

JTC NEWSLINE

Issue 171

February 2023

MTD delay and basis period reform

Although the requirement to join Making Tax Digital (MTD) for IT has been postponed, HMRC will still go ahead with basis period reform. This will only affect you if you are a sole trader or partnership with an accounting date that is **NOT** 31st March or 5th April. From 6th April 2024 you will be taxed on the profits for the tax year instead of, as now, the accounting period ending in a tax year. 2023-24 will be the “transition year” where you will be able to use any overlap relief you may have accrued when you started trading. You will need to take advice (or to have very good records from your first year in business!) or you can read up on the details [here](#). (We hope to have a further guest article on this in a later issue). ■

MTD for VAT: final reminder

I am sure you don't need me to tell you that almost all VAT registered businesses will now be signed up for Making Tax Digital for VAT. You no longer need to sign up yourself. HMRC will sign up all remaining businesses to Making Tax Digital for VAT automatically unless they are exempt or have applied for exemption. You should now be keeping VAT records and submitting VAT Returns using compatible software. ■

National insurance after 6th November

The shenanigans with the changes in National Insurance rates last year have, not surprisingly, thrown up a few problems. In particular if you paid any employees on or after 6th November but before your software had updated, you will need to follow the advice in HMRC's [updated guidance](#) and

- recalculate the National Insurance contributions for all payments made between 6th November and the date when your software was updated
- report the revised figures on your next Full Payment Submission (FPS) - do not resubmit individual payments
- refund any overpayments of National Insurance contributions to your employee with their next payment

If you are unable to refund any overpayments – because the employee has left the company, for example – then you need to write to HMRC. The detail of what needs to be included in the letter is in the guidance and you should note there are different addresses to write to depending on whether you are unable to make the refund to a single employee or to several. ■

Tax avoidance and payroll fraud

HMRC are asking agents and employers to share their [tax avoidance explained](#) campaign. They say that “If you're a contractor, agency worker, or work through an umbrella company, we can help you check how you're paid to make sure you're not involved in tax avoidance” and that “with our support,

spotting tax avoidance is straightforward. They have also published [new guidance](#) for agencies and employers on how to check for, and report on, payroll company fraud. You should note in particular the requirement to carry out [due diligence checks](#) on your supply chain and to keep detailed records of all the checks you do. ■

Plastic packaging tax

Do you import building material that is packaged in plastic? If so, you need to keep an eye on the amount of plastic packaging involved; if you import more than 10 tonnes in a year you may need to register for, and pay, plastic packaging tax. The ten tonne threshold only applies to the packaging, not to the contents of the packaging.

So if you imported a hundred tonnes of sand in plastic sacks you would only need to consider the weight of the empty plastic sacks, not of the sand that had been in them. If you think you might be affected you need to check out the HMRC guidance [here](#) and then take professional advice. ■

Reading (for interest only)

Tax case news

There was a recent decision in the case of a tv rugby pundit about whether IR35 applied. What was new was the decision about appeals. The taxpayer's accountant had neglected to appeal against the lower court decision although they had told HMRC they intended to do so. But although the failure to appeal actually to the court was technical and the taxpayer knew nothing about it, nevertheless it was decided that there was no reasonable excuse for the late appeal. In other words, the principle of the thing is that you, the taxpayer, are responsible for your own tax affairs.

If you appoint an accountant who isn't up to the job or doesn't do the job for some reason, that is no excuse.

If you want to read the case you can find it by following [this link](#). ■

Reading (for interest only)

HMRC staffing levels. compliance and customer service

The National Audit Office has looked into the effect of HMRC reallocating work away from tax compliance onto covid support schemes during the pandemic. It concludes there was around £9billion in reduced revenue from compliance activity during the two years ended 2022: the report [can be read here](#). The House of Commons Public Accounts Committee have also looked at HMRC and found £42 billion in unpaid taxes and unacceptably poor customer service. Again, if you are looking for a little light reading the full report [can be found here](#). And, following the rule of three, [here](#) is a third link, to correspondence between HMRC and the Treasury Committee about what it also sees as unacceptable customer service and what HMRC seems to consider to be our own fault for wanting to speak to a human being instead of following the advice of its computer.

This is a lot of reading which, realistically, no-one expects you to do. In summary, HMRC may have some good reasons for poor service but the general picture is of a department limping along at the extreme edge of its capacity. What does that mean for us, the taxpayer? Will HMRC be tasked with increasing its compliance efforts above the previous level to make up for lost revenue? I'm not sure where the trained compliance staff to do this would come from, but we might all need to be prepared for increased audit and compliance activity. Essentially it is even more than usual good practice to make sure your records are backed up and your due diligence is unquestionable, particularly in areas like IR35. And allow lots of extra time if you find you need to phone HMRC! ■

Cross border working

If you have workers – or are a self-employed worker – working across borders you usually need an A1 Certificate issued by HMRC as evidence there is no need to pay social security contributions in another country. HMRC will disregard changes to work location caused by the pandemic but this was due to end on 31st December last. However [HMRC have confirmed](#) they will continue to consider such cases until 30 th June 2023. ■

Next month

- 1st March pay corporation tax for accounting periods ended 31st May 2022 (unless you are required to pay by instalments)
- 2nd March If you haven't paid your income tax/class 4 NICs for 21/22 or else made a time to pay agreement with HMRC you will be charged an automatic 5% penalty
- 7th March VAT returns and payment for the quarter ended 31st January 2023 to be made electronically (via MTD)
- 14th March quarterly corporation tax instalments (depending on accounting year end) for large companies
- 15th March Spring Budget
- 19th March File your CIS return ■

And finally...

Not a tax matter at all, but if you are a member of one of the following institutions:

- Institution of Structural Engineers
- Chartered Institution of Building Services Engineers
- Institution of Mechanical Engineers
- Institution of Fire Engineers
- Fellows or Associates of the RICS who are Chartered Building Control Surveyors or Chartered Building Surveyors

then you may be interested in vacancies for 10 candidates for the post of fee paid specialist building safety experts for the First tier Tribunal Property Chamber.

The role is to serve as a member of a Tribunal, alongside the Chair and the Lay Member, adjudicating on applications, appeals and references about disputes over property. The particular focus for the appointment will be to deal with applications and appeals under the Building Safety Act 2022.

If you are interested you should sign up to the Judicial Appointments Committee mailing list for these vacancies by following [this link](#) as the recruitment process begins at the end of February. ■

**If you have any feedback or
queries relating to any of the items in Newsline
email: wendy.bradley.42@gmail.com**