# Ellacotts Tax Newsletter – October 2018

Our newsletter this month includes: the use of spreadsheets for VAT purposes, a change in the law to make invoice discounting easier for suppliers to larger companies, a discussion of what is and is not a reasonable excuse and passport issues if we fail to agree a deal with the EU next year.

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

## About turn, you can use spreadsheets

HMRC has about-faced regarding the ban on using spreadsheets to work out your VAT return data from 1 April 2019, when the new requirement to file VAT returns using Making Tax Digital (MTD) format is introduced.

Bowing to pressure from industry, the accountancy profession and Parliamentary committees, HMRC has now agreed that you can use spreadsheets for VAT purposes; unfortunately, there is a large “but”.

The rationale behind the development of MTD is that HMRC wants your returns of data through its MTD portal to be linked directly to the source material, the accounting entries that make up the returns. They do not want you to cut and paste data from your accounting records (including spreadsheets) into HMRC’s digital accounts.

Accordingly, they have agreed to the use of spreadsheets as long as the data is transferred using bridging software that is compatible with its MTD systems.

Software developers are now faced with creating this bridging solution and we will be reviewing solutions to settle on the best-fit option for clients.

## Invoice discounting with larger customers

Suppliers who sell goods and services to larger concerns often find that the terms of their supply, limits or bans the process of factoring the debts to release funds into cash flow.

Cynically, this could be seen as a method these larger customers have used to control options available to their smaller suppliers.

Unfortunately, suppliers who sell predominately to major buyers find themselves in a cleft stick: they generally have to wait for longer periods to be paid and as a result are constantly short of cash.

Invoice factoring or discounting allows say 80% of a sales invoice value to be received when the invoice is issued and accepted by the customer; a specialist finance company or bank steps in to provide the discounting service.

The good news is that there is to be a change in the law to ban these restrictive practices and allow smaller companies to gain access to the funds locked up in their trade debtors.

Under the new proposed laws, any such contractual restrictions entered into after 31 December 2018, with certain exceptions, would have no effect and could be disregarded by small businesses and finance providers, which will help stop larger businesses from abusing their market position.

## What is a reasonable excuse?

HMRC is still required to obtain certain returns from you even if there is no income or tax to declare. Failure to submit will likely trigger late filing penalties and unfortunately, pleading ignorance of your obligations to file “nil” returns is not a reasonable excuse.

Which begs the question, what is a reasonable excuse?

HMRC had published what may, and what will not, be considered excusable. They say:

A reasonable excuse is something that stopped you meeting a tax obligation that you took reasonable care to meet, for example:

- your partner or another close relative died shortly before the tax return or payment deadline,
- you had an unexpected stay in hospital that prevented you from dealing with your tax affairs,
- you had a serious or life-threatening illness,
- your computer or software failed just before or while you were preparing your online return,
- service issues with HM Revenue and Customs (HMRC) online services,
- a fire, flood or theft prevented you from completing your tax return,
- postal delays that you couldn't have predicted,
- delays related to a disability you have.

You must send your return or payment as soon as possible after your reasonable excuse is resolved.

What won't count as a reasonable excuse are situations where:

- you relied on someone else to send your return and they didn't,
- your cheque bounced, or payment failed because you didn't have enough money,
- you found the HMRC online system too difficult to use,
- you didn't get a reminder from HMRC,
- you made a mistake on your tax return.

Often, failure to file is not a deliberate act. Unfortunately, appealing against what you consider to be an unreasonable stance by HMRC is not that simple, and ignoring the issue is not the way to go.

If you find yourself in dispute with HMRC on a late filing challenge, we can help. Please call us so we can discuss your options.

## Tax Diary September/October 2019

1 October 2018 - Due date for Corporation Tax due for the year ended 31 December 2017.

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

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

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

31 October 2018 – Latest date you can file a paper version of your 2018 self-assessment tax return.

1 November 2018 - Due date for Corporation Tax due for the year ended 31 January 2018.

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

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