

INSIDER

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TREASURY TO REVIEW TAPERED ANNUAL ALLOWANCE AS DISPUTE RUMBLES ON

The Treasury has announced it will review the tapered annual allowance for pensions, following calls to abolish it.

The amount of pension contributions that can be made tax-free in 2019/20 stands at £40,000 in most cases, but this is restricted for higher earners by the tapered annual allowance.

The taper applies to people with a taxable adjusted income of more than £150,000 and a threshold income over £110,000.

For every £2 of income an individual has over £150,000, their annual allowance is reduced by £1, down to £10,000.

The rules have caused unexpectedly high tax bills for some NHS professionals, who refused to take on extra shifts as a result.

In response, the Treasury said it will review how the tapered annual allowance supports the delivery of public services.

Chancellor Sajid Javid said:

“This Government has listened to concerns and will be reviewing the operation of the tapered annual allowance.”

Royal London welcomed the announcement, but argued the taper should be scrapped for people in all areas of work.

Steve Webb, director of policy at Royal London, said:

“A review of the tapered annual allowance is long overdue. It must be comprehensive and cover everyone affected by this absurdly complex taper, including in the private sector.

“The best solution by far would be outright abolition, even if this meant a slightly lower annual allowance across the board.”

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RETAILERS UNITE IN CALL FOR BUSINESS RATES SOLUTION

Some of the UK's biggest retailers have come together to demand action is taken to revamp the business rates system.

Business leaders from more than 50 companies wrote to chancellor Sajid Javid to ask for four changes.

These include reforming transitional relief, which limits how much a bill can change following revaluation.

The letter also called for a freeze in the business rate multiplier, the introduction of a new improvement relief, and for the Valuation Office Agency to be adequately funded.

It said that these four recommendations “could be undertaken quickly, would reduce regional disparities, remove barriers to the proper working of market forces, incentivise economic investment, and cut away at bureaucracy”.

Helen Dickinson, British Retail Consortium chief executive, said:

“These four fixes would be an important step to reform the broken business rates system, which holds back investment, threatens jobs and harms our high streets.

“Retail accounts for 5% of the economy yet pays 25% of all business rates – this disparity is damaging our high streets.”

James Lowman, chief executive at the Association of Convenience Stores, added:

“The Government’s first priority should be extending rate relief for more businesses and for beyond the next financial year.”

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JAVID 'TO BROADEN THE APPRENTICESHIP LEVY INTO A WIDER SKILLS LEVY'

Further tweaks to the apprenticeship levy look certain to be made in the autumn, when new chancellor Sajid Javid is expected to deliver his first Budget.

In his final Budget speech in October 2018, former chancellor Philip Hammond halved the amount small firms taking on apprentices had to pay from 10% to 5%.

But Javid revealed his intention "to broaden the apprenticeship levy into a wider skills levy" when writing in the *Financial Times* shortly after his appointment.

"This would give employers the flexibility they need to train their workforce, while ensuring they continue to back apprenticeships", Hammond's successor said.

The levy was introduced in April 2017 and requires employers with annual pay bills of more than £3 million to allocate a sum equal to 0.5% of their wage bill.

The proceeds go towards a collective apprenticeships pot, which is used to fund work-based training schemes.

It has been under fire ever since, with several campaign groups claiming the measure is not fit for purpose.

The Recruitment and Employment Confederation (REC) backed Javid's comments and urged him to deliver on his pledge.

Sophie Wingfield, head of policy at the REC, said:

"Sajid Javid's recognition of the need to reform the apprenticeship levy is welcome.

"The levy was implemented with the best of intentions, and could help benefit the progression opportunities for many more workers if it is used for broader training.

"Locking out temporary workers needs to end so that critical industries facing skills shortages, like hospitality and social care, can access the talent they need."

The REC's comments echo those made earlier this year by the Institute of Directors (IoD), which said the Government "should not shy away from broadening the scope of the levy".

Stephen Martin, director-general at the IoD, said:

"Opening out the system to encompass other forms of training would be to the benefit of employer and employee alike."

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REVERSE CHARGE VAT FOR BUILDERS DELAYED FOR 12 MONTHS

A major change to the way VAT is collected in the building and construction industry has been delayed until 1 October 2020.

The domestic reverse charge VAT for construction services was due to take effect from 1 October 2019.

It will put the onus on the customer receiving a service to pay the VAT element to HMRC, instead of paying the supplier.

The measure will apply to VAT-registered individuals or firms in the UK, who supply specific services under the construction industry scheme.

The domestic reverse charge aims to combat missing trader fraud in the construction sector.

Campaigners had expressed concerns that up to 150,000 businesses in the sector were not ready for the changes to be implemented next month.

To help those businesses prepare, and avoid the measure clashing with the UK's scheduled exit from the EU, the reverse change has been put on hold for 12 months.

The Chartered Institute of Taxation (CIOT) welcomed the news, after months of calling for the reverse charge to be delayed.

It warned that implementing the measure next month may cause widespread disruption to the construction sector.

That suspicion was fuelled by a survey from the Federation of Master Builders, which found that 69% of SMEs in the construction sector had not heard of reverse charge VAT.

Linda Skilbeck, vice-chair of the CIOT's indirect taxes sub-committee, said:

"A start date of October 2020 is more sensible.

"This should allow time for a dedicated information campaign to be operated by HMRC, with the assistance of industry and professional bodies."

Prior to the 11th-hour U-turn, HMRC had urged those set to be affected by the change to get their houses in order by checking whether the reverse charge will affect sales, purchases or both, and telling clients or suppliers of the measure.

HMRC also advised those affected to update their accounting systems to handle the change, and consider cashflow impacts.

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