

COVID-19: UK Tax Update

As we enter a new tax year some individuals will have noted a number of UK tax issues which have been announced recently. These relate to UK tax residence as below and other matters as follows:

UK Tax Residence and Exceptional Circumstances

Tax restrictions and quarantine under current government guidance may lead to an individual staying in the UK longer than planned through no fault of their own. That could have a detrimental impact on their tax residence status under the UK's Statutory Residence Test (or SRT) as it frequently considers the number of days individuals spend in the UK during a tax year.

Exceptional Circumstances

There is existing limited relief for such situations under the SRT where they are due to "exceptional circumstances" beyond the person's control which prevent him or her from leaving the UK.

On 19 March 2020 HMRC recognised under new guidance that COVID-19 can constitute "exceptional circumstances" where this is due to the following:

- They are quarantined or advised by a health professional or public health guidance to self-isolate in the UK as a result of the virus.
- They are advised by official government advice not to travel from the UK as a result of the virus.
- They are unable to leave the UK as a result of the closure of international borders, or
- They are asked by their employer to return to the UK temporarily as a result of the virus.

HMRC indicate that events resulting from the impact of the virus are changing rapidly and that as a consequence their guidance may change at short notice as the situation changes but if an individual's continued presence in the UK does not fall within the above categories then there can be no assurance that a day in the UK will not count for residence purposes. Each case will be looked at sympathetically, but taxpayers should seek to collect strong factual evidence of factors beyond their control to support their case.

Background Guidance

Guidance is already available of course in Appendix B to HMRC's Guidance Note (RDR 3) on the SRT on what days may be regarded as exceptional, so the problem will generally need to be looked at closely. In this context, for instance, the maximum number of days an individual can claim as "exceptional" in a tax year is 60, so HMRC's relaxation of the rules for COVID-19 would not remove that restriction.

Caution Needed

Whilst HMRC's new statement that COVID-19 is exceptional is to be welcomed greater clarity and guidance may still be required as circumstances develop. Perhaps a longer period than 60 days is appropriate for instance at this extraordinary time which may involve restrictions being in place in some form or another for at least twelve weeks. For now taxpayers must note the limitations on its scope and not just assume that their concerns are automatically addressed by HMRC's new guidance.

In addition to the above, the following measures should also be noted:

VAT Deferral

On 20 March 2020, the Chancellor announced that he would defer the next quarter of VAT payments. The measure is automatic and available for all businesses and means that no business will pay any VAT from now until the end of June. Businesses would be expected to repay the VAT bills by the end of the financial year. Customers who normally pay by direct debit should cancel the arrangement if they are unable to pay and ensure they do so in sufficient time.

Personal tax deferral

The government has announced that Income Tax Self-Assessment payments due on 31 July 2020 will be deferred until 31 January 2021. There is no need to contact HMRC as this will run automatically, however, HMRC has advised taxpayers that those who normally pay by direct debit should cancel with their bank if they are unable to pay. HMRC has also confirmed that no penalties or interest for late payment will be charged in the deferral period.

Stamp Duty on share transfers: e-filing

New arrangements for the payment of stamp duty on share transfers during the COVID-19 crisis have been issued. These arrangements cover not just the simple cases of the payment of duty on sales of shares in private companies for cash consideration but also cases where consideration has to be valued or a relief from duty is being claimed.

In summary, for the duration of the crisis, HMRC will no longer apply a physical orange stamp to stock transfer forms. Instead taxpayers are asked to send copies of documents which would otherwise require stamping to HMRC by email and make payments electronically. HMRC will then, by email, confirm receipt of any duty and provide an assurance that the company's registrar may register the transfer even though the registrar will not be in possession of a stamped stock transfer form (as legislation requires).

Changes to the deadline for filing and paying CGT on the disposal of UK property

As announced earlier the deadline for filing and paying CGT arising on the disposal of an interest in a UK property has changed from 6 April 2020 so that returns and the payment of tax must be made within thirty days. The rules now apply then to both residents and non-residents. According to a new factsheet issued by HMRC on 7 April 2020, however, they are allowing a grace period of time to adjust for the first three months. So Penalties for filing late will not be issued for any returns received up to and including 31 July 2020, which for UK residents means transactions completed between 6 April and 30 June 2020 and reported up to 31 July 2020. Transactions completed from 1 July 2020 onwards will receive a late filing penalty if they are not reported within thirty calendar days. UK residents do not need to report transactions where no tax is due because of the availability of reliefs such as private residence relief. Non-UK residents continue to need to report transactions even if no tax is due.

For further guidance on these measures, please contact Robert Drysdale or any of our Wealth Planning team members:



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