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Landlords welcome tax incentives for long-term tenancies

The government is considering introducing tax incentives for landlords who offer longer tenancies, as part of a new consultation.

The Ministry of Housing, Communities and Local Government has launched a consultation on implementing a three-year tenancy model.

This is intended to support the increasing number of private tenants seeking long-term security, as more families and older people plan to stay in privately rented property.

The report put forward a number of options, including introducing a financial incentive for landlords in the form of tax relief or cash payments.

The Residential Landlords Association (RLA) says this would encourage 63% of landlords to offer a longer tenancy.

David Smith, policy director for the RLA, said:

"With landlords having faced a barrage of tax increases we believe that smart taxation, such as that being proposed, would provide the longer-term homes to rent many families and older people want."

According to the government report, 41% of privately renting households in England do not expect to move into home ownership, and 38% have dependent children.

Other proposals for implementing the longer tenancy model included enforcing it through legislation or introducing it as a default option.

However, the RLA warned against making three-year tenancies a statutory requirement, arguing that many tenants require the flexibility of shorter-term arrangements.

Contact us to discuss your property.

Contractors criticise 'flawed' IR35 test

A contractor group has slammed HMRC for omitting mutuality of obligation in an online tool designed to assess an individual's employment status.

Mutuality of obligation requires employers to provide ongoing work for an employee, who then has an obligation to perform that work.

In a self-employed relationship, there is no continuing obligation on either side to offer work or perform the tasks.

This is one of several factors which determine whether an individual is employed or self-employed when it comes to applying IR35 legislation.

The Revenue argues that anyone using its Check Employment Status for Tax (CEST) tool should have already established that mutuality of obligation exists in their arrangement.

But the Freelancer and Contractor Services Association (FCSA) claims HMRC's stance ignores mutuality of obligation, despite IR35 case law often hinging on whether or not it is present.

HMRC does not expect the tool to be used where this obligation does not exist.

Julia Kermode, chief executive of the FCSA, said:

"Mutuality of obligation is an essential element of IR35 status, as borne out in recent cases, and until HMRC's position is revised their CEST tool is fundamentally flawed by ignoring case law.

"Any rollout of IR35 reform to the private sector is unthinkable until this is resolved."

In an additional comment, the Institute of Chartered Accountants in England and Wales said the CEST service does "not command public confidence and needs further work".

Get in touch to discuss IR35.

‘Tax over-40s to pay for elderly care costs’, say MPs

Over-40s in England should pay a new tax to help cover the costs of providing care for the elderly, MPs have said.

Two influential House of Commons’ committees called for the introduction of a social care premium, which would also see retirees made to pay if they have lucrative pensions or investments.

The money generated through the proposed premium would be used to ensure everyone gets the support they need in their old age.

Only the poorest people currently receive assistance towards the costs of social care, which is usually provided in individuals’ homes or care homes.

The new tax would reform the current system, described by the report as “under a very great, unsustainable strain” and “not fit to respond to the demographic trends of the future”.

It also highlights the need to plug an estimated £2.5 billion funding gap in 2019/20, at which point wider reforms of the social care system are expected to be rolled out.

Sarah Wollaston, chair of the health and social care committee, said:

“We can no longer delay finding a fair and sustainable settlement for social care.

“Too many people are being left without the care and support they need and it is time for decisions to be made about how the costs are shared.

“Doing nothing cannot be an option.”

Clive Betts, chairman of the housing, communities and local government committee, added:

“We heard during the inquiry that people would be willing to pay more if there was an absolute guarantee that the extra money would go on social care.

“The social care system is in a critical condition and there is an urgent need for more funding both now and in the future to ensure people are properly looked after.

“Reforms at a local level will not be enough if we are to provide high-quality care for all those that need it.”

We’re happy to discuss funding care.

BCC calls for further delay to digital accounts rollout

The government’s flagship Making Tax Digital (MTD) scheme should be delayed until 2020/21 for all taxpayers, according to the British Chambers of Commerce (BCC).

VAT-registered businesses with annual turnover of more than £85,000 are due to be the first to go through the transition to digital accounts for reporting VAT only from April 2019.

But the BCC is calling on the government to push that date back after discovering that only one in ten UK businesses are fully aware of MTD.

The BCC polled 1,073 small firms and found 24% of business owners had never heard of MTD, while 66% had only heard of it by name and know little else.

As a result of the widespread lack of awareness of digital accounts, the BCC called on the government to delay its rollout of MTD to increase its profile and ensure suitable software is in place first.

Mike Spicer, director of economics and research at the BCC, said:

“The government’s aim to modernise the UK’s tax system is admirable, but in view of low business awareness, it would make sense for HMRC to delay the implementation of MTD to get this right.

“Far too many firms still aren’t clear on what MTD is, or what it means for their operations.

“With just months to go [before MTD is rolled out for VAT-registered businesses], these knowledge gaps could make the timeline for change unworkable for many firms.

“Ministers must face up to the reality of the pressures facing HMRC and delay the introduction of MTD for all businesses for the next financial year.

“When MTD is implemented, the acid test will be whether it creates a simpler and more efficient tax system, or yet more onerous administrative burdens that stifle the growth of UK firms.”

Talk to us about digital accounts.