:

- customs warehousing;
- inward processing;
- temporary admission;
- end use;
- outward processing; and
- duty suspension.

A similar principle applies to the release of excise goods from an excise warehouse for use in the UK, which is also known as 'released for home consumption'.

Situations where postponed accounting will not apply

It will not be possible to use postponed accounting for imports made under authorisation to use simplified declarations for imports, where simplified frontier declarations are made before 1 January 2021. This will be the case even if the supplementary declaration is made after this date.

Different rules apply to goods in consignments not exceeding £135 (tinyurl.com/BAM-Change).

VAT return completion

After the goods have been imported, it will be necessary to account for import VAT on the next VAT return (tinyurl.com/BAM-Complete). An online monthly statement will be available to download and keep, which will show the total import VAT postponed for the previous month that should be included on the VAT return. Due to postponed accounting, there will be changes to how the VAT return should be completed:

- box 1 must include the VAT due in the period on imports accounted for through postponed VAT accounting;
- box 4 must include the VAT reclaimed in the period on imports accounted for through postponed VAT accounting; and
- box 7 must include the total value of all imports of goods included on the online monthly statement, excluding any VAT.

For businesses that are eligible to defer their customs declarations – for example, where the business makes supplementary declarations (tinyurl.com/BAM-Supp) – import VAT must be declared on the VAT return which includes the date that the goods were imported. To complete the boxes on the VAT return, it may be necessary to estimate the import VAT due from the records of imported goods.

When submitting a deferred declaration, the next online monthly statement will show the amount of import VAT due on that declaration. It should then be possible to adjust any previous estimate and account for any difference on the next VAT return.

EMPLOYMENT LAW

THIS SECTION IS SUMMARISED FROM THE BULLETINS OF VARIOUS LAW FIRMS AND ASSOCIATIONS. NONE OF THE INFORMATION IN THIS UPDATE SHOULD BE TREATED AS LEGAL ADVICE

HOSPITALITY ON THE FRONTLINE OF PRECARIOUS RECOVERY AMID LOCAL LOCKDOWNS

Local government and business representatives have called for greater transparency and support when restrictions are suddenly re-imposed in local lockdowns.

Matthew Fell of the Confederation of British Industry (CBI) was one of several leaders who queried the way lockdowns had been communicated to those who had to shut their doors again in Leicester for two weeks, and then in Manchester and parts of Lancashire and West Yorkshire.

As part of a six-point strategy suggested to government for handling local lockdowns in future, the CBI wants support for companies who struggle when staff have to self-isolate, perhaps with furlough scheme cash.

The Federation of Small Businesses' National Chair, Mike Cherry, added that recruitment, planning and investment were difficult for businesses fearing imminent localised lockdowns.

Confusion about the rules about who could meet and where had led to no-shows at restaurants in Manchester. This was mirrored in non-isolating locations including London, where celebrity chef Tom Kerridge took to social media to report that his restaurant experienced 27 no-shows in a single day.

Kerridge's Instagram post, which garnered more than 31,000 likes, said that no-shows were "putting people's jobs more at risk". He added: "We put staff levels to the number of covers booked and when you fail to turn up, it now costs us, which in turn will force very uncomfortable and hard decisions about staffing levels."

It was hoped that the government's Eat Out to Help Out scheme, which operated in August, offering discounts of up to £10 a head, would help ameliorate against these concerns. More than 10 million claims were made in the first week, the Treasury said.

WEAK GROWTH FOR RETAIL, BETTER NEWS IN MANUFACTURING – BUT MORE JOB LOSSES

More retail job losses were announced in August as the UK fell into recession for the first time since 2009.

Department store Debenhams is to cut another 2,500 positions, following a round of management redundancies in May. This continues the cull on the high street, which has already affected famous names including Boots, M&S, John Lewis & Partners and WH Smith.

The Centre for Retail Research says so far 24,348 jobs have been lost in the wake of the pandemic, with another 31,628 still at risk.

Despite a shrinking of the economy by 20.4% between April and June, GDP grew by 8.7% in June itself. And according to KPMG and the British Retail Consortium (BRC), high street sales were up 3.2% in July as people returned to stores. Purchases remained focused on home improvements, while sales of luxury items such as watches and jewellery were low.

The BRC still describes the retail landscape as 'fragile'. KPMG UK head of retail Paul Martin pointed out that when furlough schemes end, a reduction in disposable incomes could continue to have a negative effect.

Meanwhile, the Office for National Statistics reported improved output for manufacturers in June, which was up 11% month on month.

IHS Markit/CIPS UK Manufacturing Purchasing Managers' Index also recorded manufacturing sector growth for the second month running in July.

HOME-WORKING ADVICE FOR EMPLOYERS AND EMPLOYEES

According to comparison site Finder.com, 60% of the adult population has been working from home due to COVID-19. And while some employers begin to welcome people back into premises, a huge number will remain at home for the foreseeable future.

With this in mind, resources from the arbitration and conciliation service Acas could prove invaluable as new and perennial workplace issues bite.

Its pages dedicated to the current situation offer clarity about the legal responsibilities of employers to their employees on a number of issues, and advice for workers on how to approach their bosses about specific difficulties.

As well as dealing with new situations such as furlough and vulnerable workers who have been shielding, there are sections on how to fairly deal with holiday pay, sick pay, and disciplinary and grievance procedures.

In the working from home hub, there are sections on health and safety (eg, reasonable adjustments for disabilities, mental health); equipment and technology; checking how systems are working; setting expectations; keeping in touch; pay and terms/conditions; childcare; expenses; and checking whether home-working affects mortgages or insurance policies.

There are links to a CIPD questionnaire on preparing people for home-working, which may be useful to anyone hiring new staff during the crisis.

Acas (acas.org.uk/coronavirus) also has links to training sessions specifically aimed at preparing managers to handle a remote workforce, as well as for managing their way back out of the lockdown.

FINANCIAL REPORTING

YOU CAN FIND OUT MORE ON THE LATEST FROM THE FINANCIAL REPORTING FACULTY AT ICAEW.COM/FRF

CORONAVIRUS

The impact of COVID-19 is still at the forefront of our minds and government, standards setters and regulators continue to respond.

Focus on filing

The Financial Reporting Faculty has produced a new online guide summarising the measures introduced at Companies House to support companies during the COVID-19 pandemic.

For companies whose filing deadline falls between 27 June 2020 and 5 April 2021 (inclusive) and who have not shortened their accounting period, the Regulations extend their filing deadline by three months. This extends filing deadlines to:

- 12 months after the period end for a private company; and
- nine months after the period end for a public company.

Filing deadlines are updated automatically for eligible companies; it is no longer necessary to apply for an extension. The extension applies to the company's original filing deadline; it is not added to an extension already granted by Companies House.

Our online guide also provides further detail on filing deadlines outside the above dates, other information to be filed at Companies House and penalties.

For more information on filing deadlines visit icaew.com/ukregulation

LEASE MODIFICATIONS

IFRS 16 Leases

As noted in last month's update, the International Accounting Standards Board has issued amendments to IFRS 16 that introduce a practical expedient to help lessees account for COVID-19-related rent concessions. This amendment has not yet been endorsed for use in the EU. The FRC has confirmed that it will not pursue regulatory action where issuers take advantage of the provisions contained in the amendments before adoption by the EU.

Read the Financial Reporting Council's (FRC's) statement at tinyurl.com/BAM-LeaseMod

FRS 102 proposed amendment

The FRC has issued FRED 76 *Draft amendments to FRS 102 and FRS 105 – COVID-19-related rent concessions* that propose explicit requirements for accounting for temporary rent concessions for operating leases occurring as a direct consequence of the COVID-19 pandemic, and within a limited timeframe. They shall be recognised over the period the concession is intended to compensate, reflecting the economic substance of the concessions and their temporary nature.

The proposals (tinyurl.com/BAM-Amend) are expected to apply to accounting periods beginning on or after 1 January 2020, with early application permitted. ●