

JTC

Issue 164

July 2022

Property Investment or Property Development

HMRC warns that they are seeing a number of cases where property investment businesses are undertaking redevelopment work on their investment properties without appreciating the need to register as CIS contractors. They warn that this can leave companies with CIS liabilities they may not be able to recover from their subcontractors.

Property developers are contractors within CIS because their business activity is the creation of new buildings, the renovation or conversion of existing buildings, or other civil engineering works.

Property investment businesses acquire and dispose of buildings for capital gain or use the buildings for rental income so are usually outside of CIS.

If a property investment business spends more than £3m on construction activities it becomes a [deemed contractor](#).

So far so clear. The area of ambiguity HMRC identifies is if a property investment business enters into “multiple or substantial” contracts to develop one or more of its properties, or if property development appears to be a “regular and substantial” activity. As always, be careful to keep your accountant up to date with what you are doing if your business activities change and don’t drift into non-compliance.

National Insurance

There is an online tool [here](#) which individuals can use to get an estimate of how the change to the National Insurance threshold in July will affect them.

Remember the rate of NI went up in April but the threshold at which it becomes payable rises in July: overall most people are likely to see a modest reduction in the amount they pay overall.

CT letters

HMRC have announced “improvements” to the letters they send requiring companies to file Corporation Tax returns (CT603) and reminders to make payment, or to pay and file a return (CT208). The “improvement” is the

R&D claims

HMRC has reduced its target for processing claims to Research and Development (R&D) Tax Credits from 28 days to 40 days. This is because it has reallocated resources from payment of claims to compliance checks as a result of the increasing number of “rogue” claims companies in this market. You should be very wary if an R&D “specialist” cold calls you promising to obtain a tax refund. At the very minimum, talk it over with your accountant before submitting any claim.

removal of the payslip. Instead of sending out a payslip, HMRC now requires you to pay electronically. If you haven’t already started to do this, the details of the different ways you can pay can be found [here](#).

Tax Debts 1: unable to pay

If you are unable to pay your taxes when they are due, then the best thing to do is to engage with HMRC and talk through the options with them: they will usually be reasonable and let you arrange time to pay. The worst thing you can do is to ignore them and hope they will go away. **Spoiler: they won't!**

They have updated their [“what will happen if you do not pay your tax bill”](#) guidance with details of the debt collection agencies and debt enforcement powers they can use as a last resort. Never let it get that far if you can possibly help it, but **DO** look at the page if you are having problems – it also lists all the ways you can get help and avoid getting to the debt collection stage.

Tax Debts 2: late payment

The interest rates for late payment of taxes have, as you would expect, increased as the Bank of England base rate increased.

From 5 July most overdue taxes are charged interest at 3.75%.

The full list of rates [can be found here](#) including the rates of interest HMRC would pay you on overpaid tax. These have mostly remained at 0.5%.

Consultation corner

Stamp Duty: according to the Interpretation Act, documents are deemed to be served on a company if they are sent to its “principal place of business”. For Stamp Duty HMRC sends them to the company’s registered office address or else the address shown on the land transaction return, so there is, theoretically, a gap in the legislation that means HMRC’s documents might be found not to have been validly served. They are about to change this to specify that documents served at the registered office address or the address shown on the return are validly served as well. It’s a very minor and technical change but if think you may be affected you can find the consultation and how to make your views known [here](#).

And finally...

Not strictly a tax matter, but if you have a child who was born between 1 September 2002 and 1 January 2011 they will have a child trust fund. These funds started to mature in September 2020 and a surprising number have been left to languish – some £374 million remains unclaimed. If some of that could belong to your child and you have forgotten where you set up their account the full details of how locate the funds can be found [here](#).