The Construction Industry
Joint Taxation Committee

JTC

JTC NEWSLINE

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Can you get into your government sites? Mandatory 2 factor authentication causes headches

HMRC have confirmed that the optional 2-step verification (2SV) becomes mandatory this month for businesses. This requires users to combine the **Government Gateway** login and password with a security code sent to a mobile or landline. HMRC are rolling out the process from 25 September 2017, businesses will need to ensure they are prepared for this.

Questions you need to consider:

- What tax accounts do you have? PAYE? VAT? CIS?
- Who needs access to those accounts?
    - Bookkeeper
    - Payroll bureau
    - Accountant
    - Director or secretary
- Do you have a separate number the responsible person can give in order to receive the code?
- Do you want that number to be a personal mobile phone number, or do you need a separate business phone for security?
- What will you do if that person leaves your employment or is absent?
- What about those in an area with poor mobile phone signal?
- What about those with poor mobile phone signal and poor internet?
- What happens if your mobile phone battery is flat?

You can ask for the security code to be sent to a landline instead, but:

- What if you have a central number via call centre or reception?
- What if the answer machine answers?
- Will the automated message wait for the call to be transferred or wait for the beep?

In order to assist business users, HMRC do make it possible to generate a security code using the HMRC App, as long as there is an internet connection available.

- What happens if your phone is out of charge?
- Who in your business will be App keeper?
- What if the App keeper is away?

It is understood that HMRC will enable multiple members of staff to be given delegate access to log on to the business tax account. This will require each of those staff members to have their own **Government Gateway** account and their own 2SV setup.

- What happens when a staff member with access to your business 2SV leaves?
- How will you block your staff member?

It is clear that this new process will cause additional headaches for some businesses. The process has been in place for personal tax accounts and PAYE for some time. Users are already reporting multiple issues. ■

New advisory fuel rates from 1 September 2017

HMRC have published new advisory fuel rates for company car drivers which will apply from 1 September 2017.

The new rates are listed in the table on the right. The current rates can be used up until 30 September 2017,

These rates can be used to calculate reimbursements of business fuel to employees on company cars, reimbursements by employees for private use of company cars to avoid a fuel benefit in kind charge and by businesses to calculate the amount of VAT that can be recovered on fuel. ■

Engine Size	Petrol	Diesel	LPG
1400cc or less	11p		7p
1600cc or less		9p	
1401cc - 2000cc	13p		8p
1601cc - 2000cc		11p	
Over 2000cc	21p	12p	13p

Change to VAT on mobile phone charges

From 1 November 2017, when a UK individual uses a UK mobile phone outside the EU, UK VAT will be charged. The place of supply of telecommunication services when made to consumers (B2C supplies) will be based on where the consumer 'belongs'. That will be the country in which the person's usual place of residence or permanent address is. This will mean mobile phone charges will be subject to UK VAT even when a UK person uses their UK mobile phone outside of the EU. ■

continued overleaf

VAT penalties: reasonable excuse - what is it?

The First-Tier Tribunal (FTT) have released four decisions on reasonable excuse relating to VAT in the last month.

In **Hardy Access Services Limited & Michael F Hardy Limited v HMRC [2017] TC06075** the FTT found that a Managing Director suffering from an undiagnosed serious illness which diminished his ability to manage the business was a reasonable excuse.The company's actions demonstrated that, had it known of the illness, it would have acted to ensure the taxes were dealt with on a timely basis.

In **Sky Throne Limited v HMRC [2017] TC06073**, short notice hospitalisation for a surgical procedure was allowed as a reasonable excuse. The company accountant did manage to submit the VAT return on the due date, online whilst at the hospital, but could not access the banking facilities to make the payment. The payment was made first thing the following day.

In **Spiral Packs (London) Limited v HMRC [2017] TC06088**, the taxpayer understood that the National Direct Debit Service (NDDS) Direct Debit (DD) set up to make Time To Pay (TTP) VAT payments, covered a subsequent VAT payment. In fact, the NDDS DD only covers the TTP and a separate general Direct Debit (DDI) would have to be set up to cover the normal VAT payments.
The taxpayer was informed by HMRC that the NDDS DD did not cover the next VAT return, but when they enquired with the bank as to whether there was an active DD with HMRC, they were told that there was. The taxpayer paid the VAT by faster payment, as soon as it realised that the payment had not been made. If the payment had been made by DD, it would have been on time, but as it was made by faster payment, it was three days late.The FTT concluded that the balance of argument lay narrowly in favour of the taxpayer and the company had a reasonable excuse.

Compare the results of these three cases with **Disaster Recovery Northampton Limited v HMRC [2017] TC06099**. The company Director's grounds of appeal were that "I got my days muddled up… I was only a couple of days late and I will set up a direct debit for future payments".
In response, the FTT said "We all make mistakes. This was not a blameworthy one. But the Act does not provide shelter for mistakes, only for reasonable excuses."
Disaster Recovery Northampton Limited had no reasonable excuse. ■

If you have a query relating to any of the items featured in newsline please contact Liz Bridge.

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Help-to-Save: the latest savings incentive

Draft legislation has been published which will give up to £25 per month to regular savers with a Help-to-Save account. Following on from the relatively recent introductions of the Lifetime ISA, the Help-to-Buy ISA, and the recent NS&I investment bond guaranteeing 2.2% interest for up to £3,000, the government has now released draft legislation for a Help-to-Save account for those on low incomes:

- The government will provide a 50% bonus on up to £50per month savings into a Help-to-Save account.
- The account will mature after 4 years, allowing a total bonus of up to £1,200.
- It is available for individuals who either:
  - Receive the universal credit and have minimum weekly household earnings of 16 hours at the national living wage, **or**
  - Receive the working tax credit.
- The account will be provided by NS&I.
- The account will be administered by HMRC and applied for through the gov.uk portal.
- The first bonus will be paid after two years based on the highest balance to that point.
- The government bonuses will not be taxable income.
- The bonuses will also not count as income for the universal credit or tax credits system.

The draft legislation is currently being consulted on. The consultation will run until 27 October 2017. The legislation is expected to come into force some time in 2018. ■

Optional remuneration arrangements (OPRAs) and Salary Sacrifice

- New rules for OpRAs were introduced from 6 April 2017 affecting salary sacrifice and other optional remuneration schemes.
- Any new arrangements or arrangements varied after 5 April 2017 are under the new rules.
- Existing arrangements will be brought under the new rules:
  - From 6 April 2021, in respect of cars with CO2 emissions over 75g/km, school fees and accommodation.
  - From 6 April 2018 for all other arrangements that are not excluded.
- Where the new rules apply, the higher of the cash foregone (salary sacrificed) or taxable value under benefit in kind rules is taxable.
- This applies to all arrangements apart from those relating to:
  - Pensions
  - Childcare vouchers and directly contracted childcare
  - Workplace nurseries
  - Cycle to work schemes
  - Low emission cars
- If you registered for voluntary payrolling of the benefit now caught under the new OpRA rules, you will not have to complete a P11D for 17/18 as long as the tax is calculated, paid and returned through RTI. ■

Making Tax Digital

HMRC has published draft secondary and tertiary legislation and guidance in respect of **Making Tax Digital (MTD)** for business, for Income Tax and VAT. Primary legislation on **MTD** was published on 8 September 2017, this includes provision for HMRC to make up the rules as they go along by the use of secondary legislation.

The intention is finalise the new regulations by April 2018 in order that businesses will be prepared for **Making Tax Digital** for VAT in 2019, and Income Tax in 2020.

Small trading businesses will be pleased to see that HMRC have allowed a reduced reporting requirement. Trades and professions, once within **MTD** and with turnover below the current VAT registration threshold may choose to provide a reduced number of categories as part of their quarterly update as follows:

Income

- Turnover - takings, fees, sales or money earned
- Other business income Expenses
- Total allowable expenses

These businesses will still be required to provide full details of their income and expenses when they file their end of period statement. It is not proposed that the reduced reporting requirement will apply to landlords, partnerships or businesses trading above the VAT threshold. ■