Personal Tax Newsletter
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Chairs, tables and tax: working from home

The coronavirus (COVID-19) has seen an upsurge in homeworking. For many people, there are questions on the tax on the equipment required.

What if I contribute to employee costs?

You can look to reimburse some specified costs incurred by employees when working from home without income tax or national insurance consequences, by making a nominal fixed payment, or a larger contribution.

- **Nominal payment:** you can pay £6 per week: or £26 per month to employees paid monthly (£4 and £18 respectively, before 6 April 2020) in recognition of costs like additional heat, light, or increased metered water. This is the simplest route to take. You don't have to justify the expenditure and your employee doesn't have to keep records.

To qualify, payment must be in respect of reasonable additional household expenses incurred by the employee carrying out the duties of their employment at home. It must also be in the context of a formal homeworking arrangement. This is defined as an employer-employee arrangement that some or all of their duties will regularly be performed at home.

HMRC confirmed that employees working from home because the workplace had closed, or following advice to self isolate, were covered by the rules on homeworking expenses, and the requirement for 'regular' homeworking should therefore be met in these circumstances.

- **Larger contribution:** you can potentially reimburse more than £6/£26, though this will involve providing analysis of costs and is more cumbersome. We are happy to advise in detail on the best approach in your circumstances.

Can employees claim tax relief themselves?

Yes: employees looking to recoup costs have a potential alternative route to employer reimbursement: claiming tax relief themselves. The easiest way to do it is to claim relief of £6 per week/£26 per month for those paid monthly (£4 or £18 before 6 April 2020). As with the employer method, this doesn't need records. Note though, that relief for making business phone calls can be claimed separately, and this does mean recording costs involved. Employees can claim online, by phone or post, or via their self assessment tax return, if they usually file one. They can be directed here for further help: https://bit.ly/3dsVvb4.

However, gateway criteria for employee claims are normally very strict, and it doesn't usually follow that where an employer doesn't reimburse, an employee can get tax relief by default. And while it's likely HMRC will accept that its usual tests are met where someone is working at home because of Covid-19, it has yet to confirm some aspects of the position. It may be worth flagging this up to employees, for example if there is a degree of choice over homeworking as we move out of lockdown.

Do normal rules on taxable benefits and expenses still apply during the COVID-19 lockdown?

Broadly, yes. In most cases, it's (tax) business as usual. So, for example, you can provide one mobile phone and SIM card per employee, with no restriction on private use, and it doesn't count as a taxable benefit. Or you can provide an asset, like a computer for work at home and it will usually be exempt from tax, provided the arrangement fits three conditions:

- it's provided solely to enable the employee to perform the duties of the employment
- any private use is not significant, and
- it isn't an 'excluded' benefit – such as a car.

Where employees are paid travel and subsistence expenses to get to a temporary workplace, and furlough or home working interrupts this, the usual time clock still runs. So for tax purposes, a 'temporary' workplace won't qualify as temporary after 24 months, and the 24 months includes time furloughed or homeworking. For HMRC guidance, covering areas like volunteer fuel and mileage costs, and paying or refunding transport costs, see https://bit.ly/3hU65v7 and https://bit.ly/3fTea1s.

Are there any new COVID-19 rules?

Yes. They cover the position where you reimburse an employee who has bought home office equipment: table, chair or monitor, for example. Normally, reimbursement after an employee purchases would be taxable. But from 16 March 2020 to 5 April 2021, a temporary exemption from income tax and National Insurance exists, so long as:

- equipment is obtained solely to enable the employee to work from home because of the pandemic
- it would have been exempt from income tax if provided directly to your employee, either by you or on your behalf
- such arrangements are available to all your employees generally on similar terms.

Care will be needed regarding current and future ownership of the equipment. We are happy to advise further.

What about employer-provided cars?

With cars going nowhere during lockdown, this may seem counter sense: but usual rules on company cars mostly still apply, for furloughed employees, and those working at home because of Covid-19. The car is still treated as 'available for private use' for tax purposes. That's even if you have told employees not to use it; asked someone to take and keep a photographic image of mileage, both before and after a period of furlough; or employees are unable physically to return it and it can't be collected from them.

HMRC will accept a car is unavailable in limited circumstances, applying only where Covid-19 restrictions on movement prevent its being returned to the employer, or collected. Thus, where the contract is terminated, it will be unavailable from the date car keys are returned; or where the contract has not been terminated, after 30 days from the date keys are returned.

For more information, please contact us.

A plan for jobs

Chancellor Rishi Sunak used his recent Summer Economic Update to announce a £30 billion plan to create and protect jobs as government support for the economic recovery from the coronavirus (COVID-19) pandemic moves into a new phase. As part of his 'plan for jobs', the Chancellor introduced a Job Retention Bonus to support the phasing out of the furlough scheme, a VAT reduction for businesses in the hospitality and tourism sector and a temporary reduction in Stamp Duty Land Tax (SDLT). Here, we look at what these measures mean for businesses and individuals.

The Job Retention Bonus

The Coronavirus Job Retention Scheme (CJRS) is being gradually wound down and will end in October, to be replaced by a Job Retention Bonus. This will see UK employers receive a one-off payment of £1,000 for each furloughed employee who is still employed as of 31 January 2021. To qualify for the payment, the employee must be paid at least £520 on average in each month from November to January. Payments will be made from February 2021.

Kickstarting the job search

To address the ongoing challenges that the economy faces, the government has a large-scale plan to support people in finding jobs, enable them to gain the skills they need to get jobs and provide targeted help for young people to get into work.

The flagship £2 billion Kickstart Scheme aims to create high-quality, subsidised six-month placements for young people at risk of long-term unemployment. Other measures include a boost to the National Careers Service, enhanced work search support and payments for employers who hire new apprentices.

Eat Out to Help Out

Pubs and restaurants have been amongst the worst affected by the COVID-19 lockdown and Mr Sunak's innovative 'Eat Out to Help Out' scheme aims to give them a boost.

It entitles every diner to a 50% discount of up to £10 per head on their meal at any participating restaurant, café, pub or other eligible food service establishment and is valid Monday to Wednesday throughout

August. Participating establishments will be fully reimbursed for the 50% discount. Further details are available here: bit.ly/3edB9D0.

In order to further support the hospitality and tourism sector, the Chancellor cut the rate of VAT from 20% to 5%. This applies to supplies of food and non-alcoholic drinks from restaurants, pubs, bars, cafés and similar premises, as well as to accommodation and admission to attractions, including theme parks and zoos, across the UK. See here for further guidance: bit.ly/2DrjsTR.

Stamp duty boost for property market

In response to a stalling property market, the government temporarily increased the nil-rate band of residential SDLT in England and Northern Ireland from £125,000 to £500,000. This applies from 8 July 2020 until 31 March 2021.

Both Scotland and Wales have their own versions of SDLT, namely the Land and Buildings Transaction Tax (LBTT) and the Land Transaction Tax (LTT). The Scottish government has raised the threshold at which LBTT is paid from £145,000 to £250,000. This applies from 15 July 2020 until 31 March 2021. The Welsh government has also raised the threshold at which LTT is paid from £180,000 to £250,000, effective from 27 July 2020 until 31 March 2021. However the tax reduction in Wales will not apply to purchases on additional properties, including buy-to-let and second homes.

Additionally, the Chancellor announced a £2 billion Green Homes Grant, providing at least £2 for every £1 homeowners and landlords spend to make their homes more energy efficient, up to £5,000 per household. For those on the lowest incomes, energy efficiency measures will be fully funded up to £10,000. The scheme aims to upgrade over 600,000 homes across England.

Changes to tax rules and rates can be complex. We would be only too pleased to provide any further assistance you may need.

Home is where the dog is

Disposals of residential property bring the potential for any gain to trigger a capital gains tax (CGT) liability. If you dispose of your main home, principal private residence relief (PRR) usually renders the gain exempt.

But as always with tax, there are conditions. The most straightforward scenario is where you have only one home, and live in it, as your main home, for all the time you own it. Life, on the other hand, isn't always that simple.

Where a property is acquired with a view to profit, PRR can be denied, and HMRC is increasingly alert to such possibility. Two recent tax cases illustrate areas of potential challenge.

In one, the bone of contention was whether 'period of ownership' runs from date of contract (HMRC's view) or date of completion. The property was a flat, purchased off-plan, and the issue of dates significant because the credit crunch delayed construction for some three years - while property prices rose. At contract date, the flat was unbuilt, and the 'residence' just an empty 'space in a tower'. When the taxpayer sold, HMRC time apportioned PRR, and with CGT of over £60,000 at stake, the case went all the way to the Court of Appeal. Here it was held that HMRC's interpretation ran 'counter to the ordinary meaning of the words "period of ownership"': a victory for common sense and good news for taxpayers.

Taxpayer, Carol Adams, was not as fortunate. Contending that a two-bed London house, previously let out, was her main home for six months before it sold, she claimed what is called 'final period exemption' for PRR, bringing a longer period (currently nine months) outside the scope of CGT. HMRC argued she had never occupied the house as a residence at all, and if she had, it was not her main residence. Complicating matters, Ms Adams also owned, and had lived in, a 'substantial property' in the country. HMRC held there was insufficient 'degree of permanence, continuity or expectation of continuity ... to amount to residence' of the London house. It clearly suspected a decision to sell had been made early on, scouring the estate agency's online photographs for signs of genuine occupation.

And this was where the dogs came in. Ms Adams owned two Labradors. Noting the 'complete absence of ... canine paraphernalia' in the photographs on Zoopla, Tribunal commented that it would 'be unusual for a pet owner to move to a new house on a permanent basis' leaving the pets behind. HMRC's view of impermanence won the day, losing the taxpayer over £40,000 in CGT. So it's official. Be careful where you put the kennel: home is (very possibly) where the dog is.

PRR claims can be lost without attention to detail. We should be delighted to help you review the availability of this important relief in your own circumstances.

COVID-19 round-up

Job Retention Scheme: phase two

The Job Retention Scheme (JRS) has been a lifeline for employers looking to avoid staff lay-offs because of Covid-19. Now it's changing.

You can use it part time

From 1 July 2020, JRS gives you a half-way house: flexible furloughing. You can bring employees who have been furloughed back to work, for any amount of time and any shift pattern. There's no longer a minimum furlough period. You must agree any new flexible furlough arrangement with employees, and confirm it in writing. If bringing staff back, you are responsible for paying wages under the normal terms of the employment contract, with tax and National Insurance contributions (NICs) for any hours worked. But you can still use JRS for the hours staff don't work. This has the potential to help your business adapt creatively as the economy emerges from lockdown.

Other changes to the scheme mean it's no longer possible to use furlough for anyone not successfully claimed for previously. And for any claim periods starting from 1 July 2020, check that you're not claiming for more employees than claimed for in any claim ending by 30 June 2020.

Tip: JRS deadlines

JRS ends on 31 October 2020. Although the last date by which to furlough an employee for the first time was 10 June 2020, (unless they were returning from family leave), if you still need to claim for any period before 30 June 2020, you have until 31 July 2020.

Sharing the cost

Government support will taper off from August. For employees who are on full time furlough, in August, JRS will pay 80% of wages, capped at £2,500. You will pay employer NICs and pension contributions on hours furloughed. In September, JRS will pay 70% of wages, capped at £2,187.50 for hours furloughed. You pay employer NICs, pension contributions and 10%

of wages to make 80% total, up to a cap of £2,500. In October, JRS pays 60% of wages, capped at £1,875 for hours furloughed. You pay employer NICs, pension contributions and 20% of wages to make 80% total, up to a cap of £2,500.

If you use flexible furlough, the cap is proportional to the hours your employees are furloughed. For example, an employee is entitled to 60% of the £2,500 cap if they are placed on furlough for 60% of their usual hours.

The revised rules add further complexity, and care will be needed to ensure claims fit the scheme criteria https://bit.ly/2YLoLpt. We should be happy to advise on any aspect of compliance.

Job Retention Bonus

The Summer Economic Update on 8 July 2020 announced a new Job Retention Bonus. This is designed to 'incentivise employers' to continue to keep furloughed staff in work over the economically uncertain period once the JRS ends. It will be a one-off payment of £1,000 to UK employers for every furloughed employee who remains continuously employed until the end of January 2021.

As an employer, you will be eligible to claim the bonus where employees earn at least £520 per month on average for November 2020, December 2020 and January 2021. You must have furloughed and legitimately claimed for them under JRS, and they must have been continuously in your employment until at least 31 January 2021. You will be able to claim the bonus from February 2021, once accurate RTI data to 31 January 2021 has been received by HMRC.

Self-employed Income Support Scheme

The Self-employed Income Support Scheme is being extended until 19 October 2020. HMRC's online portal will open from 17 August 2020, and those eligible will be invited to claim the final grant, covering the period on or after 14 July 2020 https://bit.ly/2AZZazK. The grant, which is taxable, will be worth 70% of average monthly trading profits, capped at £6,570, and paid in one instalment. You can claim whether you claimed the first grant, or not. Claims must, however, relate to the correct period: you will need to confirm that your business has been adversely affected by Covid-19 on or after 14 July 2020. This adds potential complexity, and you can see some examples of what HMRC currently considers being 'adversely affected' means here https://bit.ly/2NJUy3H.

Tax Tip

Employing family members

Have you considered employing family members in your business? As long as you can justify their involvement, you can employ them in your business. In a limited company, they can be remunerated with a salary, receive benefits, and be included in your company pension scheme. If you are in a partnership, taking your non-minor children into the partnership and gradually reducing your own involvement can be a very tax-efficient way of passing on the family business.

Please get in touch to discover the most tax-efficient way to involve your family in your business.

Reminders for your diary

August 2020

2 Deadline for submitting P46(Car) for employees whose car/fuel benefits changed during the quarter to 5 July 2020.

19 PAYE, Student loan and CIS deductions are due for the month to 5 August 2020.

September 2020

1 New Advisory Fuel Rates (AFR) for company car users apply from today.

19 PAYE, Student loan and CIS deductions are due for the month to 5 September 2020.

30 End of CT61 quarterly period.

October 2020

1 Due date for payment of Corporation Tax for period ended 31 December 2019.

5 Deadline for notifying HMRC of new sources of taxable income or gains or liability to the High Income Child Benefit Charge for 2019/20 if no tax return has been issued.

14 Due date for income tax for the CT61 quarter to 30 September 2020.

19 Tax and NICs due under a 2019/20 PAYE Settlement Agreement.

PAYE, Student loan and CIS deductions are due for the month to 5 October 2020.

PAYE quarterly payments are due for small employers for the pay periods 6 July 2020 to 5 October 2020.

31 Deadline for submitting ‘paper’ 2019/20 self assessment returns.

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