



## Brexit and its Impact on Workforces

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

### Workers: checking the right to stay

The government stated that 'freedom of movement as it currently stands will end . . . when the UK leaves the EU'. If the UK leaves the EU without a deal on 31 January, workers will need to take action within a short timeframe.

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. Those with British or Irish citizenship – including 'dual citizenship' – do not need to apply.

### The 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. Applications can be made online: <https://www.gov.uk/settled-status-eu-citizens-families>.

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 and 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:

<https://www.gov.uk/government/publications/eu-settlement-scheme-employer-toolkit>.

### 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: [https://www.gov.uk/guidance/employing-eu-eea-and-swiss-citizens-and-their-family-members-after-brexit?utm\\_source=8d9439db-ed02-42fa-a7e3-951a1d568bb8&utm\\_medium=email&utm\\_campaign=govuk-notifications&utm\\_content=daily](https://www.gov.uk/guidance/employing-eu-eea-and-swiss-citizens-and-their-family-members-after-brexit?utm_source=8d9439db-ed02-42fa-a7e3-951a1d568bb8&utm_medium=email&utm_campaign=govuk-notifications&utm_content=daily).

### Businesses trading with the EU

HMRC has advised that, post-Brexit, businesses trading with the EU will require an Economic Operator Registration and Identification (EORI) number. Firms without an EORI number may face 'increased costs and delays', the government recently warned. In the event of a no-deal Brexit, businesses will need a 12 digit EORI number that starts with GB in order to move goods in or out of the country. Firms that already have an EORI number that starts in GB can continue to use it. Businesses do not require an EORI number if they only move goods between Northern Ireland and Ireland. Firms can apply for an EORI number here: <https://www.gov.uk/eori>.

Businesses are also advised to decide whether a customs agent will be used to make import and/or export declarations, or whether declarations will be made by the business via software.

*These are challenging times for employers and businesses, and we would be delighted to advise you.*

### In this issue:

[Brexit and its Impact on Workforces](#)

[Keeping Pace with Property Tax Changes](#)

[Off-payroll Changes: are you prepared?](#)

[Business and tax round-up](#)

# Keeping Pace with Property Tax Changes

**Disposing of property? There are important tax changes on the horizon. The date to keep in mind is 6 April 2020. Disposing of a property on or after this date means you will need to factor in new capital gains tax (CGT) rules.**

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, the 2018 Budget announced changes to the final period exemption and lettings relief. You may want to consider your affairs now in the light of these changes.

## Taking a look at the final period exemption

Currently, the final period exemption means you are not usually liable to CGT for the last 18 months of ownership, 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. However, from April 2020, the final period exemption will be 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. Provided they or their spouse do not own any other residences there is a final 36-month deemed occupation period, which is not changing.

## A word on 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 new regime, lettings relief will only be available where you jointly share occupation with a tenant. These new rules will apply for disposals from 6 April 2020, regardless of when the period of letting took place, even if before April 2020. This is likely to considerably reduce its scope.

We have only been able to provide an overview of the new rules here, and complexities can arise. Examples include periods of absence from a main residence, or ownership of more than one property. Please do talk to us for advice on your individual circumstances.

## Changes from 2020

From 6 April 2020, there is also a 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 will be a 30-day window after the completion date for the property disposal to file a return, and 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 mirrors 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. 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 gains from the Annual Tax on Enveloped Dwellings (ATED) 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.***

## Reminders for your diary

### December 2019

- 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 December 2019.
- 30 Online filing deadline for submitting 2018/19 self-assessment return if you require HMRC to collect any underpaid tax by making an adjustment to your 2020/21 tax code.
- 31 End of CT61 quarterly period.  
  
Filing date for Company Tax Return Form CT600 for period ended 31 December 2018.

### January 2020

- 1 Due date for payment of corporation tax for the period ended 31 March 2019.
- 14 Due date for income tax for the CT61 quarter to 31 December 2019.
- 19 PAYE, Student loan and CIS deductions are due for the month to 5 January 2020.  
  
PAYE quarterly payments are due for small employers for the pay periods 6 October 2019 to 5 January 2020.
- 31 Deadline for submitting your 2018/19 self-assessment return (£100 automatic penalty if your return is late) and the balance of your 2018/19 liability together with the first payment on account for 2019/20 are also due.  
  
Capital gains tax payment for 2018/19.  
  
Balancing payment - 2018/19 income tax and Class 4 NICs, class 2 NICs also due.



# Off-payroll changes: are you prepared?

**From 6 April 2020, a major shake-up of the off-payroll (IR35) rules is expected. Draft legislation has already been published, though final details and HMRC guidance are still to come.**

The new regime will affect you if you work via your own personal service company (PSC). 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. However, the changes could be felt more widely. Anyone supplying personal services via an 'intermediary' could be within the scope of the IR35 rules. An intermediary can be an individual, a partnership, an unincorporated association or a company.

#### **Will you be affected?**

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 company is considered 'small' if it meets two of these criteria:

- its 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 your contract is with an unincorporated organisation, the new rules only apply if its annual turnover is more than £10.2 million.

#### **Determining employment status**

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. HMRC has an online 'check employment status check tool' (CEST), which can be found at [www.gov.uk/guidance/check-employment-status-for-tax](http://www.gov.uk/guidance/check-employment-status-for-tax), and undertakes to stand by the results if information provided is accurate, and given in good faith. It can be used by you or your client, although, at present, HMRC considers it is unable to determine status in 15% of cases. Many commentators consider the failure rate to be much higher. HMRC is working to improve the CEST tool with the forthcoming changes in mind.

In the 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.

#### **Looking to the future**

Significant tax implications arise if IR35 applies, as 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 Pay as You Earn (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 would be delighted to talk through your options and the tax consequences. For those working only for small private sector clients where contracts do not fall under IR35, we are always happy to review your profit extraction strategy. Please do get in touch.*

## **Tax Tip**

### **Minimising your National Insurance contribution (NIC) liability**

NICs are essentially a tax on earned income. The NICs regime divides income into different classes: Class 1 contributions are payable on earnings from employment, while the profits of the self-employed are liable to Class 2 and 4 contributions.

Many strategies for saving NICs are available to business owners. An employer may wish to increase the amount they contribute to company pension schemes; make use of share incentive plans; or disincorporate and operate as a sole trader or partnership. Business owners could also opt to pay a bonus to reduce employee NICs, or pay themselves dividends instead of bonuses.

**We can help you to minimise your NIC liability. Please get in touch for more information.**

# Business and Tax Round-up



## TPR warns changing name of a business 'doesn't change pensions duties'

The Pensions Regulator (TPR) has warned businesses that they cannot dodge their workplace pension responsibilities by changing their company name.

According to the TPR, some employers are committing offences by creating new businesses, transferring their workforce and liquidating the 'old' business. Other employers claim that they have no workers. However, the TPR can see from its data that they are paying wages. The Regulator is working in conjunction with the Insolvency Service to tackle the issue.

Regarding rebranding, the TPR stated that there is 'nothing wrong with genuine rebranding', and that rebranding has no impact on an employer's automatic enrolment duties. A business carrying out a rebrand is 'still the same entity' and the TPR will 'take action if employees are denied the pensions they are entitled to'.

Commenting on the issue, Darren Ryder, Director of Automatic Enrolment at the TPR, said: 'Some bosses might think that by changing the name of their company they can avoid their duties, but they should know they are on our radar.'

'We will not tolerate any attempt to deny employees the workplace pensions they are entitled to – and will take action against those who try to dodge their duties.'

## Fraud 'costing UK businesses £130 billion each year', report suggests

A report published by the Centre for Counter Fraud Studies at the University of Portsmouth has suggested that fraud costs UK businesses £130 billion each year.

According to the data, the number of losses incurred as a result of fraud has risen by 56.5% since 2009. Reducing fraud losses by 40% would 'free up more than £76 billion each year', the report stated. It also found that 80% of global fraud losses are 'larger than the UK's entire GDP'.

Commenting on the findings, Jim Gee, Chair of the Advisory Board at the Centre for Counter Fraud Studies, said: 'Sadly, too many organisations adopt a reactive approach to fraud and only look to tackle it once it has taken place, and losses have already occurred. A change of perspective is needed. Fraud is an ever present, high volume, low value problem and only a small proportion is detected.'

'We need to view fraud as a business cost – by understanding the nature and scale of the cost, we can reduce its extent – enhancing the profitability of companies and ensuring better funded public sector and charitable organisations.'

## CIOT, IFS and IfG urge Chancellor to 'take a new approach to making tax policy'

The Chartered Institute of Taxation (CIOT), the Institute for Fiscal Studies (IFS) and the Institute for Government (IfG) have urged Chancellor Sajid Javid to 'take a new approach to making tax policy'.

The groups have co-signed a letter to the Chancellor, in which they urge him to outline the principles and objectives that will inform his tax policy.

In the letter, the groups called for the Chancellor to 'consult on tax policies at an earlier stage in policy development', and to 'professionalise tax policy-making in the Treasury'. They also urged the Chancellor to confirm that there will be 'no going back' to the 'old days of multiple fiscal events'.

Additionally, the groups have called for the Chancellor to 'consult earlier with a wide group of stakeholders' on tax matters, and to carry out a 'more systematic evaluation of tax measures', including tax reliefs. Tax measures must be effectively reviewed to ensure they are 'achieving their objectives at acceptable cost', the groups added.

## New OTS project aims to explore simplifying tax reporting for the self-employed

The Office of Tax Simplification (OTS) has launched a new project, which aims to explore how tax reporting and payment arrangements for self-employed people can be simplified.

Introducing the project, the OTS stated: 'The OTS has heard that some, including some of those working freelance or in the gig economy, would welcome the option to report information and pay tax to HMRC periodically or on the completion of work assignments, rather than only through self-assessment.'

The OTS intends to explore options concerning information reporting and paying tax in or closer to real-time, which could 'make it simpler for people who are self-employed or receive private residential property income to meet their tax obligations in a practical and streamlined way'.

In the report, the OTS said that it understands that self-employed individuals 'work in diverse ways and contexts'. As a result, it is 'quite possible' that there will not be one single approach to simplifying tax reporting. The OTS intends to give consideration to the merits of having different approaches for different groups, or creating one overall system with sub-options.

The OTS will publish an initial paper on the matter in the autumn.

*For help or advice on any of the matters raised in this newsletter, please do not hesitate to contact the team on*

**0161 761 5231; or  
email: [theteam@horsfield-smith.co.uk](mailto:theteam@horsfield-smith.co.uk)**

This newsletter is for guidance only, and professional advice should be obtained before acting on any information contained herein. Neither the publishers nor the distributors can accept any responsibility for loss occasioned to any person as a result of action taken or refrained from in consequence of the contents of this publication.