ATT Budget representations

Employment Tax | Personal tax

28 February 2020

The ATT has made representations to the government ahead of the Budget regarding proposed changes to private residence relief and the extension of the off-payroll working rules to the private sector.

Private residence relief – letting relief

On the basis that the ATT is expecting the government to proceed with changes to private residence relief for which draft legislation was published in July 2019, the ATT's representation reiterates concerns about the measures in respect of letting relief.

From April 2020, letting relief will only be available where the homeowner is in occupation at the same time as the landlord, and the letting is 'otherwise than in the course of a trade or business'. By applying the new test to lettings both before and after April 2020, the proposals have retrospective effect and the ATT has called for transitional measures to avoid a cliff-edge effect in which many homeowners could lose overnight the letting relief they have accrued for periods prior to April 2020.

The ATT is also concerned that relief will only be available in exceedingly narrow circumstances and that the proposals are practically difficult to operate – as determining if a trade or business exists is very fact specific.

Finally, the interaction of the new letting relief with the existing statement of practice 14/80 (SP14/80), which allows those letting to lodgers to benefit from private residence relief, is not clear. The ATT has called for SP14/80 to be updated to better reflect the modern lodgings market.

The representation can be found here: www.att.org.uk/ref341.

Off-payroll working

The representation on off-payroll working repeats the ATT's previous calls for the introduction of those rules in the private sector to be delayed by 12 months (that is until April 2021).

The representation notes that, at the time it was written, the rules were due to come into effect in less than three months, but final legislation and detailed guidance were still not available. The ATT is concerned that the resulting lack of certainty means that businesses will find it difficult to make the necessary preparations.

Whilst the ATT welcomed the announcement by the Chancellor of a review of the implementation of the off-payroll working rules, this does not reduce the need for a delay. Rather, the fact that this review (which had not concluded at the time of writing) was announced so close to the intended commencement date strengthens the argument for such a delay.

The ATT submission sets out that delaying the introduction of the new rules by one year would allow extra time for preparation, and reduce the chances of problems arising for businesses, workers and HMRC. It would also demonstrate that lessons have been learned from the rushed introduction of the rules for the public sector in 2017.

The representation can be found here: www.att.org.uk/ref349.