INSIDER

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CAPITAL GAINS TAX UNDER REVIEW AS TREASURY CONSIDERS OVERHAUL

The Government has called for a comprehensive review of the capital gains tax system.

Chancellor Rishi Sunak has commissioned the Office for Tax Simplification (OTS) to review how asset sales are taxed.

Capital gains tax applies on the sales of assets such as second homes, stocks and shares, most personal possessions, and business assets.

The levy raised more than £9 billion for the Treasury in 2018/19, and is on course to fetch roughly the same figure in 2019/20.

In a letter to the OTS, Sunak said:

"This review should identify opportunities relating to technical and administrative issues as well as areas where the present rules can distort behaviour or do not meet their policy intent."

"I would like this review to identify and advise on opportunities to simplify the taxation of chargeable gains, to ensure the system is fit for purpose.

"I would be interested in any proposals from the OTS on the regime of allowances, exemptions, reliefs and the treatment of losses."

The review follows a separate report from the Office for Budget Responsibility, which said the Government needs to tackle the growing deficit in spending.

The Chancellor said Government spending to protect people's jobs, incomes and businesses in the wake of the COVID-19 crisis has passed £160bn.

Talk to us about capital gains tax planning.

APPLICATIONS OPEN FOR SECOND PHASE OF SELF-EMPLOYED INCOME SUPPORT

The second and final round of grants under the self-employed income support scheme (SEISS) opened this month, offering a smaller lump sum grant.

From 17 August 2020, self-employed individuals who meet the scheme requirements will be able to access HMRC's online service and claim up to £6,570 to cover three months' worth of profits.

This lump sum will be worth 70% of their average monthly trading profits, which is 10% less than previous instalments.

The scheme is available to people who are self-employed or a member of a partnership, who meet the conditions set out by HMRC.

These include having traded in the 2018/19 tax year and submitted a self-assessment tax return either on or before 23 April 2020 for that year, having traded in 2019/20, and intending to continue trading in 2020/21.

Individuals making a claim will be required to confirm their business was adversely affected by coronavirus on or after 14 July 2020.

HMRC's guidance says business owners should not make a claim based on adverse effects they think may happen in the future, but notes that "if your business recovers after you've claimed, your eligibility will not be affected".

To date, 2.4 million self-employed workers have claimed a total of £7 billion on the scheme.

Speak to us about coronavirus-related support.

MAKING TAX DIGITAL TO 'APPLY TO ALL VAT-REGISTERED TRADERS BY 2022/23'

Making Tax Digital (MTD) is set to expand to all VAT-registered businesses from April 2022, the Treasury has announced.

Since April 2019, VAT-registered traders with annual taxable turnover above £85,000 have been submitting VAT returns through MTD, while other firms have been able to submit VAT returns voluntarily.

From April 2023, the Treasury expects all unincorporated businesses and landlords turning over more than £10,000 to be covered by MTD.

Around four million unincorporated businesses and landlords with annual turnover exceeding £10,000 a year stand to be drawn into MTD, should the rollout go according to plan.

This new urgency was driven by the difficulty of implementing support measures for business during COVID-19 without comprehensive data.

Jessie Norman, Financial Secretary to the Treasury, said:

"The COVID-19 pandemic has highlighted the need for a more flexible, resilient and responsive tax system that provides businesses and HMRC with more up-to-date information on businesses and their finances, and enables easier identification and better targeting of taxpayer support."

A consultation will begin in the autumn about rolling out MTD for limited companies that pay corporation tax.

Norman added:

"This timetable allows businesses, landlords and agents time to plan, and gives software providers enough notice to bring new MTD products to market, including free software for businesses with the simplest tax affairs."

Though it might be convenient for the Government to have centralised information, business bodies seem less convinced by the timing of this announcement.

Mike Cherry, chairman at the Federation of Small Businesses, said:

"At a time when the Government should be backing small businesses and the self-employed to drive recovery from a severe recession, the last thing we need is wholesale expansion of MTD without the right support in place.

"Done wrong, this would mean more costs and paperwork for small firms at a critical time."

Get in touch to discuss Making Tax Digital.

MPS: LET OPTED-OUT WORKERS RE-ENROL BACK INTO WORKPLACE PENSIONS EARLY

Employees who opted out of their workplace pension due to COVID-19 should be encouraged back into saving sooner than auto-enrolment rules would usually allow, a Government committee has said.

Under current auto-enrolment rules, employees aged between 22 and state pension age who earn more than £10,000 a year are automatically enrolled into a workplace pension scheme.

They can choose to opt-out of the scheme at any time, but employers must re-enrol them after three years.

The Work and Pensions committee, however, is urging the Pensions Regulator (TPR) to consider relaxing the rules to help employers re-enrol such workers much sooner.

The committee believes many savers may have left their workplace pension as a result of suffering coronavirus-related financial difficulties.

In the report, MPs said:

"Employees cannot legally be encouraged by their employer to opt-out of their [workplace] pension contributions, but many people may opt-out voluntarily if their incomes fall because of the pandemic.

"We recommend that the Pensions Regulator consider whether employees who do opt-out during the pandemic should be helped to re-enrol earlier than would happen normally under auto-enrolment."

The report recognised that the continuing need to pay pension contributions may be an additional burden for businesses that are already under financial pressure.

David Fairs, executive director of regulatory policy at TPR, said there was a need to "strike a balance" between acknowledging the difficulty for employers, and supporting savers at a time when their pension contributions are particularly valuable.

Pension contributions made when market values are low can see sharp increases in value if and when the market bounces back to usual levels.

Recent data from the Department for Work and Pensions showed that the total amount saved into workplace pensions rose by £5.3 billion in 2019, but this is likely to slump in 2020.

Contact us about auto-enrolment.