

Ellacotts Tax Newsletter – February 2018

Our newsletter this month includes: a reminder for VAT registered firms with turnover greater than £85,000 per annum about the need to consider record keeping options before April 2019; a discussion of recent VAT case involving mixed supplies; the unforeseen cash flow problem for importers post Brexit; and a reminder that registering a company name may not be the end of the story.

Our next newsletter will be published on Thursday, 1 March 2018.

Biker club wins VAT case

Many clubs offer members a range of services for their membership fee. For example, membership may include a members' magazine. Ordinarily, a magazine subscription should be zero rated for VAT purposes, but when the magazine element is bundled into a general club subscription - that is standard rated for VAT - problems can arise.



HMRC is prone to view the “bundled” price as a standard rated supply, whereas the affected organisation would prefer to separate out the zero-rated element thus reducing the cost to their members.

In a recent case, the Harley Owners Group challenged such a fixed supply argument raised by HMRC. They argued that the members' magazine was a separate supply and should be considered zero-rated, and the courts agreed.

The delivery of mixed services under an umbrella membership subscription is an area of VAT law that is far from clear. However, HMRC has lost a number of cases recently with a similar outcome to the Harley Owners Club.

Unexpected VAT charge for UK importers

With no agreement on tariffs, the UK will be treated as any other non-EU trading nation post Brexit. Consequently, UK importers would be required to make an up-front VAT payment in addition to any customs duties. This VAT payment will rank as input VAT that can be reclaimed from HMRC.



However, a problem will arise if an importer submits VAT returns quarterly. Any VAT paid to HMRC when they import goods will be authenticated by the issue of HMRC's form C79 (this form is issued monthly). Once issued this can be treated like a VAT invoice and included on the next VAT return.

Accordingly, the importer will not be able to reclaim VAT until this form is received.

Affected businesses therefore need to add the VAT costs each quarter to their cash flow as it could be up to four months until a refund of import VAT paid can be recouped.

It is to be hoped that our government will respond to lobbying on this issue. Perhaps they will allow some form of deferment of the VAT payable or speed up the reclaim process.

What's in a name?

A company, Casio Services Ltd (CSL), had been registered with Companies House since June 2016, and after that confirmation by Companies House the directors would no doubt have felt that they could trade with the registered name with no restriction.



Unfortunately, Casio Electronics Co Limited (CECL), a previously registered business disagreed.

CECL were not happy with CSL's use of the Casio name and applied to the courts to request CSL to change its name. CSL did not contest the application and have been required to do just that, change their company name.

This case is a salutary reminder that registration of a company name at Companies House does not give you exclusive rights to ongoing use of that name if a company previously registered feels that your name is like its own and would allow you to pass off your businesses as associated with it in some way.

Getting ready for Making Tax Digital (MTD)

As our regular readers of our newsletter will be aware, the government has back-tracked on their original proposal to digitise taxpayers' affairs.

The original plan, to have most self-employed traders and landlords uploading accounts and VAT data from April 2018, was scrapped.

The new plan, delayed until April 2019, requires traders registered for VAT, and with turnover above the current £85,000 registration threshold, to upload their VAT figures digitally direct from a HMRC software interface. HMRC has offered, somewhat tongue in cheek, that taxpayers not required under these revised criteria, are nonetheless welcome to upload their VAT numbers this way on a voluntary basis.



The outcome of these changes requires affected businesses to use compatible software – to link with HMRC – from April 2019.

Those VAT traders who are still using a manual record-keeping process, or IT solutions that will not be recognised by HMRC's systems, will need to upgrade to more suitable software during the next year.

Clients and other VAT registered business owners that are concerned about their readiness for these changes should call for advice. Clients who use our VAT services can be assured that we will use software that is MTD compliant.

Tax Diary February/March 2018

1 February 2018 - Due date for corporation tax payable for the year ended 30 April 2017.

19 February 2018 - PAYE and NIC deductions due for month ended 5 February 2018. (If you pay your tax electronically the due date is 22 February 2018)

19 February 2018 - Filing deadline for the CIS300 monthly return for the month ended 5 February 2018.

19 February 2018 - CIS tax deducted for the month ended 5 February 2018 is payable by today.



1 March 2018 - Due date for corporation tax due for the year ended 31 May 2017.

2 March 2018 – Self assessment tax for 2016/17 paid after this date will incur a 5% surcharge.

19 March 2018 - PAYE and NIC deductions due for month ended 5 March 2018. (If you pay your tax electronically the due date is 22 March 2018)

19 March 2018 - Filing deadline for the CIS300 monthly return for the month ended 5 March 2018.

19 March 2018 - CIS tax deducted for the month ended 5 March 2018 is payable by today.