Use this area to include your company logo, contact details and registered wording.

(This image is for sample purposes only, also please note the articles shown in this newsletter are for illustrative purposes only to give an idea of content.)

For our complete range of newsletters visit **www.practicetrack.co.uk/products-services**

Curing the top-earner pensions tax problem

NHS pensions made news this year, with consultants and GPs blaming large tax bills, linked to pension statements, for making some work 'uneconomic'. Why should high-earning power, coupled with pension provision, spell trouble – even for top-earners outside the NHS? We consider this issue and more.

Some doctors have recently been refusing overtime shifts after being hit with 'punitive tax bills' following changes to the amount that can be accrued tax-free. In a joint statement from the Department for Health and Social Care and the Treasury, ministers said that new rules would allow NHS employees to 'scale down' their pension contributions in order to avoid breaching the annual allowance (AA). The pensions row has been linked to a rise in waiting times for routine surgery caused by doctors' refusal to work beyond normal hours.

Commenting on the matter, Steve Webb, Director of Policy at insurers Royal London, said: 'NHS services are now being seriously impacted by GPs and senior doctors choosing to retire prematurely or cut hours because of tax relief limits. This issue needs to be addressed as a matter of urgency.'

Two key allowances have exacerbated NHS problems: the AA and the tapered AA. The type of pension scheme involved also plays a part, the NHS pension scheme being a defined benefit arrangement.

The AA – usually £40,000 – is the total employer and employee contributions that can be put into a defined contribution pension scheme each year. For a defined benefit scheme, the AA is generally measured against how much the value of the accrued pension has risen over the year. Factor in the AA taper, introduced in 2016 to restrict relief for top earners, and the position becomes very complicated. The taper can reduce the AA from £40,000 to £10,000, cutting it by £1 for every £2 of 'adjusted' income over £150,000. Adjusted income includes not only total income, but also the value of employer pension contributions for the year. The taper doesn't apply if taxable income, after allowing for certain reliefs, is below £110,000.

For those in defined benefit schemes, benefit build up can be significant – and not immediately visible to the individual involved. Large pay increases and long pensionable service compound the issue.

For those in defined contribution schemes, significant employer contributions may result in a tapered AA if total income, such as pay and dividends, exceeds £110,000.

How we can help

We are always happy to advise on pension issues and the associated tax planning opportunities. Please do not hesitate to get in touch. We would also be delighted to discuss the outlook for the future, should you be affected by the government's new undertaking to minimise AA problems and create 'full flexibility' over pension contributions for senior NHS clinicians.

Inside this issue

- Making Tax Digital for VAT: re-examining the key points
- How can SMEs help to tackle climate change?
- Brexit and its impact on workforces
- Business Round-up
- Reminders for your diary

Making Tax Digital for VAT: re-examining the key points

Making Tax Digital for VAT (MTD for VAT) is up and running. Most VAT-registered businesses with taxable annual turnover above £85,000 will now be signed up to HMRC's new system.

This requires digital records to be kept, and VAT returns to be filed using MTD for VAT-compliant software. As the system beds in, there are some key points to remember.

Deferred businesses

MTD for VAT is still being rolled out for some businesses. The start date was deferred for trusts, not-for-profit organisations not set up as companies, VAT divisions and VAT groups, and some other businesses. HMRC should have notified these businesses of their deferral directly, but MTD for VAT rules apply for the first VAT return period starting on or after 1 October 2019.

Looking ahead

Businesses submitting returns should be aware that, as an online service, MTD for VAT is subject to occasional downtime. Downtime should usually be flagged up in advance and service availability can be checked here: bit.ly/2lZKdGl. If filing your own VAT return, it would be prudent not to leave this until the last minute.

HMRC has made concessions regarding digital record keeping for the initial stage of the new regime, known as the 'soft-landing' period. This means that the requirement for digital links joining all parts of a business's functional compatible software is eased for the first year of mandation. The use of cut and paste, or copy and paste, is also permitted instead of a digital link, but only within this period. Requirements are explained under Point 4 in VAT Notice 700/22: bit.ly/2ktXC95.

Businesses taking advantage of the soft-landing period need to be confident that they can transition to full digital competence in 2020. We would be happy to advise further.

How can SMEs help to tackle climate change?

This summer's record-breaking European heatwave has given consumers and businesses alike another warning about the dangers of man-made climate change. It is a warning that many businesses now appear to be heeding.

A recent survey carried out by the Institute of Directors (IoD) and the Chartered Management Institute (CMI) has suggested that business leaders are 'committed to combating climate change'.

The survey revealed that nine out of ten directors believe that business leaders need to act to mitigate the effects of climate change. Identifying positive steps that a business can take may seem a daunting prospect for many SMEs, particularly if cashflow is tight. However, many ideas are simple to put into action and some could save businesses money.

Here are some practical steps that all businesses can consider:

- Increase awareness – educate employees on the environmental impact of their behaviour and the simple steps that can be taken to reduce ecological footprints
- Reduce and recycle – every business can make an effort to reduce the volume of waste it produces. Waste reduction also makes good business sense as it minimises the costs associated with both purchasing and disposal. Promoting a paperless office, banning plastic water bottles and organising recycling bins properly are all simple ways to make a significant impact
- Improve energy efficiency – possibly the biggest way any business can make a difference. Cut down on fossil fuels by changing energy supplier or by looking at renewable options. Make sure computers, screens and machinery are all switched off when not in use to reduce energy usage. The installation of smart thermostats and LED light bulbs also has the potential to make significant savings. Moving to electric vehicles won't just reduce your carbon footprint: it is increasingly tax-efficient too
- Cut out plastic – beyond water bottles, businesses need to look at packaging. Plastic is already subject to a clampdown, and using it will become more costly in terms of both cash and reputation as consumers become more environmentally aware
- Reduce travel – help reduce the number of cars on the road by working from home, encouraging carpooling, subsidising public transport or installing a bike rack. Video conferencing technology has improved substantially in recent years, making travelling for meetings unnecessary
- Use the cloud – cloud computing addresses two critical elements of a green IT approach: energy efficiency and resource efficiency. Cloud technology saves space and provides flexibility, and it also cuts back on hardware and manufacturing, plus the emissions that go hand-in-hand with both.

Businesses may well be forced to change how they behave through a combination of consumer preferences and the implementation of future regulations. However, taking positive steps now will help to minimise businesses' carbon footprints.

Brexit and its impact on workforces

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

Government policy regarding immigration and free movement is a rapidly changing area. To keep up-to-date, a regular check of the Brexit preparation pages on gov.uk (**www.gov.uk/brexit**) or signing up for email alerts (**bit.ly/2ky8lzb**) is recommended. The House of Commons Library also publishes useful and clearly-written Brexit news items: **bit.ly/2lAARk4**.

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 October, 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: **bit.ly/2K1PFUk**.

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: **bit.ly/2mHoJuI**.

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.

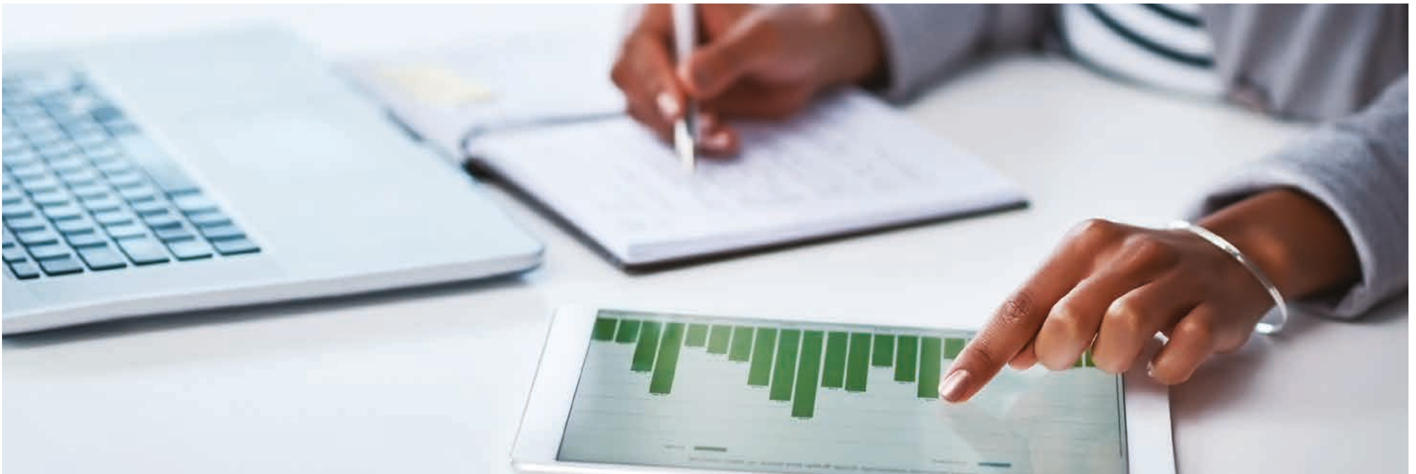
Deal or no-deal Brexit, employers should also carry on with normal right to work checks. Further Home Office guidance is expected, clarifying when right to work checks will change. It is not anticipated, however, that there will be any change until 1 January 2021. Employers can check the current position here: **bit.ly/2kmc5nD**.

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: **bit.ly/2qTeFiW**.

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.



Business 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.'

Reminders for your diary

November 2019

2 Deadline for submitting P46(Car) for employees whose car/fuel benefits changed during the quarter to 5 October 2019.

19 PAYE, Student loan and CIS deductions are due for the month to 5 November 2019.

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.

Disclaimer - for information of users: This newsletter is published for the information of clients. It provides only an overview of the regulations in force at the date of publication and no action should be taken without consulting the detailed legislation or seeking professional advice. Therefore no responsibility for loss occasioned by any person acting or refraining from action as a result of the material contained in this newsletter can be accepted by the authors or the firm.