Summer 2021

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CHARTERED ACCOUNTANTS

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Financial news that's relevant to you.

INTRODUCTION

The planned "escape" from COVID restrictions in England was deferred until 19 July 2021.

Which means that business owners – especially those in the hospitality and entertainment sectors – will have an even steeper hill to climb to re-establish profitability and cash flow.

Hopefully, readers will find that the articles we have included in our summer newsletter will cast light on issues that may help in this difficult process.

There does seem to be light at the end of the COVID tunnel, but for some, the journey back to normality will be longer. Time to take a much-needed holiday to recharge our batteries, albeit subject to continuing social distancing regulation.

BUSINESS

Super-deductions now available

From 1 April 2021 until 31 March 2023, companies investing in qualifying new plant and machinery assets will be able to claim:

- a 130% super-deduction capital allowance on qualifying plant and machinery investments;
- a 50% first-year allowance for qualifying special rate assets.

The super-deduction will allow companies to cut their tax bill by up to 25p for every £1 they invest, ensuring the UK capital allowances regime is amongst the world's most competitive.

According to government sources the super-deduction will encourage firms to invest in productivity-enhancing plant and machinery assets that will help them grow.

What the super-deduction does not provide

The super-deduction is a form of capital

allowance. The 130% relief is a deduction from taxable profits. It is not a deduction from tax payable.

These new reliefs only apply to purchases of new plant and equipment.

Unfortunately, the relief is only available to companies. Businesses trading as a sole trader or partnership will not be able to claim the 130% or 50% relief. However, they can still claim the 100% first year allowance or annual investment allowance if they meet the usual qualifying criteria.

What capital purchases qualify for this new relief?

There is not an exhaustive list of plant and machinery assets that qualify for the super-deduction. If your planned investment is not included on the following list it may still qualify.

The published list of assets which may qualify for either the super-deduction or the 50% FYA include, but are not limited to:

- Solar panels
- Computer equipment and servers
- Tractors, lorries, vans
- Ladders, drills, cranes
- Office chairs and desks
- Electric vehicle charge points
- Refrigeration units
- Compressors
- Foundry equipment

Commercial v tax decisions

Your decision to buy new plant or equipment needs to be based on sound commercial decisions as well as any tax advantages. If you would like to consider your options, please call so we can help you crunch the numbers.

Future increases in Corporation Tax

To help meet some of the costs of the pandemic, companies with profits of £250,000 or more will pay Corporation Tax at a rate of 25% from 1 April 2023.

A lower rate of 19% will apply to companies with profits of £50,000 or less.

Companies with profits of between £50,000 and £250,000 will pay Corporation Tax at 25% but will be able to claim marginal relief. The thresholds will be proportionately reduced to take account of associated companies and short accounting periods.

On this basis, companies with taxable profits up to £50,000 will see no increase as the present rate of Corporation Tax is 19%.

Those with profits between £50,000 and £250,000 will need to take complicated marginal rates into account when estimating their liability after 1 April 2023.

Until 1 April 2023, all UK companies will continue to enjoy the present 19% rate.

Tax payments due July 2021

July is a productive month for the Treasury as many taxes fall due for payment this month. The following check list contains some of the taxes that are due for payment during July 2021:

- 1 July 2021, companies with Corporation Tax due for the year end date 30 September 2020, will need to pay Corporation Tax due by today.
- 19 July 2021, employers who have reported taxable benefits for their employees for 2020-21, will need to settle any Class 1A NICs - based on total benefits provided - today. If you pay your tax electronically the due date is 22 July 2021.
- 19 July 2021, PAYE and NIC

deductions due for month ended 5 July 2021. If you pay your tax electronically the due date is 22 July 2021.
- 19 July 2021, CIS tax deducted for the month ended 5 July 2021 is payable by today. If you pay your tax electronically the due date is 22 July 2021.
- 31 July 2021, individuals registered for self-assessment may have to pay any second instalment of tax due for 2020-21, by today.

Readers are reminded that late penalties will likely apply if payments are delayed past deadlines. If you are concerned that you may not be able to pay on time contact the Payment Support Service telephone: 0300 200 3835.

VAT & DUTIES

Making Tax Digital the next changes

HMRC is rolling out the next stage in its endeavour to digitise tax assessment, filing and collection under its Making Tax Digital initiative (MTD).

Presently, VAT registered businesses with a turnover above the £85,000 registration limit must file VAT returns using the MTD platform.

From 1 April 2022, MTD for VAT will apply to approximately 1.1m VAT registered businesses with a taxable turnover below the current VAT threshold that are not presently required to operate MTD for their VAT reporting and record keeping obligations.

According to Treasury sources there is a growing body of evidence, from research and insights from taxpayers within MTD for VAT, which demonstrates that MTD is securing a range of benefits for those that use it in practice.

These benefits include reducing or eliminating paper-based or manual processes through use of software and an integrated approach to business administration and tax, allowing for greater accuracy in tax returns. This reduces the time businesses spend on administration, providing businesses more time to maximise business opportunities, productivity and profitability. MTD's intention is that, for most businesses, tax will be made easier to get right and harder to get wrong.

About a quarter of VAT registered businesses below the VAT threshold have voluntarily chosen to join MTD, demonstrating that a modern, digital approach to managing tax can work for businesses of every size.

MTD aims to tackle that part of the tax gap caused by error and failure to take reasonable care, by removing opportunities to make certain types of mistakes in preparing and submitting tax returns.

Under MTD, businesses must keep digital records and use third-party software to submit their tax returns to HMRC. Under the changes, those who do not already keep their records digitally, will need to start doing so for their VAT obligations. The process of then sending returns to HMRC will become more straightforward, with their returns generated and sent directly from the software they are using to keep their records.

The software these businesses use must be capable of receiving information from HMRC digitally, via HMRC's Application Programming Interface (API) platform.

Please pick up the phone if you will need to switch to the MTD for VAT process before 1 April 2022 and are unsure how to proceed. We can recommend fully approved software and help you change.

PERSONAL

Tax and NIC after you reach State Pension age

You do not pay National Insurance after you reach State Pension age - unless you are self-employed and pay Class 4 contributions. You stop paying Class 4 contributions at the end of the tax year in which you reach State Pension age.

You will only pay Income Tax once you reach State Pension age if your taxable income - including your private pension and State Pension - is more than your tax-free allowances (the amount of income you are allowed before you pay tax, for 2021-22 is £12,570).

Protecting your personal data

The next time you receive a request, by phone, text, or email, that requires you to take an action or verbally disclose information about yourself or your finances, alarm bells need to ring.

Criminals now use every means at their disposal to obtain details that will enable them, ultimately, to cause you financial harm. For example, they might:

- Pretend they are the tax office and offer you a tax refund or threaten you with legal action if you do not pay tax, you apparently owe.
- Pretend you have inherited from a distant relative and all you need to do is send them certain personal details.
- Call your mobile or landline using automated software and offer you some form of reward, financial penalty, or legal action unless you immediately select a number on your keypad.

With your personal details, name, address, etc., they can pretend they are you and borrow money in your name. With your bank details they can transfer money from your bank account.

Criminals can do this from the comfort of their homes, all they need is a computer. And so, be cautious when responding to any request for personal information or bank details. If in doubt, do not respond. Instead, contact a trusted adviser, call the tax office or your bank using contact details published on official websites.

EMPLOYMENT & PAYROLL

Furlough's end

There are still a significant number of UK employees that are furloughed. Unfortunately, this scheme is scheduled to end 30 September 2021.

Businesses that are struggling to re-establish themselves following the downside effects of repeated lockdown, may be faced with difficult decisions as this deadline approaches. The pundits are expecting a significant rise in the unemployment numbers.

If you have concerns that you may be faced with laying off furloughed staff when the Coronavirus Job Retention Scheme closes, and are unsure how to plan for any changes, we can help.

The key is to create a forecast of business activity - based on current estimates - that highlights profitability, solvency and cash flow. Armed with this information, it will then be possible to try out different what-if scenarios and consider the options this process opens.

It is better to plan for these changes before they happen than to react when the changes have occurred.

Working from home – the new normal?

Will businesses be faced with remote management of staff if working from home is still endorsed by government to restrict the spread of COVID.

The gov.uk website is still singing from the "Working from home" hymn sheet. It says:

You should continue to work from home where you can.

If you cannot work from home, you should continue to travel to your workplace. You do not need to be classed as a critical worker to go to work if you cannot work from home.

Employers and employees should discuss their working arrangements, and employers should take every possible step to facilitate their employees working from home, including providing suitable IT and equipment to enable remote working. Where people cannot work from home, employers should take steps to make their workplaces COVID-19 secure and help employees avoid busy times and routes on public transport. Extra consideration should be given to those people at higher risk.

Who is going to foot the bill to fund these arrangements?

There will be direct costs, for example, equipment for use at home, but there will also be indirect costs due to inevitable loss of supervision and efficiency.

Business owners may need to draw up new guidelines for staff and set up new systems to ensure these costs are manged effectively.

If employees get a taste of working from home or if new staff start to demand a minimum of two or three days a week working from home, the work-place may morph into a desk share environment

where staff are infrequently seen and seldom heard.

NIC & PENSIONS

Tax relief for pension contributions

You will usually pay tax if annual contributions into your pension pots go above:

- 100% of your earnings in a year - this is the limit on the tax relief you can claim;
- £40,000 a year - this is your annual allowance;
- £1,073,100 in your lifetime - this is your lifetime allowance.

You also pay tax on contributions if your pension provider:

- is not registered for tax relief with HMRC;
- does not invest your pension pot according to HMRC's rules.

Contributions include payments into your pension pot by employers.

Most pension providers make an allowance for tax relief at the basic rate when collecting premiums from you, and so there is no need, in most cases, to claim tax relief if your highest rate of Income Tax is 20% (19% in Scotland).

If you pay Income Tax at higher rates you will need to make a claim for the higher rate relief on your self-assessment tax return or by contacting HMRC.

MISCELLANEOUS

More funding and support for high streets

More high streets will receive new money to improve transport links, build new homes and transform underused spaces in a key milestone for the government's levelling-up agenda.

In total, 72 English high streets - from Penzance to South Shields - will share over £830 million.

This funding aims to provide a much-needed boost for towns as they safely welcome shoppers and visitors back to their high streets.

The funding is part of the government's plan to protect, support and create thousands of jobs in a range of industries, delivering opportunities and prosperity to communities across England.

Other support available:

- The Welcome Back Fund, launched March 2021, to help councils boost tourism, improve green spaces and provide more outdoor seating areas, markets and food stall pop-ups - giving people more safer options to reunite with friends and relatives throughout the summer.
- The High Street Homes Permitted Development Rights that will make it easier for disused buildings to be repurposed and provide housing.
- Providing restaurants, pubs and cafes with the freedom to offer takeaway services; and making it easier for businesses and communities to host markets and stalls so customers can be served safely.
- Through the £4.8 billion Levelling Up Fund, the £220 million Community Renewal Fund and the £3.6 billion Towns Fund, the government is investing in long-term infrastructure projects to level up our towns and rural areas and ensure the vitality of our town centres for years to come.

In a popular move that will impact motorists using town centres, the government has also published its response to the Parking Code Framework which will curb unfair tickets and tackle cowboy parking firms through a new, simplified appeals process. Caps on private parking fines for millions of motorists are also set to be introduced. This will give drivers more confidence in heading into town knowing they will not be unfairly penalised by rogue operators.

COVID grants are taxable

A reminder that the COVID grant support received by businesses across the UK, from local authorities and government sources, are taxable.

As such they will need to be declared as income in the tax reference periods when the grants were received (if you have elected to produce accounts on the cash basis) or when the grant was made available, which may be an earlier date.

Changes to Companies House PROOF service

Companies House are making improvements to the PROOF service to help prevent unauthorised company name changes.

Changes since 1 June 2021, will help prevent unauthorised company name changes.

PROOF is a free service which lets you protect your company from unauthorised or fraudulent changes to your records. It prevents the filing of certain paper forms, such as changes to your company's registered office address or directors' details.

Since 1 June 2021, two documents that need completing to change a company name will be added to the PROOF service. These are:

- form NM01 (notice of change of name by resolution)
- copy of resolution (change of name by special resolution)

A change of name by special resolution accounts for most company name changes received and is currently the only type of name change you can submit electronically.

You can join the PROOF facility by using the Companies House online filing service. You will need to be registered for online filing.

Whiplash claim changes

The government introduced new regulations on 31 May, that should see reductions in motor insurance premiums. The industry estimates savings for most car owners of, on average, £35 per year. The new regime includes:

- A new digital portal to make a claim for any road traffic related personal injury valued at under £5,000, including claims for whiplash. This means claimants can settle their own claim without the use of a lawyer if they wish. It is anticipated that most road traffic accident claims will use the portal in future.
- Increasing the small claims track limit for road traffic accident-related (RTA) personal injury claims from £1,000 to £5,000. Therefore, most of all RTA related claims will now proceed through the cheaper small claims track where legal costs are not recoverable.
- A new fixed tariff of compensation for whiplash injuries setting out how much can be claimed for an injury, depending on how long it impacted the claimant with the duration up to two years. It

provides claimants with a clear guide to how much their injury would be worth when they make their claim.
- A ban on the practice of seeking or offering to settle whiplash claims without first obtaining medical evidence.

The new online portal will revolutionise how claims are made, creating a system that is simple and more efficient to use. It has been tested by professionals in the industry and reviewed to ensure it is easy to understand - with user-guides available to explain how to make and progress a claim at every stage. For those who require additional assistance, a helpline will also be available.

Meanwhile, the increase to the small claims track limit for road traffic accident injuries will mean that claimants whose compensation is valued at less than the £5,000 can use the new portal - in most cases sparing them court appearances, fees and legal costs.

The new whiplash tariffs will give claimants clarity, predictability, and certainty about how much their claim will be worth, while ensuring costs are controlled and that compensation is proportionate to the injury suffered.

Import duty deferment

If you import goods into Great Britain regularly, you can apply for a duty deferment account to delay paying most customs or tax charges, for example:

- Customs Duty
- Excise Duties
- Import VAT

You can also apply to delay paying duties on goods released from an excise warehouse.

A duty deferment account lets the importer (or someone who represents them) make one payment a month through Direct Debit instead of paying for individual consignments.

Anyone can apply for a duty deferment account to pay import duties in Great Britain.

To complete your application, you will need your:

- EORI number;
- name associated with your EORI number;
- registered company number (if this applies), in the UK this will be from Companies House;
- UK address associated with your EORI number;
- correspondence address;
- VAT number (if this applies)
- company directors' and officials' details, including date of birth;
- person responsible for customs authorisations, their details and practical customs experience;
- your estimated debt.

Importing for the first time?

If you are new to the import process the following check list will provide you with a rough guide to what you need to do:

- You need an EORI number that starts with GB to import goods into England, Wales or Scotland. You will need a new one if you have an EORI that does not start with GB.
- The business sending you the goods may need to make an export declaration in their country or secure licences or certificates to send goods to the UK.
- You can hire someone to deal with customs and transport the goods for you, or you can do it yourself. Most businesses that import goods use a transporter or customs agent.
- If the UK has a trade agreement with the country you are importing from, you may be able to pay less duty or no duty on the goods (known as a 'preferential rate').
- If you have appointed someone to deal with UK customs for you, they will make the declaration and get your goods through the UK border.

Unless you have experience dealing with cross-border transactions, appointing a customs agent or similar organisation would seem to be a sensible option, unless the value and frequency of imports is unlikely to be significant.

More detailed information is available free of charge on the GOV.UK website.

Temporary extension of loss relief carry-backs

Many businesses across the UK have made losses in the 2020-21 tax year due to the havoc resulting from COVID disruption.

Which was why the announcement in the March 2021 Budget, that losses can be carried back for an extended period, was most welcome.

The policy objective aims to provide a cashflow benefit to affected businesses by providing additional relief for trading losses, thereby generating repayments for tax paid for two additional years.

Legislation was introduced in the Finance Bill 2021 to extend the period for which trading losses can be carried back against previous profits. This extension will apply to trading losses made by companies in accounting periods ending between 1 April 2020 and 31 March 2022 and to trading losses made by unincorporated businesses in tax years 2020-21 and 2021-22.

To facilitate this change, trade losses carry back will be extended from the current one year entitlement to a period of three years, with losses being carried back against later years first.

FINANCIAL CALENDAR

Every month:

1 Annual Corporation Tax due for companies with a year ending nine months and a day earlier, e.g. tax due 1 October 2022 for year ending 31 December 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.

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.

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.

March 2022

31 Last minute planning for 2021/22 tax year. Make sure to use any CGT and IHT annual allowances and exemptions.

April 2022

5 Last day of tax year (6 April 2022, first day of new tax year).

14 Due date for CT61 return and CT payment for quarter to 31 March 2022.

May 2022

3 Submit employer forms P46 (car) for quarter to 5 April 2022.

31 Last day to issue 2021/22 P60s to employees.

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