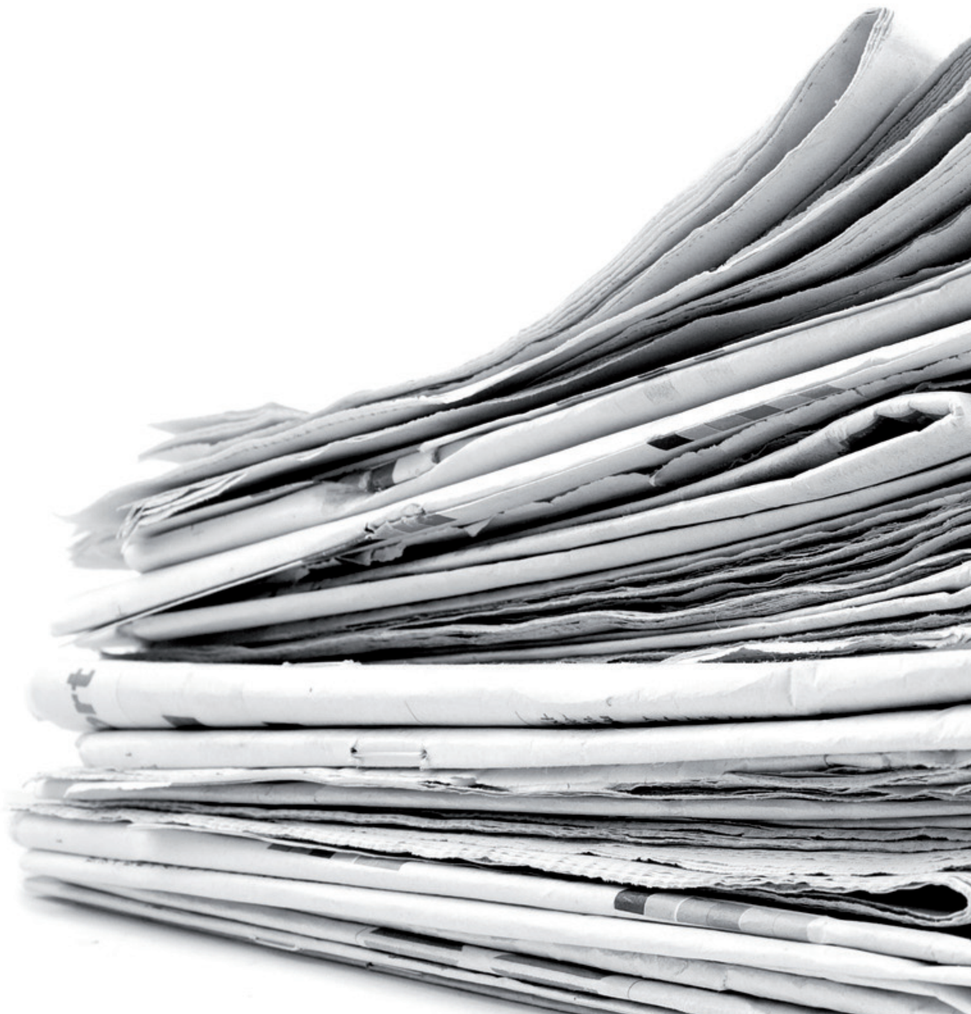
Autumn 2021

helping you achieve your personal & financial goals

Financial news that's relevant to you.



INTRODUCTION

Although the majority of social distancing measures to combat COVID infection have been withdrawn, government is still urging caution and we have included the revised advice in this newsletter.

Now that businesses can once again raise their heads above the COVID parapet, is it back to business as usual or should we expect further restrictions as the winter approaches? Only time will tell.

Hopefully, readers will find that the articles we have included in our autumn newsletter will help. Readers who need more information regarding any of the topics raised are invited to call.

Meantime, stay well and make the most of the lockdown-free trading conditions.

BUSINESS

A rainy-day fund

Does your business have savings that would cover at least three months overheads for your business?

This is a prudent, but thanks to COVID, completely unrealistic goal for many businesses who exhausted any such cash reserves months ago as COVID lock-downs and other measures drained cash flow.

Government support in the form of loans - so-called Bounce Back loans - have provided liquidity but have also increased liabilities.

However, businesses that have survived thus far would be wise to factor in the gradual accumulation of a rainy-day fund into their financial planning in the coming months.

In this way, their ability to survive future downturns in trade will be greatly enhanced.

Having the ability to meet overhead

costs if turnover drops away for a period means that you will not be forced into making cut-backs that will damage your potential to re-establish your normal pattern and volume of sales when the economic cycle swings back into positive growth.

Accumulating cash reserves can only be achieved if new capital is introduced and retained as cash in your business or if you retain profits - after tax - rather than distributing these profits or by inappropriate investment in resources that are unlikely to be productive in the short-term.

Managing our businesses based on the "let the good times roll" mantra may no longer be a sensible option. If we have learnt anything in the past eighteen months it is that adverse and unexpected events are lurking just around the corner.

Researching export markets

There are a number of useful guides that can be downloaded from the GOV.UK website. Google, "Get help researching export markets GOV.UK".

The guides provide an overview of:

- guidance on how to research export markets,
- how to sign up for seminars and webinars on starting to export or exporting to new markets,
- contact details for your nearest international trade team to get bespoke research (there would be a charge for this service).

There are also a range of country guides that provide information on:

- economic and industry information,
- local legal requirements,
- how to protect your intellectual property,
- language and cultural issues

You can also discover if there are any barriers to the trade you are considering.

Further information made available includes:

- Overseas business risk reports.
- Details of duties and customs procedures.
- EU wide technical or national rules.
- Product contact points.

You will also find links to help you find overseas customers and export markets.

Building supplies price inflation

One business sector that has noticed a significant increase in costs is the building industry.

It is difficult to pinpoint a single reason for many of the increases, but Brexit may have to take some of the blame as will the well-publicised shortage of delivery drivers.

Supply issues, securing deliveries from continental Europe, has been an issue, and when supplies dry up, and demand stays the same, prices will rise.

Also, the amount of cash that Sunak has pumped into the UK's money supply, in the form of grants, may be contributing to inflationary pressures, unless the funds are being taken up by reducing unemployment.

Because of holdups in accessing building materials, completing jobs may be delayed, which of course blocks the start of new work.

As the price of materials may have increased since quotes were originally provided, contractors will need to be cautious when quoting.

Builders will need to add conditions to

their quotes. Their customers need to know that the eventual price may increase to cover increases in the price of materials.

PERSONAL

Can you claim the Marriage Allowance?

In a recent news story published on the GOV.UK website, HMRC confirmed that nearly 1.8 million married couples and those in civil partnerships are claiming the Marriage Allowance to save up to £252 a year in Income Tax.

The allowance enables married couples or those in civil partnerships to share their personal tax allowances if one partner earns an income under their Personal Allowance threshold of £12,570 and the other is a basic rate taxpayer.

They can transfer 10% of their tax-free allowance to their partner, which is £1,260 in the 2021-22 tax year. It means couples can reduce the tax they pay by up to £252 a year. Couples can also backdate their claims for any of the four previous tax years, which could be worth up to £1,220.

If you are eligible, and still not making a claim, you can complete an application at gov.uk/apply-marriage-allowance.

Driving licence renewal delays continue

If your photocard driving licence or your entitlement to drive expired between 1 February 2020 and 31 December 2020, you have an eleven-month extension from the date of expiry. This means that you will not need to renew your photocard or entitlement to drive until eleven months after your original expiry date.

You do not need to do anything as this extension is automatic and you will receive a letter approximately two months before your extension expires to remind you when to renew your driving licence. You do not need to call the DVLA during this time.

The extension only applies to full GB driving licence holders. It does not apply to provisional driving licence entitlement.

If you have a health condition requiring further information from your GP or consultant or you require a physical examination, NHS doctors, consultants and opticians are experiencing delays in providing the information or tests the DVLA needs to be able to make a licensing decision.

Providing you have a current driving licence and you have not been told by your doctor or optician that you should not drive, you may be able to drive while the DVLA is considering your application and waiting for a response from NHS and eye-care professionals.

Taxing questions

What are your conclusions if you are faced with paying a significant tax bill?

Possible reactions could be:

- I had no idea I would have to pay this much tax.
- How am I going to pay this, I have no money in my bank accounts?

Planning could pave the way to being aware of future tax liabilities and provide the information you will need to fund tax payments when they fall due for payment.

Also, you could ensure that tax returns are prepared at the beginning rather than the end of each tax filing cycle.

For example, a self-assessment tax return for 2020-21 has to be filed by 31 January 2022. But if you leave preparation and submission until January 2022, you will have no time to fund any tax due for 2020-21 as this would be due on the same date, 31 January 2022.

If you were quicker off the mark, and prepared your return for filing say May 2021, then you would have eight months (June 2021 to 31 January 2022) to consider payment options.

You would also have time to consider any planning options that were available to you before the filing deadline.

Being informed is the most powerful position to adopt. Leaving matters until the last minute is your least attractive option.

If you want to discuss these strategies in more detail and see how they could ease your tax position, please call, we can help you consider your options.

EMPLOYMENT & PAYROLL

Furlough scheme ends

What next? Will economic activity increase sufficiently to encourage employers to maintain employee numbers or will we see a significant increase in unemployment following the end of furlough payments on 30 September 2021?

Readers who are still grappling with these uncertainties will need to dig deep in the coming weeks as government support is withdrawn and we are left to our own devices.

Planning is key.

If you are unsure which way to turn, we can help. Please call so that we can consider your options and help you base any actions regarding the retention of previously furloughed employees on the outlook for growth in the coming months.

Redundancy an overview

Redundancy is when you dismiss an employee because you no longer need anyone to do their job. This might be because your business is:

- changing what it does,
- doing things in a different way, for example using new machinery, or
- changing location or closing down, due to COVID disruption for example.

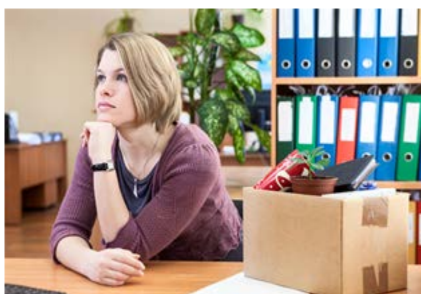
If you have been impacted by coronavirus lockdown, you were able to get funding to continue to pay your employees instead of making them redundant. This is known as furloughing. The current furlough scheme ends 30 September 2021.

For a redundancy to be genuine, you must demonstrate that the employee's job will no longer exist. Redundancies can be compulsory or non-compulsory. If you do have to make redundancies you can get help from Jobcentre Plus.

Employees have certain rights and may be entitled to redundancy pay if they are made redundant.

All employees under notice of redundancy have the right to:

- reasonable time off to look for a new job or arrange training.



- not be unfairly selected for redundancy.

You should always take steps to avoid redundancies before dismissing staff.

Employers must try to find suitable alternative employment within the organisation for employees they have made redundant.

Employees can try out an alternative role for four weeks (or more if agreed in writing) without giving up their right to redundancy pay.

We can help

If you are faced with making choices about staff retention as the furlough scheme draws to an end, please call. We can help you consider your options.

Plug-in company cars

As most drivers of a company car will be aware, if you have any private use of the vehicle this will result in a significant Income Tax charge. The car benefit charge is the way that HMRC levies tax on this benefit in kind; and the higher the CO_2 footprint of your company car, the higher the Income Tax charge.

Which is why many company car drivers are now looking at electric vehicles - either plug-ins or self-charging hybrids - as a tax efficient alternative.

For example, if you presently drive a gas-guzzling petrol driven car with a CO_2 rating of 145g/km you could drastically reduce your benefit in kind tax charge by switching to a hybrid or fully electric car with a CO_2 rating as low as 0g/km. There would still be a tax charge, even at 0g/km, but it would be based on a minimum 1% of the list price of the car when new, rather than 33% if rated at 145g/km.

Company car drivers whose private fuel is paid for by their employer will pay additional Income Tax based on the Car Fuel Benefit charge. This applies a percentage rate (33% in our example above) to a fixed figure, £24,600 for 2021-22, which in this case would add

£8,118 to a driver's taxable income.

Interestingly, since 6 April 2018, there is no taxable car fuel benefit where electricity is provided for an electric car. Legislation for this change was included in the Finance Act 2019 with retrospective effect, where the electric recharge facilities are made available to all employees at the workplace.

If an employer recharges a company vehicle at home, and is then reimbursed for the cost of the electricity used, this may be challenged as earnings. However, the employee could then make a claim for the electric cost using the advisory rates. Currently this is 4p per mile for fully electric cars.

A final point, employers would also benefit from a shift to an all-electric company car fleet. They are obliged to pay a 13.8% National Insurance charge on the total value of benefits provided (car and car fuel benefits); in which case converting to electric would be an additional bonus.

NIC & PENSIONS

Pension carry-back rules

Your annual allowance - presently set at £40,000, but see notes below when this is reduced - is the limit on the amount of pension savings that can be made to all your pension schemes in a tax year before you have to pay tax on them. This can be from a:

- defined contributions arrangement - where your pension savings is the total contribution you (or a third party like your employer) have made;

- defined benefits arrangement - where your pension savings is the increase in the value of your promised benefits under the pension scheme, from the start to the end of the period your pension savings are measured (from 2016-17 this is the tax year).

You will not be taxed on pension savings over your annual allowance if you have enough unused annual allowance from previous years to carry forward. You can carry forward unused allowance from the 3 previous tax years.

This annual allowance only applies to pension savings made to your UK registered pension schemes, or to overseas schemes where either you or your employer qualifies for UK tax relief.

If your "adjusted income" is over £240,000 and your "threshold income" is over £200,000 in the current tax year, you will need to work out a reduced annual allowance. The threshold income and adjusted income limits are different for earlier tax years.

For every £2 your adjusted income goes over £240,000, your annual allowance for the current tax year reduces by £1. The minimum reduced annual allowance you can have in the current tax year is £4,000.

You cannot carry forward unused allowances for any tax year where you were not a member of at least one UK registered pension scheme, or a qualifying overseas pension scheme.

If you would like a formal assessment of the amounts you could pay into your private pension for the current tax year, 2021-22, taking into account any spare allowances from previous years, please let us know.

Taking money from your pension pot

How soon you can take money from your pension pot will depend on your pension scheme's rules, but it is usually after you reach age 55.

You may be able to take money out before this age if either:

- you are retiring early because of ill health,
- you had the right under the scheme you joined before 6 April 2006 to take your pension before you are 55 - ask your pension provider if you are not sure what you position is.

Some companies may offer to help you get money out of your pension before you reach age 55. This could be an unauthorised payment. If it is unauthorised, you could pay up to 55% tax on the amount withdrawn.

The pension pot that you build up will probably be smaller if you retire early, because it has had less time to increase in value.

You might be able to get higher payments if you need to take your pension early because of a health condition. Check with your provider.

You may also be able to take your whole pension pot as a tax-free lump sum if all of the following apply to you:

- you are expected to live less than a year because of serious illness,
- you are under age 75,
- you do not have more than the lifetime allowance of £1,073,100 in pension savings.

If you are over 75 you will pay Income Tax on the lump sum taken. Check with your pension provider.

Some pension funds will keep at least 50% of your pension pot for your spouse or civil partner.

Need a National Insurance number?

You can apply for a National Insurance number if you live in the UK and have the right to work in the UK. You must also be looking for work or have an offer to start work in the UK. If you have already started working you can still apply.

Make sure you are eligible before you apply for a National Insurance number. If you already have one you will not be sent a new one.

You do not need to apply if you:

- have lost your National Insurance number,
- are a UK resident aged 19 or under,
- have a biometric residence permit which has a National Insurance number printed on it,
- are applying for benefits or a student loan.

If you are a UK resident aged 19 or under you will normally be sent a National Insurance number automatically, in the three months before your 16th birthday, if both the following are true: that you live in the UK and a parent has filled in a Child Benefit claim form for you.

If you are aged 16 to 19 and did not get a National Insurance number, call HM Revenue and Customs.

If you do not have a National Insurance number, you must apply for one if you plan to work. You can only apply when you are in the UK.

You do not need a National Insurance number to apply for benefits or a student loan. You will receive one if your application for benefits or a student loan is successful.

VAT & DUTIES

Who can charge VAT?

VAT is charged on supplies such as:

- business sales - for example when you sell goods and services,
- hiring or loaning goods to someone,
- selling business assets,
- commission,
- items sold to staff - for example canteen meals,
- business goods used for personal reasons,
- "non-sale" like bartering, part-exchange and gifts.

These are known as taxable supplies for VAT purposes. There are different rules for charities.

Some supplies of goods or services are defined in VAT legislation as exempt or supplies that are out of the scope of VAT. For example, medical services, postage stamps, banking and insurance services. You cannot charge VAT on supplies that fall under these categories.

Please note, you can only charge VAT on chargeable supplies if you are registered for VAT.

VAT inspections

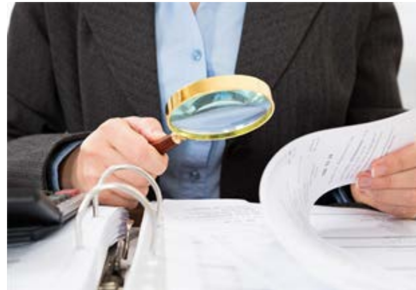
Although an unlikely event for smaller businesses that keep up-to-date with their VAT returns, a VAT officer can visit any registered VAT trader to check that returns submitted are correct.

How often you might have a visit depends on how big or complex your business is or whether you have a history of submitting late or incorrect returns.

The inference is that larger concerns will tend to get more visits as inspections are more likely to reveal significant errors.

After a visit HMRC will confirm:

- what you must do to avoid repeating errors in future;



- the amount and other details of errors;
- corrections you must make;
- the amount of any under or over payments of VAT;
- the amount of any penalties you must pay.

Should you receive a notification that HMRC will be calling to check your VAT records, please call as we can help you prepare and manage their inspection.

Zero-rating exports for VAT purposes

VAT was introduced as a tax on goods and services that were consumed in the UK. When goods are exported, they are "consumed" outside the UK and to impose a VAT charge on these supplies would therefore be contrary to the purpose of the tax.

Accordingly, goods exported from the UK are zero-rated for VAT purposes.

The place where goods are located at the time of supply can also affect a UK, VAT registered exporter. Goods are normally treated as being supplied where they are located at the time of supply and not where the supplier is located. For example, goods located:

- outside the UK are not exports and the supply is outside the scope of UK VAT;
- in Northern Ireland that are sent to an EU destination should follow the rules for VAT on movements of goods between Northern Ireland and the EU;
- in Great Britain that are sent to an EU destination should follow the export rules in this Notice.

Exporters must also meet the following conditions before they can zero rate supplies of goods for export. These conditions should cover the:

- evidence (either official or commercial) you must hold to prove entitlement to zero rating;
- time limits in which the goods must be physically exported from the UK, and
- time limits in which you must obtain evidence of export to support zero rating.

Only exports that comply with these conditions are eligible for zero rating.

MISCELLANEOUS

COVID avoidance still the best option

Even though many of the previous COVID restrictions on social distancing and other measures have been abandoned, the following recommended actions are still promoted on the GOV.UK website.

Coronavirus remains a serious health risk and you should stay cautious to help protect yourself and others. In particular:

- Meet outside, or open windows and doors for indoor visitors.
- If you think you have symptoms, stay at home and take a PCR test.
- Wear face coverings in crowded places and on public transport.
- Check into venues when you go out.
- Wash your hands with soap regularly, and for at least 20 seconds.
- Get vaccinated.

Stay safe and stay well!

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.

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.

July 2022

5 Final date to agree 2021/22 PAYE Settlement Agreements (PSA).

6 Last date for returns of expenses and benefits (forms P11D, P9D and P11D(b)) for 2021/22 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 2021/22 (forms 34, 35, 39, 40 and 42).

14 Due date for CT61 return and CT payment for quarter to 30 June 2022.

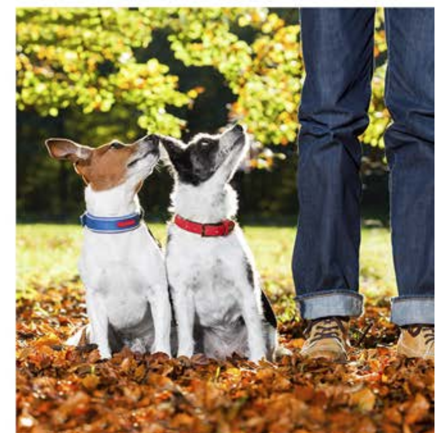
22 Class 1A NICs for 2021/22 due (19th if paid by cheque).

31 Due date for second payment on account of 2021/22 Income Tax and Class 4 NICs.

31 Last day to pay 2020/21 tax to avoid second automatic 5% surcharge (unless late payment agreed with HMRC).

August 2022

2 Submit employer forms P46 (car) for quarter to 5 July 2022



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helping you achieve your personal & financial goals

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