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Government moves to scrap controversial 'staircase tax'

The government has started the process to reverse the so-called 'staircase tax' to ease the pressure on small businesses.

Communities secretary Sajid Javid published draft legislation, which stands to benefit thousands of small business owners by abolishing the measure.

The loophole was first introduced after the Supreme Court ruled that an office spread over more than one floor in a mixed-use building would be taxed as two separate premises.

As a result, more than 1,000 businesses were braced to receive higher rate tax bills, with some paying more due to the loss of small business rate relief.

This tax relief previously enabled a discount to be applied on the bills of certain businesses with a lower rateable value.

Speaking after the draft legislation was published on 29 December 2017, Javid said:

"The 'staircase tax' is an unfair rates hike for businesses.

"I am ending this by giving those businesses affected the option of getting their rates bills recalculated and any savings due backdated."

Chancellor Philip Hammond had earlier revealed in his Autumn Budget 2017 that no company will have to pay more in business rates because it occupies multiple storeys.

Delivering his Autumn Budget 2017, Hammond said:

"I've listened to businesses affected by the so-called 'staircase tax'.

"We will change the law to ensure that where a business has been impacted by the Supreme Court ruling it can have its original bill reinstated if it chooses, and backdated."

Talk to us about your business.

Most small firms are not ready for digital accounts

The overwhelming majority of business owners and landlords remain in the dark over making tax digital (MTD), government research shows.

Ipsos Mori polled 2,900 small businesses and landlords on behalf of HMRC and found that 71% were unaware of the requirement to submit quarterly updates to the taxman.

A further 13% had heard of the requirements but knew nothing about them.

Subject to any further change, MTD will mean most businesses and the self-employed access their tax affairs online through digital accounts from 2020.

As it stands, VAT-registered businesses will be the first to submit quarterly reports to HMRC – for VAT only – from April 2019.

Though many SMEs were unaware of the requirements of MTD, most (70%) were willing to comply with it.

40% said they wanted guidance on how to prepare for MTD, and 72% said they would ask an accountant or tax agent for advice.

Mike Cherry, chairman of the Federation of Small Businesses (FSB), said:

"This new report highlights how much work is needed to enable the small business community to reap the benefits of digital tax reporting.

"The fact that so many firms don't even know MTD is on the way is a real concern.

"Clearly, there needs to be a big push to get the message out there."

A live MTD pilot scheme is due to start in spring 2018, following a successful small-scale testing phase which got under way at the end of 2017.

Contact us for advice on digital tax reporting.

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Fraudsters target over-65s in gift card tax scam

Vulnerable and elderly people are being told they owe large amounts of tax which they can only pay off through digital vouchers and gift cards.

HMRC has issued a warning over fraudsters who are preying on victims by cold-calling them and impersonating members of staff from the Revenue.

Figures from Action Fraud, the national fraud reporting centre, show there have been more than 1,500 reports of this scam between January 2016 and August 2017.

The numbers have increased in recent months, with the vast majority of victims being over the age of 65 and suffering an average financial loss of £1,150.

HMRC, which labelled the scammers as "very confident, convincing and utterly ruthless", insists it would never use this method of payment to process a tax bill.

Angela MacDonald, HMRC's director general of customer services, said:

"We urge people to warn elderly relatives about this scam and remind them that they should never trust anyone who phones out of the blue and asks them to pay a tax bill.

"If you think you've been a victim you should contact Action Fraud immediately."

How does it work?

Scammers cold-call their victims and impersonate a member of staff from HMRC.

The targets are told they owe a large amount of tax that they can only pay off using gift cards or digital vouchers from popular retailers, such as Apple's iTunes store.

Once the vouchers or cards are purchased, the victims are told to read the redemption code to the fraudster, who sells on the codes to buy more expensive products at the expense of the victim.

Intimidating methods, such as threatening to seize the victim's home or involving the police, are used in an attempt to manipulate victims into complying.

HMRC claims the use of digital vouchers is an increasingly attractive scam as they are easy to sell on and hard to trace once used.

How to report scams

If you or a vulnerable relative have been targeted by this scam or con artists in general, you should report it immediately to Action Fraud on 0300 123 2040 or via the Action Fraud website.

Firms banned from charging credit card fees

Retailers and businesses are no longer able to charge consumers extra for using a credit card to pay for goods or services.

Interchange fees charged by firms on people who paid by credit card were banned on 13 January 2018 on the back of a widespread piece of EU legislation.

Some were previously surcharging consumers up to 3%, despite the cost to businesses that let people pay by credit card being capped at 0.3% by another EU ruling in December 2015.

Larger surcharges have been more common among airlines and businesses with takeaway apps, while local councils and government agencies have also been affected by the ban.

HMRC was among the government agencies that were forced to stop accepting personal credit cards from people seeking to settle their tax bill.

According to the most recent statistics from the Treasury, the total value of surcharges for debit and credit cards in 2010 was an estimated £473 million.

Most small businesses have to cover the costs of processing customer payments by credit or debit card, which can run into hundreds of pounds a month.

Monthly fees involved with processing card payments include hire of the card machine, merchant service charges, minimum monthly service charges and chargeback fees.

While larger businesses should find it easier to absorb any loss of revenue, smaller firms seem more likely to adopt more drastic measures in a bid to circumvent the legislation.

Retailers are considering introducing a range of new measures such as new service charges, increasing shelf prices or refusing to accept credit card payments altogether.

Mike Cherry, chairman of the FSB, said:

"Businesses often only pass on a fraction of the total cost of processing card payments to their customers.

"Interchange fees are only the start of the costs that small firms have to absorb when they process a card payment.

"They also have to foot the bill for compliance, set-up, authorisation fees and payment system operating costs.

"What we should be seeing is businesses and the government working together to bring down the costs to firms of processing card payments."

We can help manage your business costs.