

# Building company's tax avoidance scheme exposed

**HM Revenue and Customs (HMRC) challenges every tax avoidance scheme it comes across and has a strong record of defeating schemes. When taxpayers choose to litigate, HMRC wins about 80% of avoidance cases heard in court, though many more scheme users choose to settle before reaching this stage by paying all the tax due.**

Recently a tax tribunal has ruled against a Stamp Duty Land Tax (SDLT) avoidance scheme used by Crest Nicholson, one of the UK's largest



house builders, meaning it will have to pay the £1.3m it owes.

HMRC challenged the artificial and complex arrangements made by the FTSE 250-listed company to avoid paying SDLT on three purchases of development land near Rochester in Kent for a total of more than £32m. The avoidance scheme tried to use the transfer of property between two sub-companies to avoid SDLT.

The First-tier Tribunal decision is likely to have an impact on more than 700 other cases, potentially protecting £65m of taxpayers' money. Crest

Nicholson argued that HMRC didn't have a legal right to make assessments of the tax due because it was out of time to do so, and that it had not carried out its assessments properly. The judge disagreed with these arguments and found HMRC had acted correctly throughout.

The judgment reflects HMRC's tribunal victory in the Vardy case (2012), when it challenged a similar SDLT avoidance scheme based on complex sub-sale arrangements.

HMRC's Director General, Customer Compliance, Jennie Granger, said:

"This decision makes it clear that setting up artificial and complex arrangements involving sub-companies to avoid paying tax doesn't work.

"It's another important success that's protected taxpayers' money. This win sends a clear message that tax avoidance is expensive and self-defeating."

## BOOK REVIEW

# Building Construction Illustrated

**by Francis D.K. Ching 25th March 2014**

It is the professional guide to primary principles of building construction. It contains various illustrations and detailed descriptions to explain the building concepts. This position is very handy for architects and builders alike. It gives the clear explanation to drawings covering issues of steel beams, slabs, roofs, walls, etc. The latest edition is enriched with a 3D digital building model for interactive learning. Highly recommended.

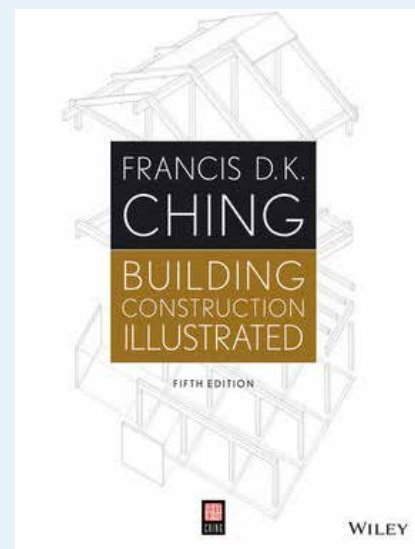
"With detailed instructions, beautiful graphic presentation, and access to new, interactive digital content, Building Construction Illustrated includes:

- Core, introductory information about construction materials and methods topics covered in architectural and building technology education and learned by designers, technologists, and managers.

- Clear and accurate drawings that illustrate state-of-the-art construction processes and materials updated and revised to include the latest knowledge on sustainability, incorporation of building systems, and use of new materials.
- A digital 3-D model showing how building components are assembled offered in a companion website: [wiley.com/go/constructionillustrated](http://wiley.com/go/constructionillustrated)."

"Reflects the 2012 International Building Codes and 2012 LEED system This new edition of Building Construction Illustrated remains as relevant as ever, with the most current knowledge presented in a rich and comprehensive manner that does not disappoint."

Publisher: John Wiley & Sons Inc





# Jobs on new prisons construction sites

**Justice Secretary Elizabeth Truss has announced plans for the building of 4 new prisons in England and Wales – creating 5,000 modern prison places and replacing old and overcrowded establishments with new, fit for purpose buildings.**

Sites in Full Sutton in Yorkshire; Hindley in Wigan; Rochester in Kent and Port Talbot in South Wales have been discussed for development. Final decisions on the new prisons will be subject to planning approvals, as well as value for money and affordability. The plans are part of the government's £1.3Bn investment to build up to 10,000 modern prison places by the 2020.

The proposed new builds will create up to 2,000 jobs in the construction and manufacturing sector.

The announcement follows the opening of the modern prison HMP Berwyn in Wrexham, West Wales in February. Construction of this new £212M prison has already contributed over £100M to the region's economy and created 150 jobs and apprenticeships created prior to the opening.

Justice Secretary Elizabeth Truss said: "We cannot hope to reduce reoffending until we build prisons that are places of reform where hard work and self-improvement flourish. Outdated prisons, with dark corridors and cramped conditions, will not help offenders turn their back on crime – nor do they provide our professional and dedicated prison officers with the right tools or environment to do their job effectively. This significant building programme will not only help create a modern prison estate where wholesale reform can truly take root, but will also provide a thriving, economic lifeline for the local community – creating hundreds of jobs for local people and maximising opportunities for businesses."

In creating a modern prison estate, old and inefficient prisons will be closed and replaced by the new accommodation. A programme of valuation work will now begin to help inform further decisions about the estate. Announcements on prison closures will be made later in the year.

New plans announcement builds on ambitious reforms to improve safety in prisons, including an additional £100 million to bolster frontline staff by 2,500. This wholesale, organisational reform will be supported by measures within the Prisons and Court Bill, which will set out a new framework and clear system of accountability for prisons, building on the wide-ranging reforms set out in the Prison Safety and Reform White Paper.

Currently, applications for outline planning permissions were submitted for new prisons in Yorkshire, the North West, Kent and South Wales. Balfour Beatty, Interserve, ISG, Kier, Lendlease and Vinci were awarded spots on a six-year £600m national lot of a government prisons construction framework in 2012.

# *Advice*

*For Van Drivers:*

# Penalties for overloading

The overloaded van causes not only damage to roads and vehicle itself but also puts other road users at risk. Overloading is illegal. It adds the additional impact on the tyres what makes vehicle less stable, more difficult to steer or to stop. Vans, lorries, buses and coaches can be randomly stopped and checked by the Police and the Vehicle Operator Services Agency (VOSA) to enforce the overloading regulations. If the controller will find out that the maximum permitted vehicle weight – known as the model's Gross Vehicle Weight (GVW) – is exceeded, driver or car owner will be stopped and fined.

How to estimate the maximum load a van can carry legally? To calculate the maximum load it is necessary to know the Gross Vehicle Weights (GVW) and the van's kerb weight. GVW is listed in the owner's manual and is visible on a plate or table fitted to the vehicle (near door). The kerb weight also can be find in the car manual.

### What are the fines for an overloaded van?

If a police or VOSA officer finds the load is exceeded, a fixed penalty fine will be applied depending on how much over the limit is the load. The current penalties starts from £100.00.

Vans have the highest prohibition rate of overloaded vehicles with just over one in five vehicles weighed by VOSA between April 2002 and March 2003 being prohibited.

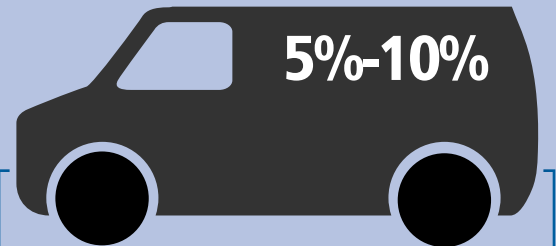
### Vehicle checks

- Know the weight and weight limits of your vehicle.
- Remember that the GVW includes the weight of the vehicle, driver, load and any passengers. Also allow for the weights of any pallets or packing cases and anything on a roof rack;
- Ensure the load is distributed evenly. After any drop-offs, re-check the distribution of the remaining load;
- Ensure the GVW is checked before setting out using an in-house or public weigh-bridge. While public weigh-bridges can be used to obtain accurate gross weights, in some cases the approach and exit paths are not sufficiently flat or level to give accurate results for axle weight, which should if possible be checked using an in-house weighbridge;
- Never automatically trust declared weights, invoices or delivery notes given to you by customers.
- Remember that driver and driver's employer hold the responsibility for not overloading the vehicle.

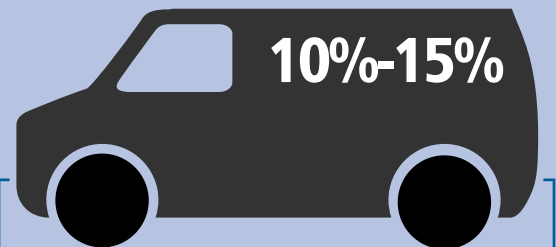
$$\text{VEHICLE'S KERB WEIGHT} - \text{GROSS VEHICLE WEIGHT} = \text{MAXIMUM LOAD WEIGHT}$$

(Source: FleetSafetyForum, VOSA)

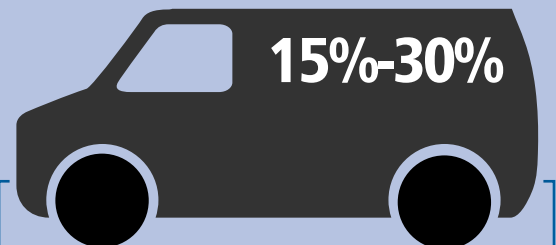
# Overloaded?



£100 FINE



£200 FINE



£300 FINE



Court summons



# T-Charge

## New Emissions Surcharge in London

**London will be introducing the new toxicity charge known as T-charge on top of the existing congestion charge, that will affect older vehicles. From 23 October 2017, cars, vans, minibuses, buses, coaches and heavy goods vehicles (HGVs) in central London will need to meet minimum exhaust emission standards, or pay a daily 10 T-Charge.**

The new £10 'T-charge' will be directed for petrol and diesel cars with pre-Euro 4 engines, mostly those registered before 2005. It will be working alongside the existing £11.50 congestion charge. It will be effective between 7 am to 6 pm, Monday

to Friday. Total daily payment (if emission standard not met) will be £21.50 (£20.50 auto pay). It is estimated that the new fee will affect up to 10,000 vehicles. The T-Charge will use the same payment and operational systems as the Congestion Charge.

Currently, the minimum emissions standards are Euro 4/IV for both petrol and diesel vehicles and Euro 3 for motorised tricycles and quadricycles. The vehicle registration document (V5C) carry vehicle's Euro emission standard.

The Mayor of London, Sadiq Khan, said: "It's staggering that we live in a city where the air is so toxic that many of our children are growing up with lung problems. If we don't make drastic changes now, we won't be protecting the health of our families in the future.

"That is why today, on the 14th anniversary of the start of the congestion charge, I've confirmed we are pressing ahead with the toughest emission

standard of any major city, coming to our streets from 23 October."

There are further plans to reduce pollution levels in London, such as expanding the Ultra Low Emission Zone and rolling-out low-emission double decker buses. These plans are expected to come into force in 2019 to the North and South Circular. All vehicles that fail to meet the criteria will be charged from £12.50 upwards. The T-Charge will end when the Ultra Low Emission Zone (ULEZ) is implemented.

Amongst Mayor's planned measures to control pollution on London's roads are also instructions for Transport for London to look at the costs and implications of a scrappage scheme for the most polluting diesel vehicles. Such measures are planned to be implemented nationwide by the Government in Westminster.

*(Source: Transport For London)*



# BRE Yellow Jacket

## industry's leading Health and Safety software

**Yellow Jacket is the new software tool delivered by BRE to increase health & safety in the construction sector. The Yellow Jacket software is a part of SiteSmart's SafetyHub and helps to manage health, safety and quality of performance on the building site from any device- desktop, smartphone or tablet. Information can be uploaded quickly through the programme or the mobile app.**

The control and improvements can be easily done. It highly improves the health and safety management on the building sites. The specially developed dashboard enables to make reports, audits and implement actions, and everyone can be linked to the profile to gather reports on health and safety. Yellow Jacket is your eye on the project. It can be configured to meet the requirements of each company, and as all data is saved and cloud-based, it is easily accessible. The YellowJacket mobile app allows employees and contractors on site to promptly upload relevant information relating to health, safety and quality, so all data is captured immediately.

It's been two years since the app was launched in July 2014 and so far it helped companies to:

- prevent accidents and losses
- achieve & prove compliance
- manage quality
- keep all data in one place
- assign actions
- view tasks and events
- view project data in real time
- schedule inspections

YellowJacket App allows:

- to use the tool on the go from any device
- access floor plans and specify locations

- work offline or online
- access by multiple users

There are training options available to develop the knowledge of how to operate the YellowJacket so that it can be easily implemented within the company. To find out more about the courses visit [www.bresitesmart.com](http://www.bresitesmart.com)

*To request a free demo visit [www.bresitesmart.com/demo](http://www.bresitesmart.com/demo). If you have any questions email: [yel-lowjacket@bre.co.uk](mailto:yel-lowjacket@bre.co.uk) or call 03330 147878*

*(Source: BRE, Site Smart)*



# UK Tax Changes

*What do you need to know about tax changes coming in from April 2017?*

**The outlook for the tax year 2017/2018 is mixed. Government imposed changes that will help raise the public finances, but there are some tax cuts too. The proposed tax rise for self employed did not go through but there is new apprenticeship tax to raise money from businesses for training. Here we outline some of the tax rules which may affect you.**

## **Personal Allowance**

The personal allowance (tax free income) will rise from the 6th April from £11,000 to £11,500.

## **Corporation tax**

The rate will be reduced from 20 to 19 per cent from April.

## **Income tax**

There will be higher rate thresholds: the basic rate threshold will rise to £33,500, while the threshold where income tax rate rises from 20 to 40 per cent will increase from £43,000 to £45,000. Scotland will maintain the main threshold at £43,000. Additional 45 per cent rate applies over £150,000.

## **Business rate**

The revaluated business rates will apply from April 2017. Business rates are based on the value of the real estate including machinery and equipment, as well as the industry in which business operates. Every five years the underlying value of properties is assessed to determine their "rateable value". There are transitional measures introduced

to support businesses facing increases in their business rates like for instance: the transitional relief cap, discount for public houses with rateable value of less than £100,000 or funding to local authorities:

- Support for businesses losing Small Business Rate Relief - capping the increase to the greater of £600 or the transitional relief cap.
- A specific £1,000 business rates discount for public houses with a rateable value of less than £100,000.
- Providing funding to local authorities in England to support local discretionary relief.

## **Inheritance tax**

The new family home allowance for properties left in a will, will be introduced, allowing £100,000 per person in addition to the existing £325,000 per person allowance. It will be tapered away for estates worth more than £2m.

## **Allowance for small business**

Income from property or trading income will not have to be paid on the first £1,000 from each source to encourage SMEs.

## **ISAs**

There will be an increase in the tax free saving from £15,240 to £20,000. Moreover the Lifetime ISA will give the possibilities for under-40s to save the maximum annual amount of £4,000 a year, plus a 25 per cent top-up from the government, for the retirement or property.

## **Apprenticeship levy**

The obligatory apprenticeship levy is introduced for all UK employers with a salary bill of more than £3m a year. Employers will be able to

reclaim the expense in form of the government-approved apprenticeships.

Tax loss relief Companies can currently offset eligible taxable profits against corporation tax losses carried forward from earlier periods. The amount of taxable profit that businesses can offset with past trading losses will be halved.

## **Non-domiciled status (Non-doms)**

There will be new rules for foreign citizens who live in the UK but are domiciled overseas for tax purposes. From April 6, non-domiciled citizens who have lived in the UK at least 15 of the past 20 years will be considered UK domiciled for tax purposes, so required to pay tax at the same rates as UK citizens.

## **Offshore property developers**

As announced at Spring Budget 2017, the government will legislate in Finance Bill 2017 to amend the legislation on profits from trading in and developing land in the UK at sections 76 - 80 Finance Act 2016 to tax all profits arising on or after 8 March 2017.

## **Employee benefits**

The salary sacrifice towards health insurance, parking, gym memberships etc will be taxed at higher rates.

## **Landlords - BuytoLet**

Cost of the buy-to-let mortgage interest payments will not be offset against rent for tax purposes. The tax break will be withdrawn gradually over a four-year period from 2017.

## **Tax Free Childcare**

Tax-free childcare will replace employer supported childcare vouchers. The government will contribute up to 20 per cent of the first £10,000





## HM Revenue & Customs

of registered childcare costs per child, per year (£2,000 per child, per year). The scheme will be available to people who have an annual income under £150,000 and are not receiving any financial support in form of tax credits.

### **Vehicle Tax**

There are major changes to vehicle tax to promote ultra-low-emission vehicles. From the 1st April there will be increase in costs particularly for those buying low emission cars (those with CO2 emission under 100g/km, a long electric-only range or zero tailpipe emissions). Fully electric cars and cars powered with hydrogen fuel cells will be exempt from road tax. Motorist will be paying higher road tax too.

- Significant changes to company car tax rates
- All-electric range set to affect BIK levy
- Capital allowance threshold rate reduced

### **VAT: revalorisation of registration and deregistration thresholds**

As announced at Spring Budget 2017 secondary legislation will amend the VAT Act 1994 to increase the VAT registration and deregistration thresholds in line with inflation so that:

- the taxable turnover threshold which determines whether a person must be registered for VAT, will be increased from £83,000 to £85,000
- the taxable turnover threshold which determines whether a person may apply for deregistration will be increased from £81,000 to £83,000
- the registration and deregistration threshold for relevant acquisitions from other EU member states will also be increased from £83,000 to £85,000.

### **VAT: penalty changes in fraud cases**

As announced at Autumn Statement 2016, the government will legislate in Finance Bill 2017 to introduce a penalty for participating in VAT fraud. Following consultation on the draft legislation some minor

changes have been made to improve the clarity of the measure and also to limit the naming of a company officer to instances where the amount of tax due exceeds £25,000. The new penalty will take effect once the Finance Bill receives Royal Assent.

### **IR35**

Many contractors work through their own service companies, meaning they pay corporation tax on their earnings and lower levels of National Insurance than employees. This will be terminated if the relationship seems to be like between an employer and employee rather than a contract between two organisations. The rule IR35 will apply, meaning they have to pay tax and NI contributions at the same level as a normal employee under PAYE. However, they will not receive benefits such as sick pay and holiday pay

*This is the general information only.  
We recommend to obtain the specialist tax  
advice or visit HMRC website for further  
information.*





# Submit your Building Control application online

**The Planning Portal Building Control application service was launched in October 2016 and already 149 local authorities have implemented the online service. The Building Control application service allows online applications to be submitted directly to registered Local Authority Building Control (LABC) teams.**

To find out if your Local Authority Building Control is already registered visit [www.planningportal.co.uk/lpabcsignup](http://www.planningportal.co.uk/lpabcsignup).

What is this service all about?

- At the start of your project, the applicant must consider whether the development will need to have planning permission, building regulations approval or both.
- Registration is straightforward, and the planning registration account is necessary to use the service. Planning permission and building regulations approval require separate applications. A separate account is required for each.
- You can select required forms, complete the application form online, buy site location plans and upload plans and support documents
- You can work on draft form online and save it for any updates before submission

- There are various payment options to choose. You can pay the application fee online
- Service allows for immediate delivery, acknowledgement and online record of completed applications
- There are online support and advice service
- It saves your time and money
- Access to various online resources

For more information on how to use the service or to submit online application visit [www.buildingcontrol.planningportal.co.uk](http://www.buildingcontrol.planningportal.co.uk)

*(Source: LABC, The Planning Portal)*



# Brexit Negotiations

**On the 29th March 2017, the PM Theresa May triggered the Article 50 and formally entered into negotiations with the EU on the UK withdrawal. The implications for UK construction sector could be severe, so it is vital to secure a fair deal for the industry and the whole UK economy.**

## **Sterling fluctuations**

Volatile exchange rates, unstable sterling, rising inflation all this will add pressure on the entire supply chains in the building industry. Margins will be tightened, and costs of materials and labour will increase leading to higher costs of construction projects. Fluctuations in exchange rates will impact those contractors who engaged in fixed price contracts without security on currencies fluctuations.

## **Regulations**

A significant amount of EU legislation is included in the UK law and regulates the UK construction sector. Withdrawal from the EU means that all regulations have to be amended or implemented as the UK laws. For instance, amongst others, the Construction and Management (CDM) Regulations 2015 or the Energy Performance of Buildings Directive and the Construction Products Regulation 2011.

## **Procurement**

EU procurement rules govern in the UK. Updates, implementations of own rules or acquisition of the existing ones will be essential.

## **Labour shortages**

New research by the Royal Institution of Surveyors (RICS) shows that 8 percent of the UK construction workers are the EU nationals, while in London this increase to 25 percent. The labour will decrease significantly within ten years, while the UK to fulfil house building plans needs to hire 400,000 workers every year. Increased demand for the skilled workers will increase wages but also increase the overall costs of construction projects.

## **Import / Export**

Construction industry relies heavily on the import of goods and services from the EU's states. Securing the proper arrangements for the UK after Brexit is inevitable to protect the industry growth. In the scenario when the World Trade Organisation's (WTO) trade model will be adopted, the UK's default tariffs would apply to goods imported from the EU, what will significantly increase costs.

## **Funding**

EU provides the UK's SMEs working in the construction sector with the range of financing tools to

help them deliver the housing projects. The withdrawal from the EU will mean the availability of the grants and funds will decrease. The costs of finance might also increase. It is necessary to secure both the creditworthiness of construction businesses and financing opportunities.

## **Investment**

Recently, RICS has called on the Government to seek out and attract private investors for infrastructure projects and provide skilled international workers with visas to minimise risks the UK construction industry is facing outside the EU.

