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Financial news that's relevant to you.



INTRODUCTION

This has been a remarkable year. The challenges we have faced due to disruption caused by COVID-19 have been unrelenting. The process is likely to continue until we have more effective medical interventions – treatments or vaccine – that will enable economic activity to return to pre-COVID levels without over-stressing the noble efforts of NHS staff.

In this newsletter we have included an assortment of articles that will help you keep advised of business and tax challenges. Let us hope that we are able to report more positively in our next newsletter in Spring 2021. In the meantime, we hope you are able to make the most of the opportunities available to enjoy your Christmas holiday and all the very best for 2021.

BUSINESS

Annual Christmas reliefs

Trying to double guess the social distancing rules is rather like placing bets on a throw of the dice. Depending on the effectiveness of the different measures we may or may not have less restrictive measures in place over the Christmas period.

If we are able to organise a work-related Christmas celebration this year, we have added notes in this article setting out how to make the most of the tax concessions available. In this way you can ensure that the cost of your annual staff party will not create unintended tax issues for you or your staff.

1. The event must be open to all employees at a specific location.
2. An annual Christmas party or other annual event offered to staff generally is not taxable on those attending provided that the average cost per head of the functions does not exceed £150 p.a. (including VAT). The guests of staff attending are included in the head count when computing the cost



- per head attending.
3. All costs must be considered, including the costs of transport to and from the event, accommodation provided, and VAT. The total cost of the event is divided by the number attending to find the average cost. If the limit is exceeded then individual members of staff will be taxed on their average cost, plus the cost for any guests they were permitted to bring.
4. VAT input tax can be recovered on staff entertaining expenditure. If the guests of staff are also invited to the event the input tax should be apportioned, as the VAT applicable to non-staff is not recoverable. However, if non-staff attendees pay a reasonable contribution to the event, all the VAT can be reclaimed and, of course, output tax should be accounted for on the amount of the contribution.

In any event, let us hope that we can look forward to a less restricted regulatory environment in 2021.

Last orders please

From 1 January 2021, UK businesses that export, import or transport goods to and from the EU will need to comply with a number of new regulations.

Inevitably, some will fall short and this could create delays in your goods reaching EU customers, the goods of EU suppliers reaching you, and transport drivers spending more time than is necessary in queues of traffic as the paperwork threads are resolved.

Leaving aside the obvious need to become acquainted with and comply with the new regulations, to some extent the flow of goods - back and forth - will be held back by those businesses who fail to meet the required standards.

Importers and exporters would therefore be advised to consider the following:

- Increasing your stock of goods before the end of the year such that you do not need to make further orders from EU suppliers until say February 2021, by which time, hopefully, there is a better understanding of the new customs clearance processes and other regulatory matters that need to be considered.
- Similarly, see if you can inspire your EU customers to double up on their orders before the end of the year.

In this way you may be able to distance your business from the initial, likely chaos and minimise any additional disruption to your business as we continue to grapple with COVID challenges.

New year taxing chores

Putting aside the risk of contracting coronavirus, we thought it might be useful to consider the upcoming changes for the first quarter of 2021 that UK business owners and taxpayers will need to deal with in the coming months.

The following list may not be complete, but it does highlight a few pressing issues that we may have to deal with.

January 2021

- From 1 January 2021: Businesses with EU suppliers, EU customers or that are involved with the movement of goods across the English Channel will need to adapt to new customs and border regulations.
- 31 January 2021: Last date to file your Self-Assessment tax return for 2019-20. Taxpayers will also need to consider tax payment options as any deferred payment from July 2020, balancing payment for 2019-20 and the first

payment on account for 2020-21 become due. There are options to defer payment, but these will need to be agreed with HMRC.

March 2021

- 1 March 2021: VAT Reverse Charge process applies to construction industry.
- 31 March 2021: Any VAT payments deferred from 2020-21 are due for payment unless clients opt into the extended instalment repayment process that needs to be completed by 31 March 2022.
- Last chance to consider tax planning options before 5 April 2021 cut-off date.

Please call if you need help with any of these issues.

PERSONAL

Time to pay Self-Assessment taxes

Self-Assessment taxpayers can apply online for additional support to help spread the cost of their tax bill into monthly payments. This scheme was announced 1 October 2020 and can be organised without the need to call HMRC.

The online payment plan service can already be used to set up instalment arrangements for paying tax liabilities up to £10,000. Since 1 October 2020, HMRC has increased the threshold to £30,000 for Self-Assessment customers, to help ease any potential financial burden they may be experiencing due to the coronavirus pandemic.

The increased self-serve Time to Pay



limit of £30,000 follows the Chancellor of the Exchequer's announcement on 24 September to increase support for businesses and individuals through the uncertain months ahead.

As part of his speech, the Chancellor announced that Self-Assessment customers could pay their deferred payment on account bill from July 2020, any outstanding tax owed for 2019-20 and their first payment on account bill for this current tax year, 2020-21, in monthly instalments, for up to 12 months, via this self-serve tool. Customers who need longer than 12 months to settle their tax liabilities are invited to contact HMRC in the usual way.

A cautionary note

Scammers have been quick to pick up on this scheme to try and obtain taxpayers' bank details and other personal data on the pretext that they represent HMRC.

If you decide to set up an instalment scheme to pay your tax, log into your personal tax account via the GOV.UK website or call and we will help you.

Tax on dividends

Dividends are presently taxed at the following rates:

- First £2,000 received is tax free
- Dividends that help to make up your basic rate Income Tax band are taxed at 7.5%
- Dividends that help to make up your higher rate Income Tax band are taxed at 32.5%
- Dividends that form part of your additional rate Income Tax band are taxed at 38.1%

This tax on dividends is usually collected as part of your Self-Assessment. If you are not required to submit a tax return you will need to ask HMRC to change your tax code so any tax due can be collected from your salary or pensions.



Child Benefits can affect your tax bill

Although Child Benefit payments are not in themselves taxable, if the income of either parent exceeds certain limits then some or all of the Child Benefits you have received will be repayable. The mechanism that is used by HMRC to do this is called the High Income Child Benefit Charge (HICBC).

The following notes describe how the HICBC works in practice:

When HICBC applies

You may have to pay HICBC if you have an individual income over £50,000 and either:

- you or your partner get Child Benefit;
- someone else gets Child Benefit for a child living with you and they contribute at least an equal amount towards the child's upkeep.

It does not matter if the child living with you is not your own child.

If you are affected by HICBC

You can choose not to get Child Benefit payments, but you should still fill in the Child Benefit claim form. This will help you get National Insurance credits which count towards your State Pension.

Claiming Child Benefit also means your child will get their National Insurance number automatically shortly before they are 16. They will not have to apply for one themselves.

Already getting Child Benefit

You can either:

- stop getting Child Benefit - sometimes known as "opting out";
- carry on getting Child Benefit and pay any tax charge at the end of each tax year.

What counts as income - the £50,000 limit

To work out if your income is over the threshold, you will need to work out your "adjusted net income". This is your total taxable income before any personal allowances and less things like Gift Aid.

Do you need to submit a tax return?

If you are subject to the HICBC you will need to enter details on your Self-Assessment tax return. If you are not registered for Self-Assessment, you will need to register by 5 October following the tax year that you need to declare and pay the tax charge.

VAT & DUTIES

Construction VAT changes March 2021

A reminder that construction firms and sub-contractors that are VAT registered and subject to the CIS regulations will need to accommodate changes to their VAT status from 1 March 2021.

In a nut-shell, if you are subject to the Construction Industry Scheme, and if you are registered for VAT, from the 1 March 2021, you may need to change the way you account for VAT on supplies between sub-contractors and contractor customers.

At present, sub-contractors registered for VAT are required to charge VAT on their supplies of building services to contractors. From 1 March 2021, this approach is changing.

From this date, sub-contractors will not add VAT to their supplies to most

building customers, instead, contractors will be obliged to pay the deemed output VAT on behalf of their registered sub-contractor suppliers.

This does not mean that contractors, in most cases, are paying their sub-contractors' VAT as an additional cost.

When contractors pay their sub-contractors' VAT to HMRC they can claim back an equivalent amount as VAT input tax; subject to the usual VAT rules. Accordingly, the two amounts contra and there is no overall increase in VAT due.

The change is described as the Domestic Reverse Charge (DRC) for the construction industry. It has been introduced as an increasing number of sub-contractors have been registering for VAT, collecting the VAT from their customers, and then disappearing without paying the VAT collected to HMRC.

Beware cash flow concerns

However, the change to DRC may create cash flow issues especially if you use the VAT Cash Accounting Scheme or the Flat Rate Scheme.

We recommend that all affected CIS readers contact us so we can help you make the necessary changes to your invoicing and accounting software and reconsider the use of VAT special schemes if your continued use would adversely affect your cash flow.

UK Global Tariffs from 1 January 2021

From 1 January 2021, the UK will apply a UK-specific tariff to imported goods. This UK Global Tariff (UKGT) will replace the EU's Common External Tariff, which applies until 31 December 2020.

The UKGT will apply to all goods imported into the UK unless:

- an exception applies, such as a relief or tariff suspension;



- the goods come from countries that are part of the Generalised Scheme of Preferences;
- the country you are importing from has a trade agreement with the UK.

A full list of duties payable is published on the GOV.UK website.

It only shows the tariffs that will be applied to goods at the border when they are imported into the UK.

It does not cover:

- other import duties, such as VAT;
- the precise details of trade remedy measures, such as anti-dumping, countervailing and safeguards.

If you import goods from the EU, we recommend that you research the customs tariffs and VAT charges that may be levied on these goods if imported from 1 January 2021.

These costs will need to be adjusted for in your forecasts and pricing calculations for next year.

EMPLOYMENT & PAYROLL

Government COVID support

The UK government is providing a variety of support options aimed at sustaining businesses that are adversely affected by the COVID pandemic, and in particular, disruption caused by the need to lockdown all or parts of the UK to control infection.

Keeping abreast of the financial support available can be difficult as schemes are frequently flexed to accommodate

changing circumstances.

However, we have summarised below the main funding options available at the date this newsletter was edited, November 2020.

Coronavirus Job Retention Scheme (CJRS)

In a surprise move, the Chancellor extended this scheme to 31 March 2021.

- The flexible approach is retained, employees can work part-time.
- The government will pay 80% of the usual salary for employees' hours not worked, up to a maximum £2,500 per employee per month.
- Employers will have to fund payment of any hours worked plus NIC and pension costs. They can also top-up salary payments for hours not worked at their discretion.
- Employers may be asked to contribute towards hours not worked when the scheme is reviewed January 2021.

Other job related support schemes

Due to the extended period covered by the CJRS, the previously announced Job Support Scheme and the Job Retention Bonus scheme will be suspended. Either, or both, may be reinstated when the present CJRS expires on 31 March 2021.

Help for the self-employed: Self-Employed Income Support Scheme

In like manner, self-employed traders who qualify, will receive 80% of average profits as a lump sum for the November 2020 to January 2021 quarter. Payments will be capped at £7,500. The claims process will open on 30 November 2020, and payment should be made before the Christmas break.

A further grant covering the following quarter to 30 April 2021 has also been promised; details of the level of this funding will be announced January 2021.

Grants for businesses required to close

The government have also funded local authorities to provide additional financial grants to business owners required to close their business premises during lock-down. Affected concerns should contact their local authority to see if they are eligible for this support.

Summary

It is not possible in this short article to outline the detailed conditions under which the above and other financial support packages are made available. Please call if you need help to work out what you may be able to claim.

What counts as working time

Although the National Minimum Wage (NMW) and National Living Wage (NLW) are published as an hourly rate, they apply to situations where employees are paid:

- by the hour;
- for the things they make;
- or in other ways not directly related to time.

Which is why it is important that employers understand the distinction that is "working time". The following notes reproduced from the GOV.UK website may prove helpful.

What counts as working time

For all types of work, include time spent when:

- at work and required to be working, or on standby near the workplace (but do



- not include rest breaks that are taken);
- not working because of machine breakdown, but kept at the workplace;
- waiting to collect goods, meet someone for work or start a job;
- travelling in connection with work, including travelling from one work assignment to another;
- training or travelling to training;
- at work and under certain work-related responsibilities even when workers are allowed to sleep (whether or not a place to sleep is provided).

What does not count as working time

Working time does not include time spent when:

- travelling between home and work;
- away from work on rest breaks, holidays, sick leave or maternity leave;
- on industrial action;
- not working but at the workplace or available for work at or near the workplace during a time when workers are allowed to sleep (and you provide a place to sleep).

It is important to get this right otherwise, you may not be meeting your obligations under the NMW and NLW regulations.

Redundancy pay

If you are faced with making employees redundant, the terms that determine the amount payable may be written into your staff contracts of employment.

Otherwise, employees will normally be entitled to statutory redundancy pay if they have been working with you for two years or more.

Entitlement is usually based on:

- half a week's pay for each full year you were under 22 years of age;
- one week's pay for each full year you were 22 or older, but under 41;
- one and half week's pay for each full year you were 41 or older.

Length of service is capped at 20 years.

Your weekly pay is the average you

earned per week over the 12 weeks before the day you got your redundancy notice.

Coronavirus furlough scheme

If an employee was furloughed prior to being made redundant, the average weekly pay is their normal wage rather than any reduced amount they may have been paid during their period on furlough.

According to HMRC sources, if you were made redundant on or after 6 April 2020, your weekly pay is capped at £538 and the maximum statutory redundancy pay you can get is £16,140. If you were made redundant before 6 April 2020, these amounts will be lower.

Also, please note that employees are not entitled to statutory redundancy pay if you offer to keep them on or if you offer suitable alternative work which an employee refuses without good reason.

Take advice

If you are faced with making staff redundant you should consider taking advice to ensure the process is dealt with correctly.

NIC & PENSIONS

Make hay while higher rate relief is available

A further reminder to take advantage of this generous tax relief.

For many years Chancellors have threatened to reduce the Income Tax relief that can be claimed for payments into a private pension scheme.

There have been reductions in the amount of contributions that can be made and the size of the pension fund that can be accumulated, but thus far, allowable contributions may still attract Income Tax relief at your highest rate (20%, 40% or 45%) subject to regional differences.

It is this higher rate tax relief that may



now be subject to change.

Our present Chancellor, Rishi Sunak, has publicly declared that he wants to recoup some of the recent government COVID expenditure by increasing the Treasury's tax take. As we have already suggested, one of the proposed weapons in his tax-increase arsenal is to remove or reduce the higher rate Income Tax relief on pension contributions.

For example, he could restrict tax relief to basic rate (20% subject to regional differences) or cap at a hybrid rate of say 33%.

As the next budget is just around the corner, likely to be February or March 2021, now may be a good time to consult with your pensions adviser and consider maximising your contributions for 2020-21.

Check your State Pension forecast

Would you like to know when you can draw your State Pension, how many years qualifying contributions you have made and how much pension you can expect to receive?

You can do this by applying for a forecast online. Go to [GOV.UK/check-state-pension](https://gov.uk/check-state-pension).

GENERAL

Beware tax scams

Criminal groups are still contacting UK citizens pretending they are HMRC staff. The aim is to convince you that tax is owed to HMRC - or more compelling,

that tax refunds are available - and asking you for personal data, in particular, your bank account details or passwords.

It is worth stressing that HMRC would never ask for sensitive information by email or by phone. Rather than respond to calls or emails, call HMRC yourself using contact numbers on the GOV.UK website (or contact your professional adviser) to confirm that the message or call you have received is genuine.

HMRC has reported that a fresh wave of tax scams is being targeted at university students and confirmed that:

In August this year, HMRC received reports from the public of more than 74,800 scam emails, text messages and phone calls. Nearly 41,300 of these specifically offered bogus tax rebates.

Thousands of these scams were targeted at students and the criminals involved appear to have obtained their personal university email addresses by unlawful means. These scams often offer fake tax refunds or help with claiming COVID-related financial support.

Phishing email messages can also provide a gateway for criminals. Students who provide personal details in response can end up inadvertently giving access to important accounts, like email or online banking, leaving scammers free to commit fraud and steal their money.

Criminals also use phone scams to threaten taxpayers into handing over cash. Some 651,600 scams have been referred to HMRC since August last year. Of those, more than 215,660 were voice or phone scams.

FINANCIAL CALENDAR

December 2020

- 30 Last day to submit 2019/20 tax return online to have unpaid tax of up to £17,000 collected through the 2021/22 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 2021

- 14 Due date for CT61 return and CT payment for quarter to 31 December 2020.
- 31 Submit 2019/20 Self Assessment return online. Pay balance of 2019/20 Income Tax and CGT plus first payment on account for 2020/21. **Pay second payment on account of 2019/20 Income Tax if this was deferred on 31 July 2020 as part of government coronavirus support measures. There are also other options to defer payments due on 31 January 2021 for up to 12 months. This includes a self-serve Time to Pay facility online for debts up to £30,000 or by arrangement with HMRC.**

February 2021

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

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 extended payment plan until 31 March 2022.**

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 (19th 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.

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 2021 for year ending 31 March 2020.
- 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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