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## INTRODUCTION

Whilst the roll-out of vaccines has offered some light at the end of the COVID tunnel, many UK businesses are still suffering from the cumulative impact of lock-down and other disruptions.

In this newsletter we have included an assortment of articles that will be useful in coping with these challenges. The copy also includes a summary of the recent Budget changes announced 3 March 2021.

We should witness a return to normality by the time our next newsletter comes out in the summer. In the meantime, we hope you are able to weather what remains of the COVID restrictions to your business and personal affairs.

## BUDGET SUMMARY

### Budget Summary

More has been disclosed, leaked, of this year's Budget announcements than in previous years. But we now have the details and there is a lot to consider. The following Budget summary is split into three sections:

- COVID-19 related support measures for UK businesses
- Support for the UK housing market
- Taxation changes

Please call if you need to discuss how these changes may affect your business or tax affairs in the coming months.

### Budget Summary - COVID-19 related support measures

The Treasury is to continue the two existing major support schemes in an attempt to hold back a significant increase in unemployment rates as business owners grapple with the effects of COVID-19 disruption. Details are set out below.



### Coronavirus Job Retention Scheme

This scheme, nicknamed the Furlough Scheme, was due to end 30 April 2021. It is now being extended to 30 September 2021.

The judgement must be that there will be enough control over COVID by autumn 2021 to stimulate demand and give employers more confidence to retain staff. The Chancellor has obviously crunched the numbers and considers employment support in this way a more attractive strategy than increasing unemployment costs.

In more detail:

- For employees, there will be no change to the terms – they will continue to receive up to 80% of their salary, for hours not worked, until the scheme ends.
- Employers will be asked to contribute 10% towards wages for hours not worked from July 2021, rising to 20% in August and September 2021.

### Self-Employed Income Support Scheme (SEISS)

There has been much criticism of this scheme as it has not been possible for self-employed businesses that commenced trading during 2019-20 to claim.

To counter this, the following changes to SEISS have been announced.

1. All qualifying self-employed businesses can continue to claim SEISS grants if they continue to be adversely affected by COVID lockdown

measures. The present scheme was due to end 30 April 2021. This has now been extended to 30 September 2021.

2. Businesses previously excluded from claims because they commenced during the 2019-20 tax year will now be eligible to claim the fourth and fifth SEISS grants as long as their tax return for 2019-20 was filed by midnight 2 March 2021.
3. For the fifth grant claims can be made from July 2021. Self-employed persons whose turnover has fallen by more than 30% will continue to qualify for the 80% grant. Those with decreases in turnover of less than 30% will be restricted to a 30% claim.

### Restart grants

£5bn of funding is being allocated for these grants. They will support businesses obliged to close during much of lockdown. The grants will consist of:

- A one-off grant of up to £18,000 for hospitality, accommodation, leisure, personal care and gym businesses in England.
- Non-essential retail that have tended to open first, can apply for a one-off £6,000 grant.

### Business rates holiday continued

This year, government will continue with the 100% business rates holiday for the first three months of the 2021-22 financial year, in other words, through to the end of June 2021 for the retail, leisure and hospitality sectors.

For the remaining nine months of the year, to 31 March 2022, business rates will still be discounted by two thirds, up to a value of £2 million for closed businesses, with a lower cap for those who have been able to stay open.

### A new Recovery Loan Scheme

The Recovery Loan Scheme ensures businesses of any size can continue to access loans and other kinds of finance between £25,000 and up to £10 million per business once the existing

COVID-19 loan schemes close. This will provide further support as businesses recover and grow following the disruption of the pandemic and the end of the transition period.

Once received, the finance can be used for any legitimate business purpose, including growth and investment.

The government guarantees 80% of the finance to the lender to ensure they continue to have the confidence to lend to businesses.

The scheme launches on 6 April 2021 and is open until 31 December 2021, subject to review. Loans will be available through a network of accredited lenders.

#### Reduced rate of VAT

The temporary reduced rate of 5% for hospitality, holiday accommodation and attractions will be extended until 30 September 2021. This is a welcome bonus for this sector badly affected by COVID lockdown restrictions.

This will be followed by the introduction of a new reduced rate of 12.5% from 1 October 2021 that will be in effect until 31 March 2022 at which point it will revert to the 20% standard rate.

#### Budget Summary - Support for the UK housing market

Support will include a mortgage guarantee scheme that will help home buyers purchase properties up to £600,000, and an extension to the existing stamp duty holiday that was due to end 31 March 2021.

The detail:



#### Mortgage guarantee scheme

The government will underwrite 95% of the risk of default. It will apply to home acquisitions up to £600,000 and set deposits required to 5%.

#### Stamp duty holiday

The present £500,000 threshold for paying Stamp Duty Land Tax (SDLT) was increased on a temporary basis and was due to end 31 March 2021.

The nil rate band will continue to be £500,000 for the period 8 July 2020 to 30 June 2021. From 1 July 2021 until 30 September 2021, the nil rate band will be £250,000. The nil rate band will return to the standard amount of £125,000 from 1 October 2021. This applies to England and Northern Ireland only. The devolved administrations have not announced any further extension beyond 31 March 2021 when this summary was written on Budget Day.

#### Budget Summary - Taxation changes

Many of the tax changes announced are for a fixed period, generally, from April 2021 to April 2026. This does provide welcome certainty for businesses. Announcements made include:

##### Income Tax 2021-22 to 2025-26

The basic rate threshold is increasing to £37,700 for 2021-22 (2020-21: £37,500) and then frozen until April 2026. For the same period, the personal tax allowance is set at £12,570 (2020-21: £12,500) and will apply to all regions of the UK.

Taxpayers who will benefit from annual increases in their earnings up to April 2026 may find themselves paying tax at the higher rates if these increases breach the £37,700 annual basic rate limit.

Regional variations to Income Tax rates apply in Scotland and may apply in Wales.



#### National Insurance

NIC Upper Earnings limits and Upper Profits limits will also remain at a fixed amount until April 2026 and will be based on the Income Tax higher rate threshold of £50,270.

#### Van benefits for zero carbon emissions

The government will legislate in Finance Bill 2021 to reduce the van benefit charge to zero for vans that produce zero carbon emissions. The change will have effect on and after 6 April 2021.

#### Corporation Tax

As expected, there will be increases in Corporation Tax, but not yet and only for larger companies. Company owners will be relieved that there are no imminent increases in CT rates until April 2023.

From 1 April 2023, there will be two rates of CT.

- Taxable profits up to £50,000 will continue to be taxed at 19% under the new Small Business Profits Rate.
- Taxable profits in excess of £250,000 will be taxed at 25%.
- Profits between £50,000 and £250,000 will be subject to a marginal tapering relief. This would be reduced for the number of associated companies and for short accounting periods.

#### Carry back of trading losses

The present provisions that restrict the carry back of tax losses is being relaxed, temporarily, extending the period over which incorporated and unincorporated businesses may carry-back trading

losses from one year to three years.

This extension will apply to a maximum £2,000,000 of unused trading losses made in each of the tax years 2020-21 and 2021-22 by unincorporated businesses. The £2,000,000 maximum applies separately to unused trading losses made by incorporated companies, after carry-back to the preceding year, in relevant accounting periods ending between 1 April 2020 and 31 March 2021 and a separate maximum of £2,000,000 for periods ending between 1 April 2021 and 31 March 2022.

The £2,000,000 cap will be subject to a group-level limit, requiring groups with companies that have capacity to carry back losses in excess of £200,000 to apportion the cap between its companies. Further detail on the group limit will be published in due course.

#### **R&D tax credit cap to be introduced**

For accounting periods beginning on or after 1 April 2021, the amount of SME payable R&D tax credit that a company can receive in any one year will be capped at £20,000 plus three times the company's total PAYE and National Insurance Contributions liability, in order to deter abuse.

#### **Major new investment reliefs**

A new "super-deduction" and a 50% first year allowance are to be introduced that will allow businesses to increase the tax relief they can claim for qualifying investments in plant and other equipment. It will apply to expenditure between 1 April 2021 and 31 March 2023.

The super-deduction will mean that assets will qualify for tax relief based on 130% of the actual cost of expenditure incurred.

Assets that qualify for the special rate relief will qualify for the 50% first year allowance.

The existing Annual Investment

Allowance £1m limit will continue to be available until 31 December 2021.

#### **National Living Wage increase**

The NLW will increase to £8.91 per hour from 1 April 2021.

#### **Help to Grow schemes**

Two new Help to Grow schemes are set to launch by the autumn to help support 130,000 small and medium sized businesses. The Help to Grow: Management scheme will help small and medium sized businesses get world-class management training with the government contributing 90% of the cost.

In addition, the Help to Grow: Digital scheme will help small businesses develop digital skills by giving them free expert training and a 50% discount on new productivity-enhancing software, worth up to £5,000 each.

### **BUSINESS**

#### **Bounce Back Loan concessions**

In an announcement earlier this year, the Treasury confirmed a number of welcome relaxations to the Bounce Back Loan Scheme (BBLS).

When initially set up, the BBLS offered a twelve month interest-free period with no repayments due for the first year after the loan was taken out.

Subsequent changes introduced a payment moratorium for six months, after the first six repayments had been made.

The more recent changes have expanded this relief and added more. The present concessions are referred to as Pay As You Grow (PAYG) options and are to:

- extend the length of the BBLS from six years to ten years;
- make interest-only payments for six months, with the option to use this up to



- three times throughout the loan period;
- pause repayments entirely for up to six months.

The extension of the loan period from six years to ten years will have the most beneficial impact on cashflow. Average monthly loan repayments could reduce by almost 50%.

These changes to the terms are to be welcomed as they will help businesses struggling with the financial impacts of COVID disruption. However, there are cost implications for borrowers. For example, extending the loan period will extend the period that interest charges will accrue.

Nevertheless, these changes are a supportive response to the continuing COVID uncertainties. Businesses that have taken out a loan should be notified by their bank of these options before the first repayments are due. In most cases this will be twelve months after the BBLS was drawn down.

#### **Holiday lets occupancy check**

If you own furnished holiday let (FHL) accommodation you will be aware that HMRC treats the letting of this type of property as a trade. This opens up a raft of tax benefits not available to other buy-to-let property rentals. For example:

- You can claim Capital Gains Tax reliefs for traders (Business Asset Rollover Relief, Entrepreneurs' Relief, relief for gifts of business assets and relief for loans to traders).
- You are entitled to plant and machinery capital allowances for items such as furniture, equipment and fixtures.
- The profits of your FHL rentals count as



earnings for pension purposes.

In order to qualify as an FHL property certain occupancy rules need to be observed. Due to COVID disruption many FHL owners will struggle to meet these requirements for 2020-21.

#### The occupancy rules are:

- Your property must be available for letting as a furnished holiday accommodation letting for at least 210 days in the year.
- You must let the property commercially as FHL to the public for at least 105 days in the year.

Do not count any days when you let the property to friends or relatives at zero or reduced rates as this would not be considered a commercial let.

Do not count longer-term lets of more than 31 days, unless the 31 days is exceeded because something unforeseen happens. For example, if the holidaymaker either: falls ill or has an accident and cannot leave on time or has to extend their holiday due to a delayed flight.

If the total of all lettings that exceed 31 continuous days is more than 155 days during the year, this condition is not met so your property will not be a FHL for that year.

#### What to do if FHL property is not let for at least 105 days?

You have 2 options (known as elections) that can help you reach the occupancy threshold:

1. The averaging election - if you have more than one property.
2. A period of grace election - if your property reaches the necessary occupancy threshold in some tax years but not in others.

Please call if you are concerned that you may not meet the occupancy conditions for 2020-21 and we will help you consider your options and make any appropriate elections to HMRC.

## PERSONAL

### Online tax payment plans

Almost 25,000 self-assessment taxpayers have set up an online payment plan to manage their tax liabilities in up to 12 monthly instalments, totalling £69.1 million, HMRC revealed recently.

In October, HMRC increased the threshold for self-serve Time to Pay arrangements from £10,000 to £30,000 for self-assessment taxpayers. Once they have completed their 2019-20 tax return and know how much tax they owe, taxpayers can use the self-serve facility to set up monthly direct debits and spread the cost of their tax bill.

Taxpayers can apply for the payment plan via GOV.UK. However, they must meet the following requirements:

- They need to have no outstanding tax returns, other tax debts or other HMRC payment plans set up.
- The debt needs to be between £32 and £30,000.
- The payment plan needs to be set up no later than 60 days after the due date of a debt.

Please call if you want to take advantage of this facility, we can point you in the right direction.

### Furloughed use of company cars

If a company car is not made available for use during a tax year, then in most cases, a taxable benefit will not apply for that period.



If you have formally furloughed staff and as part of that process you have withdrawn the practical use of a company car you should calculate the number of days during 2020-21 that the vehicle was not made available for use and report this on the tax year end form P11D.

This is important as it will reduce any tax charge for the relevant employee(s) and the Class 1A NIC charge for employers.

## EMPLOYMENT & PAYROLL

### Get prepared for payroll year end

The tax year ends 5 April 2021, and this is the date that triggers a raft of payroll compliance activity. Here is a quick summary of what needs to be done:

1. Although there are only 52 weeks in a calendar year, occasionally, the tax year for payroll purposes extends to 53 weeks. 2020-21 is such a year. If you run a payroll, the last week for 2020-21 is week ending 5 April 2021 (week 53). Note: if you only have monthly paid staff no week 53 will apply and you can process your payroll as normal.
2. You will need to process any leavers during 2020-21 before you submit your Full Payment Submission (FPS) and Employer Payment Summary (EPS).
3. Once processing for 2020-21 is completed you can use your payroll software to process year end reports - this needs to be done on or before 19 April 2021.

Payroll chores listed in date order that will need to be completed, including reporting deadlines, are:

- 31 May 2021 - distribute P60s to staff for 2020-21
- 6 July 2021 - if you provide any taxable benefits to staff this is the deadline to submit forms P11D and P11D(b) to HMRC
- 19 July 2021 - pay any Class 1A NIC to HMRC based on reported benefits in kind provided for 2020-21

If we look after your payroll, all of these matters will be attended to in consultation with you to ensure returns are sent in a timely fashion.

### Repay private petrol and save tax

At first sight, company car drivers whose private fuel costs are met by their employers, may seem to be onto a good thing but there is a nasty tax hit.

Enter, the Car Fuel Benefit charge.

When the current tax year ends, 5 April 2021, the illustration below demonstrates how a cash payment to an employer, to payback any private fuel provided, can create overall cash savings. This will not apply to all company car drivers, but it is well worth checking to see if a repayment is possible.

Let's say the following circumstances apply:

- The list price of your company car when new was £30,000 and was registered before 6 April 2020.
- Your employer pays for all your private fuel.
- CO2 emissions are 147 g/km.
- The car has a diesel engine, 2000 cc. and meets the Real Driving Emissions 2 (RDE2) standard.

The 2020-21 benefit in kind charge for the use of the car (this is added to your taxable income for the year) is £10,200 (£30,000 x 34%). This would cost a standard rate taxpayer £170 a month in Income Tax.

But then the provision of private fuel would trigger an additional Car Fuel Benefit charge of £8,330. This would cost a standard rate taxpayer an extra £138 a month.

As the title of this article suggests it is possible to reimburse your employer for private fuel provided and avoid this Car Fuel Benefit charge completely. Here is what you would need to do:



- First of all, calculate your private mileage for the 2020-21 tax year. Estimates will not do, you will need to create evidence, a mileage log for example.
- Multiply this private mileage by HMRC's Advisory Fuel Rate. The present rate per mile for a 2000 cc diesel car is 10p.

Armed with this information you can now do the sums. In the above example, if the driver's private mileage was 5,000 miles during 2020-21, the amount that needs to be repaid to the employer is £500. That is just £42 per month.

Which means, for an effective outlay of £500, the car driver - if a basic rate taxpayer - will save £1,666 in tax (£8,330 x 20%). That is an overall cash saving of £1,166.

If you are receiving private fuel from your employer, or indeed providing private fuel for your employees, it is well worth crunching the numbers to see if there is a cash advantage to repaying any private fuel.

There are deadlines to consider and we can help you with the math and the reporting processes required.

#### Final planning notes for employers

The car fuel benefit charge not only creates a tax charge for the employee it also creates a National Insurance charge for the employer. And so, allowing employees to repay their private fuel costs will also reduce your NIC costs. A classic win-win outcome.

## VAT & DUTIES

### Getting help with customs red-tape

You can hire a person or business to deal with customs for you, such as:

- freight forwarders
- customs agents or brokers
- fast parcel operators

What they can do for you (and who will be liable) depends on:

- the services they provide
- what you want them to do
- the commercial agreement you have with them

They can act for you either as a:

- direct representative
- indirect representative

They cannot act on your behalf without written instructions from you. The instruction must show whether they are acting for you directly or indirectly. HMRC will only ask for evidence of the authorisation if required.

A list of customs agents and fast parcel operators is listed on the gov.uk website.

## MISCELLANEOUS

### Availability and use of capital gains losses

The general rule is that allowable capital gains losses are deducted from chargeable gains in the same year of assessment. Any balance will be carried forward and deducted from chargeable gains accruing in the earliest year that follows.

Where an asset is disposed of by a partnership, each partner is responsible for claiming any allowable capital losses arising (and returning any chargeable gain) on the disposal of their interest in the partnership asset rather than the partnership itself.

## FINANCIAL CALENDAR

### March 2021

- 31 Last minute planning for 2020/21 tax year. Make sure to use any CGT and IHT annual allowances and exemptions.
- 31 **Payment due for any VAT that was deferred between 20 March and 30 June 2020 unless an application has been made for the VAT deferral new payment scheme.**

### April 2021

- 5 Last day of tax year (6 April 2021, first day of new tax year).
- 14 Due date for CT61 return and CT payment for quarter to 31 March 2021.

### May 2021

- 3 Submit employer forms P46 (car) for quarter to 5 April 2021.
- 31 Last day to issue 2020/21 P60s to employees.

### July 2021

- 5 Final date to agree 2020/21 PAYE Settlement Agreements (PSA).
- 6 Last date for returns of expenses and benefits (forms P11D, P9D and P11D(b)) for 2020/21 to reach HMRC. Relevant employees to receive copies of forms P11D and P9D.
- 6 Last date to submit annual returns for employee share schemes and employment-related securities for 2020/21 (forms 34, 35, 39, 40 and 42).
- 14 Due date for CT61 return and CT payment for quarter to 30 June 2021.
- 22 Class 1A NICs for 2020/21 due (19<sup>th</sup> if paid by cheque).
- 31 Due date for second payment on account of 2020/21 Income Tax and Class 4 NICs.

- 31 Last day to pay 2019/20 tax to avoid second automatic 5% surcharge (unless late payment agreed with HMRC).

### August 2021

- 2 Submit employer forms P46 (car) for quarter to 5 July 2021

### October 2021

- 5 Deadline to notify HMRC of chargeability to Income Tax or CGT for 2020/21.
- 14 Due date for CT61 return and CT payment for quarter to 30 September 2021.
- 31 Deadline to submit 2020/21 Self Assessment tax return if filed on paper.

### November 2021

- 2 Submit employer forms P46 (car) for quarter to 5 October 2021.

### December 2021

- 30 Last day to submit 2020/21 tax return online to have unpaid tax of up to £17,000 collected through the 2022/23 PAYE code. The amount of debt that can be coded out in a year ranges from £3,000 to £17,000 based on a graduated scale.

### January 2022

- 14 Due date for CT61 return and CT payment for quarter to 31 December 2021.
- 31 Submit 2020/21 Self Assessment return online. Pay balance of 2020/21 Income Tax and CGT plus first payment on account for 2021/22.

### February 2022

- 2 Submit employer forms P46 (car) for quarter to 5 January 2022.



### Every month:

- 1 Annual Corporation Tax due for companies with a year ending nine months and a day earlier, e.g. tax due 1 January 2022 for year ending 31 March 2021.
- 14 Quarterly instalment of Corporation Tax due for large companies (depending on accounting year-end).
- 19 Pay PAYE/NIC and CIS deductions for period ending 5th of the month if not paying electronically. Submit CIS contractors' monthly return.
- 22 PAYE/NIC and CIS deductions paid electronically should have cleared into HMRC bank account.
- 30/31 Submit CT600 for a year ending 12 months earlier. Last day to amend CT600 for a year ending 24 months earlier.

If the due date for payment falls on a weekend or Bank Holiday, payment must be made by the previous working day. Electronic payments sent using the Faster Payments Service (FPS) are able to clear into HMRC's account on a non-banking day – a Saturday, Sunday and most Bank Holidays.

File accounts with Companies House for private companies with a year ending nine months earlier and for public companies with a year ending six months earlier.



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