New HMRC Construction and Small Business Technical Forums

Employment Tax **OMB**

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HMRC have recently established two new forums, the Construction Forum, which will consider any tax-related issues affecting the construction sector, and the Small Business Technical forum, which will consider tax policy and related issues affecting the smallest unincorporated and incorporated businesses.

HMRC have recently established two new forums – the Construction Forum and the Small Business Technical Forum – both of which comprise members of agent professional bodies and HMRC. While much of their first meetings were taken up with agreeing the terms of reference of each forum, there was time for some technical discussions too.

Construction Forum

The Construction Forum will consider issues which exclusively, or disproportionately, affect the construction sector and will provide the means to discuss changes in taxation policy and other areas of legislative change affecting the construction sector. It will also provide an opportunity for us to raise examples of practical difficulties in the tax system. Matters for discussion will not be limited to the Construction Industry Scheme (CIS) but will include all taxes related to the construction sector.

The first meeting also included a discussion of the CIS legislative changes proposed for 6 April 2020, including changes to the materials deduction rules, deemed contractor rules and denying CIS credits in certain circumstances. Other matters discussed included the application of the CIS and VAT rules where landlords make payments to incoming tenants (reverse premiums), the VAT domestic reverse charge that is due to be implemented on 1 March, and online accounts for subcontractors.

Small Business Technical Forum

The Small Business Technical Forum will provide an opportunity to share insights and comments on potential changes to tax policy and legislation that affect how the smallest businesses compute their profits for trading income (for income tax and corporation tax purposes). We will also be able to share and develop ideas on making the tax system simpler for small businesses. The forum will consider tax policy and legislation in relation to trading income, small business income tax and corporation tax. It will not cover Making Tax Digital, VAT or tax administration issues (all of which are covered by other forums).

During the first meeting, HMRC confirmed that COVID-19 related grants received by companies should be included on their CT600 tax return as trading profits, except payments under the Eat Out to Help Out scheme which should be included in turnover. HMRC also confirmed that all Self Employed Income Support Scheme (SEISS) payments are taxable in 2020/21, including the fourth payment covering the period February to April 2021. Some concerns were raised over the tax treatment of other grants announced and/or received in March 2020.

For example, where rights to grants arise in March 2020, accounting standards are likely to treat the whole amount as income at that point. It was understood that the tax timing of other grants is determined by accounting rules and is not overridden by legislation (except SEISS). SEISS payments are taxable in 2020/21 under FA 2020.