

NEWSLETTER

Summer 2020

HMRC consults on recovery powers for CJRS and SEISS

HMRC will be able to recover grants issued under the Coronavirus Job Retention Scheme (CJRS) and Self-employed Income Support Scheme (SEISS), issue penalties and charge tax under proposed amendments to the Finance Bill. HMRC has launched a short consultation on draft clauses to Finance Bill 2020 which confirm the taxability of CJRS and SEISS grants, and outline how it will be able to recover payments to which the recipient is not entitled and charge penalties in cases of deliberate non-compliance.

COVID-19: Reverse VAT charge for construction postponed to 2021

The government has announced a further five-month delay to the introduction of the domestic reverse VAT charge for construction services due to the impact of coronavirus. The reverse charge for VAT on construction services was originally due to come into force on 1 October 2019, but its introduction was later pushed back until 1 October 2020. In a brief, published on 5 June, HMRC confirmed that the anti-fraud measure is now being postponed until 1 March 2021 in light of the coronavirus pandemic. A reverse-charge system requires a VAT-registered customer to account for the VAT due when buying certain services from its suppliers. The customer pays the VAT due to HMRC by making an adjustment to its VAT return rather than paying the VAT to the supplier. The advantage of a reverse charge is that there is no risk of a fraudulent supplier invoicing for work that it has purportedly supplied together with VAT, which it then fails to account for to HMRC.

Time to Pay (TTP) Arrangements with HMRC – TTP proposals

HMRC have informed R3 of their current position with regards to TTP proposals. A TTP proposal should be made in writing. Standard information should include: a description of the business; the annual total liability to tax; details of the nature and amount of tax to be deferred by instalment; a short-term cashflow forecast (when the amount is > £750,000); and reasons why the request is being made (e.g. COVID-19). HMRC would want to see: details of the measures implemented to allow it to pay the debt as quickly as possible (e.g. if the company has received support via any government scheme); the parts other stakeholders have played in presenting the best proposal; other funding options explored before seeking TTP (e.g. via banks, other lenders, shareholders, directors etc); explain why HMRC should provide support/ take an element of risk when others are not willing to invest or inject capital into the company.

HMRC – Position on interest and penalties -Self-Assessment Deferred Payments -HMRC will make the necessary adjustments to automated systems to prevent any late payment interest from accruing; Individuals will not be charged late payment interest provided the deferred payment on account is paid in full on 31 January 2021; If the individual's deferred payment on account is not paid by 31 January 2021 they may incur late payment interest from that date; Penalties will not be applied.

VAT Deferred Payments - interest will not be charged on the deferred VAT payment if deferred as a result of the VAT deferrals announcement.

The Moratorium

Insolvency Practitioners are now able to assist corporate entities in distress by taking on the role of Monitor of the newly available Moratorium process.

The Moratorium is a debtor in possession process which must be overseen by a licensed IP and requires certain criteria to be met at the outset and throughout the 20 business day, albeit extendable, duration.

The Moratorium will impact significantly on the ability of creditors to enforce claims against the Company. This is balanced by the requirement that the monitor must be satisfied that the Company is likely to remain as a going concern. We consider that this requirement may deter IPs from accepting the role of monitor, or that the investigation required to be able to make such a statement will take too long or be too costly.

There is an expectation that the monitor will not allow hopeless prospects to delay their demise but used properly the moratorium will offer viable companies protection from their creditors.

At this early stage we cannot see many instances where existing procedures do not already offer a solution, but construction companies involved in dispute and adjudication may see some benefit.

Stop Loan Sharks

The England Illegal Money Lending Team (IMLT) recognised that the Coronavirus Pandemic has produced increased financial pressure for some people. The Team is fully committed to ensuring that illegal money lenders (loan sharks) do not take advantage and profit from other people's hardship. The Stop Loan Sharks helpline service (0300 555 2222) remains open and fully operational during the COVID-19 pandemic. They encourage not only victims but friends, family members and the wider community to come forward if they suspect someone is suffering at the hands of loan sharks.

Insolvency Service Statistics

Case numbers E&W	Q1 2020	Change on Q4 2019	Change on Q1 2019
Corporate			
Compulsory Liquidations	701	1.3%	-14.7%
Creditors' Voluntary Liquidations	2,708	-10.1%	-6.3%
Administrations	404	-12.9%	-7.8%
Company Voluntary Arrangements	69	-10.4%	-25.8%
Receiverships	1	N/A	N/A
Personal			
Bankruptcies	4,261	2.5%	1.8%
Debt Relief Orders	6,875	0.0%	0.0%
IVAs	16,714	-6.9%	-17.7%

Prefer this newsletter by email or wish to be removed from our database?

If you would prefer to receive your newsletter by email or have your name removed from our database, please contact claire.woodman@richardjsmith.com

Website: www.richardjsmith.com

Contact Details

53 Fore Street, Ivybridge, Devon PL21 9AE
Tel: 01752 690101 Fax: 01752 690808

Norfolk House, 16 Lemon Street, Truro TR1 2LY
Tel: 01872 261132 Fax: 01872 261134

24 Southernhay East, Exeter, EX1 1QL
Tel: 01392 424063

Partners

Giles Frampton giles.frampton@richardjsmith.com
Hamish Adam hamish.adam@richardjsmith.com
Sam Bailey sam.bailey@richardjsmith.com

Managers

Ken Cole ken.cole@richardjsmith.com
Jonathan Trembath jonathan.trembath@richardjsmith.com

Assistant Manager

Becky Cox becky.cox@richardjsmith.com

Administrators

Karen Quant karen.quant@richardjsmith.com
Shaun Rowe shaun.rowe@richardjsmith.com

Cashier

Mandy Swainson mandy.swainson@richardjsmith.com