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HMRC BASDA members update

16 July 2020

Agenda

- 12:00 – 12:05 Introductions – Louise Tarpy
- 12:05 – 12:20 Covid 19 Update – Louise Tarpy
- 12:20 – 12:25 Prompts and nudges – Louise Tarpy
- 12:25 – 12:40 Postponed VAT Accounting – David Pruden
- 12:40 – 13:00 Making Tax Digital latest – Verna Gellvear
- 13:00 – 13:15 VAT reverse charge for construction scheme – Jason Gill
- 13:15 – 13:30 Questions

Covid 19: Collaborating at Pace

20 Mar
Chancellor announcement

21 Mar – 6 Apr
Frantic industry liaison answering questions, establishing requirements, considering options - impacting 'the art of the possible'

7 Apr
Package shared with wider industry (Covid 19 forum). Included BASDA, BCS, Top 10 payroll, ERP providers, combined represented 75% of the industry

9 Apr (Easter Thu)
Call with Covid 19 forum. Additional policy and technical questions, many relating to calculations, received.

14 Apr (Easter Tue)
Responses issued Note: In total SDC has received in excess of 250 questions relating to all Covid measures 80% of those questions related to CJRS

17 Apr
Developer support package V1.0 issued (guidance, calculator upload file)

20 Apr
CJRS GO LIVE!

*HMRC thank the industry for their support through this difficult period. We know most developers have implemented their own customer support models, guidance and/or solutions. This has really helped our mutual customers through this unprecedented and most challenging of times.

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Covid 19 – Job retention Scheme

- Flexible furlough launched successfully 1st July to CSAT scores of over 90%
- Ability to delete claims within a 72 hour window also introduced
- The new scheme's rules change each calender month:
  - August – government pays 80% to cap of £2500 for furloughed hours, employer will pay pension and employer NICs
  - September – government pays 70% up to cap £2187.50 for furloughed hours. Employers pay pension and employer NICs. Employer tops up wage to ensure 80% up to cap of £2500
  - October – government pays 60% up to cap of £1875 for furloughed hours. Employers pay pension and employer NICs. Employer tops up to ensure 80% up to cap of £2500

To help with planning HMRC aim to publish guidance as soon as possible

- 10th July the calculator for August was released (pension/ NIC removal)
- 20th July first date employers can make a claim for August

Important: there is now a standard format for upload files. Files received that don't meet the required format will be returned to customers which will delay claims

Covid 19 – Chancellor announcement 8th July

Job Retention Bonus - what we know so far:

One-off payment of £1,000 per employee, to employers that have used the Coronavirus Job Retention Scheme (CJRS).

To be eligible, employees will need to:

- earn at least £520 per month (above the Lower Earnings Limit) on average for November, December and January
- have been furloughed at any point and legitimately claimed for under the Coronavirus Job Retention Scheme
- have been continuously employed up until at least 31 January 2021
- Employers will be able to claim the bonus from February 2021 once accurate RTI data to 31 January has been received.

More information about this scheme will be available by 31 July and full guidance will be published in the Autumn.

Covid 19 – Chancellor announcement 8th July

The Chancellor also announced other measures, including:

- the Eat Out to Help Out Scheme – during August, diners can get 50% off Monday to Wednesday on meals and non-alcoholic drinks, up to £10 per person, when eating at participating restaurants, bars, cafes and other establishments that have registered
- VAT reduction – from 15 July until 12 January 2021, the UK government will cut VAT from 20% to 5% on any eat-in or hot takeaway food and drinks from restaurants, cafes and pubs, excluding alcohol. This VAT reduction also applies to all holiday accommodation in hotels, B&Bs, campsites and caravan sites, as well as attractions like cinemas, theme parks and zoos
- an increase in the Stamp Duty Land (SDLT) Tax threshold in England and Northern Ireland – increasing the threshold under which no SDLT is paid on the purchase of a main home from £125,000 to £500,000, with immediate effect until 31 March 2021

More information

https://www.gov.uk/government/publications/a-plan-for-jobs-documents
https://www.gov.uk/government/collections/coronavirus-job-retention-scheme
https://www.gov.uk/government/publications/changes-to-the-coronavirus-job-retention-scheme/changes-to-the-coronavirus-job-retention-scheme
https://www.gov.uk/guidance/register-your-establishment-for-the-eat-out-to-help-out-scheme

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Prompts and nudges latest

- *We continue to recognise the importance of co-created nudges and prompts in software content, and are pushing forward towards setting up some basic trials to try and test the efficacy of the approach.*
- *Our ambition is to work to deploy some of the selected prompts we have used in HMRC to good effect so far into customer interactions with the software - these include prompts in ITSA, Employment Duties and VAT.*
- *We intend to build the trials so that there is no requirement to change the API - instead we will seek to influence customers using the software earlier in the journey to help them to avoid common errors in what they appear to be intending to file.*
- *Ideally we'd like to work with a number of software developers on a number of different prompts in a range of tax regimes to test whether exposure to the prompts can reduce common errors in submissions.*
- *Our ambition is to co-create content and trial in a way that helps us understand whether the prompts are effective at influencing compliance choices.*
  ***Can you help is with this?** Please contact SDST's mailbox if you would like to volunteer*
- *HMRC internal trials have involved a Randomised Control Trial (RCT) to measure impact.*
- *We'd then look to release the results of the prompt trials as soon as possible to the entire developer group for wider voluntary adoption We may ultimately seek to update the Developer Hub requirements to ensure all developers can align their product with successful additions we may wish to see implemented across the board.*
- *Longer term, we want to consider other opportunities to develop content in the data capture / data aggregation process within software and explore options for 'real-time' assurance checks to be built into the APIs using HMRC risk-rules.*

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Postponed VAT Accounting (PVA)

David Pruden

Postponed VAT Accounting (PVA)

- PVA to be introduced from 1 Jan 2021, as announced at Budget
- PVA allows VAT registered businesses to account for VAT on imports through their VAT return rather than at (or soon after crossing) the UK border
- Maintains current cash flow position for imports from EU. Provides a cash flow benefit for goods imported from non-EU
- PVA is not ordinarily mandatory, and you do not need to be authorised to use it. You will just make the appropriate entry on your customs declaration
- An online monthly postponed import VAT statement will be available to assist the trader to complete their VAT return
- PVA is mandated for VAT registered traders who are eligible to defer their supplementary declaration by up to 6 months, under staging in import controls. This means they will need to account for import VAT on their VAT return which includes the date when they imported the goods.
- Non-VAT registered traders cannot use PVA and continue to pay their import VAT as they do now when they make their customs declaration

PVA: Guidance and future engagement

Guidance:

- Border Operating Model – published on 13 July 2020 includes some material on PVA
- Guidance on PVA to be published on gov.uk soon

Engagement with VAT accounting software developers:

- Further information on how the introduction of PVA will affect completion of the VAT return to be sent by HMRC SDST
- To discuss the published material at HMRC BASDA meeting in August
- Offer of a further dial-in with VAT Accounting software developers
- Engage with software developers individually where requested

https://www.gov.uk/government/publications/the-border-operating-model

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Making Tax Digital

Verna Gellvear

Why Make Tax Digital?

A digital future is what (most) customers expect

Helping businesses ‘get it right first time’ will reduce tax lost through error

Accounting Software can help to integrate tax into business processes and financial planning

93.5% of Self Assessment tax returns filed online

80.4% of customers satisfied with HMRC’s digital services

Over 1.3 million customers in MTD for VAT

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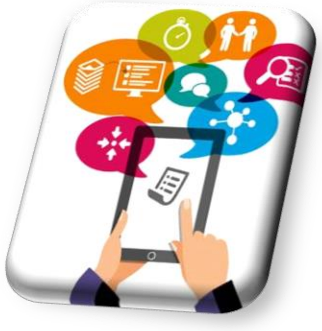
Up to Date MTD VAT Stats

As at 6th July 2020

- Over 1.6 million sign ups
- Nearly 6 million VAT returns submitted using software
- Overall over 85% of those mandated to join the MTD service from April 2019 have signed up to MTD
- 30% of non mandated businesses have signed up to submit MTD VAT returns voluntarily
- c500 software vendors with MTD compatible products



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Recent Updates

- The VAT payment deferral ended on 30 June. We're seeing a healthy rate of DDs being re-established.

- The June VAT filing peak for stagger 3 took place on 7 July and the compliance rate was over 90%.

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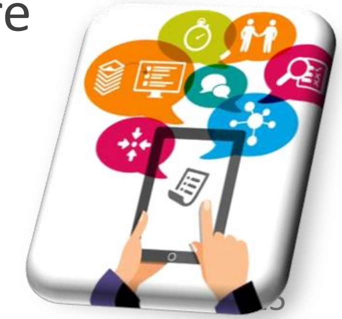
MTD Future…..

- It remains the Government's ambition to make HMRC the most digitally advanced tax authority in the world, and to extend Making Tax Digital to more taxes and taxpayers in the future.
- HMRC plans for MTD are still continuing despite COVID and is still one of HMRC's top strategic aims
- The Government and HMRC are continuing to make significant investment in the expansion of functionality for MTD for Income Tax in 2020-21.
- Current ITSA pilot – sole props/residential landlords. Potential volunteers register via Gov.uk.
- Unable to provide a firm timeline for MTD ITSA but HMRC are continuing to work with software providers and Agents to enhance MTD ITSA services in anticipation of future mandation.



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MTD Future.....

- HMRC will continue to work collaboratively with stakeholders on the next steps for Making Tax Digital and seek further views and evidence on the impact of ongoing implementation.
- The Government published a detailed evaluation of the rollout of Making Tax Digital for VAT at Finance Bill. This drew on feedback from taxpayers, agents, representative bodies and software developers, and on research commissioned by HMRC.
- Independent research shows that businesses using Making Tax Digital software are starting to benefit from improving working practices, reduced scope for error and time savings.

VAT Reverse Charge for Construction Services UPDATE

JASON GILL

HM Revenue & Customs

16 JULY 2020

Latest news

- the reverse charge for construction services has been delayed until 1 March 2021
- there has been an amendment to the original legislation : it is now a requirement for businesses excluded from the reverse charge because they are end users or intermediary suppliers to inform their sub-contractors in writing that they are end users or intermediary suppliers

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What is the reverse charge?

A domestic reverse charge means the UK customer who gets supplies of construction services must account for the VAT due on these supplies on their VAT return, rather than the UK supplier.

This removes the scope for fraudsters to steal the VAT due to HMRC and follows similar measures introduced in response to criminal threats for mobile telephones, computer chips, emissions allowances, gas and electricity, telecommunication services and renewable energy certificates.

Background

A technical consultation on the draft legislation and its impact took place in summer 2018 and the final legislation and guidance were published in November 2018.

The domestic reverse charge for building and construction services was originally planned to come into force on 1 October 2019, but this was delayed for a year in response to industry concerns that some businesses were not ready to implement the changes required.

Business impact

There has been a long lead-in time ahead of the anti-fraud measure coming into force to allow for the potential cash-flow and administrative impacts the change will have on businesses.

Businesses need to adapt their accounting systems for dealing with VAT and there will be a negative impact on the cash-flows for many affected businesses, as they will no longer get VAT payments from customers for services where the reverse charge applies.

5 month delay

To help affected businesses overcome the effects that the coronavirus pandemic has had on them and give them more time to prepare, the introduction of the reverse charge has been delayed for a period of 5 months until 1 March 2021.

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Change to legislation

The additional amendment to require end users and intermediary suppliers to notify their sub-contractors of their end user or intermediary supplier status in writing is designed to make sure both parties are clear whether the supply is excluded from the reverse charge.

It reflects recommended advice published in HMRC guidance and brings certainty for sub-contractors as to the correct treatment for their supplies. If followed, it will remove a concern that HMRC may seek to challenge the reverse charge treatment where a business that qualified as an end user or intermediary supplier had not given any notification of their status.

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Between now and then

HMRC remains committed to the introduction of the reverse charge.

In the intervening period, HMRC will continue to focus additional resource on identifying and tackling existing perpetrators of the fraud.

HMRC will also work closely with the sector to raise awareness and provide additional guidance and support to make sure all businesses will be ready for the new implementation date.

Contacting HMRC VAT policy

Email VAT Serious Non-Compliance & Fraud:

indirecttax.vatsncfteam@hmrc.gov.uk

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Questions?

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Fraud prevention headers

Q. We want to pass on local IP addresses as per HMRC spec, the only way we have found to do this is using WebRTC (HMRC guidance also states web apps should use WebRTC). The issue is this method may be a security hole and most web browsers are now looking to close it. There are a couple of ways we have identified to still use this method:

1. Enable mic/camera which will ask user for permission to use the device mic/camera – may cause stress/ concern and lead to questions
2. Disable behaviours in browser advanced settings, but this onlt seems possible fo all sites leaving user more vilunerable generally.

Is there a 3rd way to obtain local IP addresses using WebRTC? If not, could HMRC review the info needed and the approach they recommend to do this?

A. Thank you for raising the issues with WebRTC. Please continue to try detecting it with the code you have already and HMRC will accept that in many cases the gov-client-local-ips will be empty or omitted. Recent versions of Chrome introduced more restricted privacy measures including anonymised local IPs exposed by WebRTC. As a result it returns local IPs in the following format: <UUID>.local, for example 00000000-1111-2222-3333-444444444444.local

We are not aware of another way of getting local ips than WebRTC. We will continue to see how WebRTC is supported by browsers and we may remove it as a requirement for web applications. There will be an update to our documentation if this happens. For the time being it remains a requirement. We would not expect you to enable the mic or camera or to prompt the user to change their security setting, simply send us the value provided by the browser.

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MTD SA – reporting CIS deductions

Q. At present there is one box for CIS deductions on the tax return, box 81
- CIS Deductions and tax taken off: Total Construction Industry Scheme (CIS) deductions taken from your payments by contractors – CIS subcontractors only

Current process is contractors report payments and deductions and at the end of the year the subcontractor/ agent reviews, amend and authorise all the CIS payments for the tax return. New process requires more regular (quarterly) reporting – each month the contractor payment will include labour and materials and tax deducted. How are the CIS deductions at the higher rate going to be matched with the subbie's record? That's why the higher rate is used because the contractor does not know enough about the subbie. Overall HMRC's proposals seem to make a lot of extra work for the taxpayer

A. Currently the sub-contractor does not have access to the contractors pre-pop data. They have to rely on the contractor providing the sub-contractors financial statement at the end of the tax year to complete the SA return. We are now pre-populating the calculator with the CIS tax deductions in year to give a more accurate calculation to the sub-contractor.

They will also be able to view CIS data held, data will reflect detail per contractor showing total deductions to date and the lower level period data. After the end of the tax year if the sub-contractor does not agree with the CIS data we hold for them they can override this.

HMRC believes this facility will help sub-contractors take control of deductions suffered, they will have the ability to check regularly that deductions contractors claim to have sent have been.