

McGovern Accountancy Ltd.

Anti Avoidance - Autumn Budget 2017

The following is a summary of the 2017 Autumn Budget in relation to Anti-Avoidance

Extending offshore time limits

Following a consultation in Spring 2018 it is proposed to extend the assessment time limits for non-deliberate offshore tax non-compliance to 12 years.

Reverse charge VAT on payments to subcontractors

With an aim of tackling fraud in construction labour supply chains, from 1 October 2019 the government will introduce a VAT domestic reverse charge. This means that the contractor will now account for the VAT and not the subcontractor.

This brings the UK in line with other EU countries such as ROI who presently operate such a charge.

Corporation tax: Impact of reorganisations of share capital on assets previously transferred to non-resident company

From 22 November 2017, the unintended tax charge which can currently arise in certain circumstances for UK companies, where the assets and trade of an overseas branch were transferred to an overseas company in exchange for shares in that overseas company the capital gains tax on the transfer was postponed and the overseas company is involved in a subsequent corporate restructuring, will no longer apply.

This will ensure that existing legislation on reconstruction does not interact in a way that acts as a barrier to commercial restructuring of companies.

Disguised remuneration: Further updates

From 6 April 2018, the disguised remuneration legislation targeting historical disguised remuneration avoidance schemes such as EBTs (whereby payments were made into the scheme by employee or self-employed individuals and loans were then made to these same individuals which would remain unpaid), will apply to the remuneration of owners of close companies.

Also, from Royal Assent of Finance Bill 2017-18, employees and self-employed individuals will have to provide HMRC with information on their outstanding loans by 1 October 2019 to enable HMRC to calculate the loan charge. HMRC will also be able to collect the loan charge from the employee if the employer is off-shore.

These additional pieces of legislation are designed to strengthen HMRC's ability to assess and collect tax in respect of outstanding loans which remain unpaid at 5 April 2019. *HMRC is making it clear that disguised remuneration avoidance schemes should not be used going forward.*

Anti Avoidance continued:

Double taxation relief: changes to targeted anti-avoidance rule

The Targeted Anti-Avoidance Rule (TAAR) applying to taxpayers entering into schemes designed to artificially create or increase double taxation relief claims are changing. The changes are:

- removal of the requirement for HMRC to issue a counteraction notice before the TAAR applies –for returns to be filed on or after 1 April 2018; and
- widening the scope of the schemes or arrangements to which the TAAR applies - on or after 22 November 2017.

Off-payroll working (IR35)

The government continues to consult on measures to tackle off-payroll working, with a view to extending the scheme to the private sector using similar reforms to those already applied in the public sector.

Employment status

The government continues to consult on this matter and will publish a paper with the aim of reforming and simplifying employment status tests.

Withholding tax

From April 2019, withholding tax must be applied to royalty payments paid to low tax jurisdictions.