

## Newsletter

### NSPCC Bike Ride 2020

#### Save the Date

June 2020 will once again see an intrepid team of Bulley Davey friends and family raise money on behalf of the NSPCC through the Peterborough Business Support Group's Rutland Water Bike Ride.

We realise the 7th June is a little way off but we're very excited to be involved in this event and are taking an early opportunity to urge everyone to enter a team and raise sponsorship in support of this amazing charity.

So please join us and get on your bike to cycle around the 17 mile perimeter of the famous Rutland Water nature reserve. This is a great day out for friends and family, a hog roast is included and will be awaiting us all at the finish line.

Further details of how you can enter will be found on the Bulley Davey website in the new year.

### Paul Jex celebrates 50 years at Bulley Davey

Paul Jex is celebrating 50 years at Bulley Davey this year; having joined the firm in 1969.

Paul joined us as a trainee accounts clerk in our Peterborough office and soon after started spending a day a week at a satellite office in Spalding. We now have nine offices across the Eastern region and after moving to the Spalding office full time in the early 70s, Paul has seen it grow to a staff of over 30 today.

Speaking about his time at Bulley Davey, Paul said: "I was reasonably good at maths at school and found myself in accountancy, working on accounts and involved in audits - which I must say I didn't enjoy that much at the time!"

"When I joined the Spalding office, we prepared accounts and carried out tax work for everyone from shopkeepers to limited companies. Back then clients were seen more face-to-face and particularly the market day on a Tuesday in Spalding was a very popular day for clients to come in and see us."

"Since joining Bulley Davey fifty years ago, the world of accountancy has changed a lot - particularly when it comes to technology. First there were computers and email and now cloud accounting is revolutionising the industry. When I started out, we prepared accounts long-hand and the completion of income tax returns, for example, was a very long process. Technology has not only sped things up but given us time - which we use to advise our clients and spot opportunities we may not have seen before."

Speaking about Paul's anniversary, Director Andy Atkins, said: "We want to say big

congratulations to Paul on reaching this milestone - and thank him for his service over the years. I know his experience has been invaluable to younger members of the team - and his knowledge of Spalding and our clients has been important to our growth in this area."

When asked about advice for young accountants, Paul concluded: "I worked under Lawrence Calkin here at Bulley Davey for 30 years and learnt so much from him. When it comes to my advice, I hope to be as helpful as he was to me."

"One thing I always do is encourage junior members of the team to give clients a call and maintain that personal contact. It's an important part of our approach here at Bulley Davey."



# Off-payroll? Be prepared...

From 6 April 2020, a major shake-up to the off-payroll (IR35) rules is expected. Draft legislation is already published, though changes to the Check Employment Status Tool (CEST) and adaptations to HMRC guidance are still expected.

The new regime will affect you if you work via your own personal service company (PSC), and off-payroll workers should be aware that their clients are likely to investigate the profile of the contractor workforce more closely than before, as part of a general review of compliance, strategy and spend. But the changes could be felt more widely: anyone supplying personal services via an 'intermediary' could be within scope of the IR35 rules. An intermediary can be an individual, a partnership, an unincorporated association or a company.

## Your contracts?

The change could impact you if you supply personal services to large and medium organisations in the private and voluntary sector. If the client is a 'small' business, the rules are unchanged. A 'small' company meets two of these criteria: its

annual turnover is not more than £10.2 million: it has not more than £5.1 million on its balance sheet: it has 50 or fewer employees. If you contract with an unincorporated organisation, the new rules only apply if its annual turnover is more than £10.2 million.

## Not your decision

Under the new rules, responsibility for making the decision as to whether IR35 rules apply passes to the business you contract for. The key question is whether, if your services were provided directly to that business, you would then be regarded as an employee. You may be used to this if you undertake contracts in the public sector, where similar provisions already exist. If you or your client use CEST, HMRC's online employment status check tool [bit.ly/2mSIWu](https://bit.ly/2mSIWu), HMRC undertakes to stand by the results if information provided is accurate, and given in good faith. At present, however, HMRC considers CEST is unable to determine status in 15% of cases, and many commentators

consider the failure rate much higher. HMRC is working to improve CEST with the forthcoming changes in mind.

In future, your client will have to give you the reasons for its status decision in a 'Status Determination Statement' (SDS). If you disagree, you can challenge the status determination with the business, and it should respond within 45 days, either withdrawing or upholding the decision, again supplying reasons.

## The future

Significant tax implications arise. If IR35 applies, the business or agency paying you will calculate a 'deemed payment' based on the fees charged by your PSC. Broadly, this means you are taxed like

an employee, receiving payment after deduction of PAYE and employee National Insurance Contributions (NICs). If you operate via a PSC, the PSC will receive the net amount, which you can then receive without further payment of PAYE or NICs. The potential tax advantages of working under such a contract - especially for PSCs - are much reduced.

This is a good time to take stock of your options. Are clients likely to query your employment status? Should you consider restructured work arrangements, or renegotiating fees? If working via a PSC, is it still the best business model? With clients checking that contracts comply with the new rules, employment status for contractors is likely to come under increasing scrutiny across the board. We should be delighted to talk through your options and the tax consequences. And for those working only for small private sector clients, where contracts do not fall under IR35, we are always happy to review optimal profit extraction strategy. Please do get in touch.



## Making Tax Digital for VAT: starter's orders

Making Tax Digital for VAT (MTDfV) is up and running. Most VAT-registered businesses with taxable annual turnover above £85,000 will now be signed up to HMRC's new system to keep digital records and file VAT returns using MTDfV-compliant software. But as the system beds in, there are some key points to remember.

### Deferred businesses

MTDfV is still being rolled out for some businesses. The start date was deferred for trusts, not for profit organisations not set up as companies, VAT divisions and VAT groups, and some other businesses. HMRC

should have notified these businesses of their deferral directly, but MTDfV rules apply for the first VAT return period starting on or after 1 October 2019.

### On the horizon

Businesses submitting returns should be aware that, as an online service, MTDfV is subject to occasional downtime. Downtime should usually be flagged up in advance and service availability can be checked here [bit.ly/2UErXA](https://bit.ly/2UErXA). If filing your own VAT return, it would be prudent not to leave this until the last minute.

HMRC made concessions regarding certain specific aspects of digital record keeping

for the initial stage of the new regime: the 'soft landing' period. This meant that the requirement for digital links joining all parts of a business' functional compatible software was eased for the first year of mandation. The use of cut and paste or copy and paste was also permitted instead of a digital link, but only within this period. Requirements are explained at Point 4 in VAT Notice 700/22 [bit.ly/2rLdQKR](https://bit.ly/2rLdQKR)

Businesses taking advantage of the soft landing period need to be confident that they can transition to full digital competence in 2020. We should be happy to advise further.

# Capital gains on property



Disposing of property? There are important tax changes on the horizon. The date to keep in view is 6 April 2020. New capital gains tax (CGT) rules apply if you dispose of a property on or after this date.

Broadly speaking, private residence relief (PRR) means there is usually no CGT to pay on the sale or disposal of your main or only residence. To 'better focus' PRR on owner-occupiers, Budget 2018 announced changes to the final period exemption and lettings relief. You may want to consider your affairs now in the light of these changes.

## Final period exemption

With the final period exemption, you are not usually liable to CGT for the last 18 months in which you own a property, even if you don't actually live there. This was intended to provide protection for someone moving to a new main residence when there was difficulty selling the original home. But from April, the final period is cut to nine months. The change could create CGT consequences for significantly higher numbers of property transactions. If buying a new property before selling the old, it will be important to try to sell within nine months to avoid a possible CGT bill.

There is an exception for those in, or moving into, care home accommodation, or those with a disability. Here there is a 36-month period, and this does not change.

## Lettings relief

At present, lettings relief gives up to £40,000 relief (£80,000 for a couple who jointly own the property) for someone letting part, or all, of a property which is their main residence, or was the former main residence at some point in their period of ownership. But under the anticipated new regime, lettings relief will only be available where you jointly share occupation with a tenant, which is likely considerably to reduce its scope.

We have only been able to provide an overview of the new rules here, and complexities can arise, for example with

periods of absence from a main residence, or with ownership of more than one property. Please do talk with us for advice on your individual circumstances.

## Paying the tax

From 6 April 2020, there is also major change to the deadlines for paying CGT when disposing of a residential property. This may apply when a second home, an inherited property, or a rental property, is sold or otherwise disposed of. Individuals, trustees, and personal representatives should all be aware of the forthcoming change.

In future, there is a 30-day window after the completion of the property disposal in which to file a return, calculate and make payment on account of the CGT bill. This changes the current procedure, with payment made as part of the self assessment cycle, and CGT payable by 31 January of the tax year following the year of disposal. If no payment is due, reporting will not be required. This would be the case if, for example, PRR is available in full.

The change parallels current obligations of non-UK residents. Since 6 April 2019, non-resident CGT has applied to direct and indirect disposals of UK land or property, whether commercial or residential, with non-resident companies being chargeable to Corporation Tax on gains. There is a 30-day reporting requirement, even if there is no tax to pay. Where tax is due, it must be paid within 30 days of completion. The charge to CGT on ATED-related gains has been removed.

Tax and property are complicated, and it is always prudent to discuss the potential tax implications of any property transaction. For peace of mind, please do not hesitate to contact us.

# Hospitality: tips and tax

From time to time, HMRC turns the compliance headlight on a particular business sector. This year restaurants and takeaways come under scrutiny. Staff tips are one high risk area.

There are various ways that tips can be distributed to staff. Discretionary service charges and tips paid by credit card should be dealt with under PAYE.

It is however, the treatment for National Insurance Contribution (NICs) purposes which can cause dilemmas for employers. There is an exemption which means that NICs are not always due on tips, which can be advantageous for both business and employee. For the exemption to apply, the tip must satisfy either of these two conditions:

- it is not paid by the employer to staff, directly or indirectly, and does not represent monies previously paid to the employer, say by customers, or
- it is not allocated by employer to staff, either directly or indirectly.

The first condition can only apply where employees keep cash tips received by them directly or from an informal pooling arrangement. For the second condition, allocation is essentially about deciding who receives what. The exemption can thus apply if a specified employee, (often a troncmaster), rather than the employer, decides how the tips are distributed to staff. NICs will be due, however, where tips are allocated to employees directly or indirectly by the business. The flowchart at the end of HMRC's guidance may prove useful [bit.ly/2uP99IQ](https://bit.ly/2uP99IQ), but please do contact us for further advice.



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## Brexit for employers

EU nationals currently contribute over 2 million people to the UK workforce.

Government policy regarding immigration and free movement is a rapidly changing area. To keep up to date, a regular check of the Brexit preparation pages on [gov.uk](http://gov.uk) [www.gov.uk/brexit](http://www.gov.uk/brexit) or signing up for email alerts [bit.ly/2ky8lzb](http://bit.ly/2ky8lzb) is recommended. The House of Commons Library also publishes useful and clearly written Brexit news items [bit.ly/2IAArk4](http://bit.ly/2IAArk4).

### Workers: checking the right to stay

Citizens of the EU, European Economic Area (EEA) and Switzerland, or those with such a family member, living in the UK before it leaves the EU, should check what they need to do in order to stay after Brexit.

For most such workers, and their family members, this will involve applying to the EU Settlement Scheme (EUSS), which gives the ability to continue living, working and studying in the UK. However, there is no need to apply where someone has indefinite leave to enter or remain in the UK. Neither do those with British or Irish citizenship - including 'dual citizenship' - need to apply.

### EU Settlement Scheme

There are different application deadlines for the EU Settlement Scheme, depending on whether there is a no-deal Brexit or a negotiated settlement. With a no-deal Brexit, the deadline for EUSS applications is 31 December 2020. Otherwise it is 30 June 2021. It is free to apply, and it would be wise to do so as soon as possible. Application can be made online [bit.ly/2K1PFUK](http://bit.ly/2K1PFUK).

Successful applicants will receive either settled or pre-settled status. This is based on how long someone has lived in the UK: it is not a matter of choice. Broadly, settled status is given where someone has lived in the UK for five years continuously, and pre-settled status where someone

has lived in the UK for less than this. For either status, applicants should have started living in the UK by 31 December 2020 - or the date the UK leaves the EU without a deal. Either status gives access to public services like the NHS, pensions, and means someone can continue working in the UK, though rights are slightly different for each.

Employers are not obliged to assist, but HMRC's employer toolkit is designed to facilitate employers providing advice and support to relevant staff [bit.ly/2mHoJul](http://bit.ly/2mHoJul).

### Employers: other considerations

The government is currently reviewing arrangements for EU, EEA and Swiss citizens arriving in the UK after Brexit as part of its plans for a future points-based immigration system. But until 31 December 2020, such citizens can continue to enter, live and work in the UK as they do now. For those wanting to stay beyond this, a temporary three-year UK immigration status, European Temporary Leave to Remain, is being planned. Thereafter, application under the points-based system, expected in 2021, would be required.

Employers should be aware of key deadlines and immigration rules applying at any point, as workers inadvertently breaching immigration procedures could become illegal workers.

Deal or no-deal Brexit, employers should also carry on with normal right to work checks. Further Home Office guidance is expected, clarifying when right to work checks will change. It is not anticipated, however, that there will be any change until 1 January 2021. Employers can check the current position here [bit.ly/2kmc5nD](http://bit.ly/2kmc5nD). These are challenging times for employers, and we should be delighted to do all we can to help.