taking care of business

Chartered Accountants Business Advisers Statutory Auditors Chartered Tax Advisers

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NEWSLETTER
SPRING 2020

In this edition

INTRODUCTION

Our new government has finally produced their first budget and a brief summary of the tax and other business issues included are set out in this newsletter.

We have also added the usual selection of tax updates and tips relevant to this time in the annual tax cycle.

The UK is still in the transition phase of the withdrawal from the EU and we will be reporting on progress towards the agreement of our future trading relationship with Europe later in the year. The government has declared its intention to complete this process by 31 December 2020.

BUDGET SUMMARY

Budget Summary

In the face of Brexit uncertainties and the recent Coronavirus outbreak the new Chancellor, Rishi Sunak, was faced with falling economic indicators, the need to boost NHS services and was consequently limited in his options to spend on plans to improve business confidence and fund infrastructure projects.

There were a number of measures that will directly benefit those affected by the current COVID-19 outbreak and these are reported in this update.

Personal Tax and miscellaneous matters

Statutory Sick Pay (SSP)
SSP will be temporarily payable from day 1 instead of day 4 for affected individuals and will include those infected and those self-isolating, who are not infected.

Those who cannot claim SSP, the self-employed for example, are to be provided with easier access to Universal Credits and the Contributory Employment and Support Allowance.

Local Authority Hardship Fund
Government is providing a new £500m Hardship Fund so local authorities can support economically vulnerable people and households.

CGT Entrepreneurs' Relief
There will be a reduction of the lifetime allowance for this relief from £10m to £1m. This will apply to all relevant business disposals on or after 11 March 2020. Lifetime claims are restricted to £1m.

Special provisions may apply to disposals contracted for sale before 11 March 2020, but when the sale was not completed at that date.

CGT annual allowance
The annual tax-free allowance is to be increased to £12,300 for 2020-21 (£12,000 2019-20).

The equivalent allowance for trustees is £6,150 (£6,000 2019-20).

Tax benefit charges for low CO2 vehicles
The listed benefit rates will be cut by 2% for vehicles that qualify for the new standard (Worldwide harmonised Light Vehicle Test Procedure (WLTP) for all new cars registered from 6 April 2020).

Tobacco Duty Rates
All tobacco products will see an increase in duty by 2% above the current rate of inflation.

Hand-rolling tobacco will see an increase of 6% above the rate of inflation.

These changes will impact prices from 6pm, 11 March 2020.

Vehicle Excise Duty
Rates are due to be increased in line with the Retail Prices Index from April 2020.

ISA limits 2020-21
Junior ISA limits are increased to £9,000.

Zero-rating of VAT for women's sanitary products
This measure is to be introduced from 1 January 2021.

Business Tax Changes

National Insurance
It was confirmed that the tax threshold for National Insurance Contributions will rise to £9,500 from April 2020 (was £8,632).

Relief for Statutory Sick Pay payments
Small and medium sized businesses, those with less than 250 employees at 28 February 2020, will be able to reclaim any approved SSP payments. The actual method for making a claim is yet to be agreed as current payroll processes cannot accommodate this type of refund.

Business Rates Retail Discount Scheme
For one year, from 1 April 2020, the business rates retail discount for properties with a rateable value below £51,000 in England will increase from one third to 50% and will be expanded to include cinemas and music venues.

To support small businesses, in response to COVID-19, the retail discount will be increased to 100% and expanded to include hospitality and leisure businesses.

The government previously committed to introducing a £1,000 business rates discount for pubs with a rateable value below £100,000 in England for one year from 1 April 2020. To further support pubs, in response to COVID-19, the discount will be increased to £5,000.

Affected businesses should receive amended rates bills for 2020-21 from their local authority. Regional variations may apply.

One-off grant for small businesses
The government is to provide a £3,000 grant to businesses that presently qualify for the Small Business Rates Relief or Rural Rate Relief.

Businesses that think they may be eligible should contact their local authority.

Coronavirus Business Interruption Loan Scheme
The government will launch a new, temporary Coronavirus Business Interruption Loan Scheme, delivered by the British Business Bank, to support businesses to access bank lending and overdrafts.

The government will provide lenders with a guarantee of 80% on each loan (subject to a per lender cap on claims) to give lenders further confidence in continuing to provide finance to SMEs. The government will not charge businesses or banks for this guarantee, and the Scheme will support loans of up to £1.2 million in value. This new guarantee will initially support up to £1 billion of lending on top of current support offered through the British Business Bank.

Corporation Tax
The previously announced reduction in Corporation Tax from 19% to 17% - from April 2020 - has been scrapped. Corporation Tax rates are to remain at 19% for the financial year beginning 1 April 2020.

Structures and Buildings allowance
The annual writing down rate is to be increased from 2% to 3% from April 2020.

Digital Services Tax
Despite opposition from various quarters it looks as if the new Digital Services Tax of 2% will be applied to digital businesses from April 2020.

Capital loss restriction from 1 April 2020
For accounting periods ending on or after 1 April 2020, companies making capital gains will only be able to offset up to 50% of those gains using carried-forward, allowable capital losses.

Employment Allowance
The present £3,000 relief that reduces employer's NIC contributions is to be increased to £4,000 from April 2020. From 6 April 2020, you will only be able to claim if your Class 1 NIC bill was below £100,000 in the previous tax year.

Car and van benefits charges
Van benefit charges and car and van fuel benefit charges will be increased to account for inflation from April 2020.

R&D expenditure credit
This "Above the line" expenditure credit is currently 12% of qualifying R&D expenditure. This is to be increased to 13% from 1 April 2020.

Zero-rating of e-publications
From 1 December 2020, e-books, e-newspapers, e-magazines and academic e-journals will be zero-rated for VAT purposes.

VAT reverse-charge for the construction sector
A reminder that the domestic reverse charge process will apply to the construction sector from 1 October 2020.

Bank support for small businesses
In concert with the flexibility being offered to individuals, banks are looking at relaxing their criteria that would allow small businesses affected by Coronavirus disruption to obtain loans on favourable terms.

BUSINESS

We are in transition

Since 31 January 2020, we have agreed the terms of our withdrawal from the EU but still need to negotiate the terms of our future trading relationship. This latter process is due to be completed by 31 December 2020. This phase of withdrawal is referred to as a period of transition.

To gauge the mood of our government, we have reproduced below part of the statement made by the Prime Minister's office on 3 February 2020. It says:

The Government wishes to see a future relationship based on friendly cooperation between sovereign equals for the benefit of all our peoples. There is complete certainty that at the end of 2020 the process of transition to that relationship will be complete and that the UK will have recovered in full its economic and political independence. The Government remains committed in all circumstances to securing all those benefits for the whole of the UK and to strengthening our Union.

The question for the rest of 2020 is whether the UK and the EU can agree a deeper trading relationship on the lines of the free trade agreement the EU has with Canada, or whether the relationship will be based simply on the Withdrawal Agreement deal agreed in October 2019, including the Protocol on Ireland / Northern Ireland. In either event the UK will be leaving the single market and the customs union at the end of this year and stakeholders should prepare for that reality.

Accordingly, for the rest of 2020 little will change. From 1 January 2021, the new negotiated rules will apply. If no agreement is reached, and the deadline is observed, we will leave the EU on a no-deal basis.

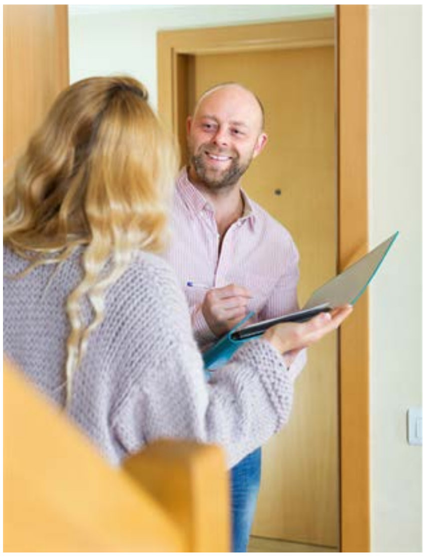
This means that UK businesses that trade with the EU will still have no certainty regarding their trading relationship with the EU until January 2021 at the earliest, unless by some miracle an agreement is reached prior to the end of this year.

However, this further delay does give UK exporters and importers an opportunity to consider the risks they may face from January 2021. We endorse this planning process. Please call so we can discuss your options.

No higher rate tax relief from April 2020

Buy-to-let property owners will be aware that during the last few years the amount of Income Tax relief they have been able to claim for finance - mortgage or loan interest for example - has been reducing.

This process has now completed. From 6 April 2020, finance charges and associated costs will no longer be deducted from your rents received in order to determine the amount of surplus rents that will be subject to Income Tax.



In place of this deduction, your Income Tax bill will be reduced by a tax credit based on 20% of the disallowed finance costs.

Accordingly, higher rate Income Tax payers will only receive relief at basic rate, finance charges will no longer reduce their rental income subject to tax.

PERSONAL

Who is on your side?

Without a doubt, our UK tax code is one of the most complex.

You can depend on HMRC to keep you advised if they feel you need to pay more tax - it is less likely that they will advise you if you need to pay less tax.

There are simply not enough experienced individuals employed by the tax office to monitor every persons' tax affairs and make sure that every decision a taxpayer makes - whether past or future transactions - are conducted in such a way that they pay as much tax as is required by legislation.

There is a long held principle in UK law, that ignorance of the law is no excuse for breaking the law. Unfortunately, this means we need a crystal ball that beeps when we are about to, unknowingly, transgress the law. Clearly, this is unrealistic.

Which is why, if our personal or business tax affairs are complex, we should be advised. If you are concerned that you, a family member or associate needs tax advice, please get in touch.

Our brief is always to ensure you pay as much tax as is required by legislation, but not a penny more.

Don't fall for this scam

The Insolvency Service has issued a warning that fraudsters have been contacting investors in insolvent company schemes claiming to be from the Official Receiver's office or to have

been appointed by the Official Receiver to help recover funds for a fee.

These approaches are always fraudulent.

Official Receivers or any agent legitimately instructed to act on their behalf will never ask you to pay a fee to get some or all of your investment back.

The Official Receiver can only make a return to you as a creditor in failed schemes if it is possible to identify and sell any remaining assets owned by the liquidated company you bought your investment from. All too often businesses of this nature have few, if any, assets left to repay creditors and it can take several years to undertake complex asset recovery work and complete a liquidation.

Paying a fee will not make you a priority creditor, meaning you get paid faster or increase the chance of you getting any money back.

If you are asked to pay a fee to get your money back someone is attempting to scam you.

The Official Receiver does not charge investors a fee to get money back and does not employ anyone else to do this on their behalf.

You should report all fraudulent contact from individuals, stating they can get your lost investments back for a fee, to the Official Receivers. You can also report these approaches to Action Fraud.

Tax year end reminders

We have listed below a few housekeeping reminders for the end of the 2019-20 tax year; actions that may save you time and money at a future date.

1. Make a list of any significant gifts you have made and if these gifts have been made out of your earnings in 2019-20, or your savings/investments.
2. Gather together details of any property sales or purchases made during the year. This is information we will need to advise you on any tax consequences.
3. Collect information regarding any other acquisitions or disposals of other significant assets that may be subject to Capital Gains Tax or Inheritance Tax.
4. If you are self-employed and run a business car which is used for business and private purposes, make sure you log the vehicle’s mileage at the beginning and the end of the tax year, and update your record of private mileage and/or business miles. This will be needed to adjust claims for capital allowances and motoring expenses in your business accounts.
5. Similarly, if you have a company car, calculate your private mileage, if any, and consider refunding the cost of any private petrol funded by your employer. In this way you can avoid the car fuel benefit charge.
6. If you have a Furnished Holiday Lets business, crunch the numbers to ensure you have met the required occupancy levels to continue qualifying for the significant tax advantages you enjoy.
7. If you have made any charitable donations in the year, update your list as this information will be needed at tax return time.

And finally, start collecting together any other tax paperwork required to complete your 2019-20 return.

EMPLOYMENT & PAYROLL

Payroll chores to set up April 2020

The following are the chores you will need to undertake in order to fulfil your payroll responsibilities for 2019-20 and set up records for 2020-21.

1. Send your final payroll report of the year on or before your employees’ payday for March 2020.
2. Update employees’ payroll records to use from April 2020.
3. Update your payroll software once the March payroll formalities are dealt with.
4. Provide employees with a P60 for 2019-20. This needs to be done on or before 31 May 2020.
5. Report employees’ expenses and benefits by 6 July 2020.

Needless to say, if we are instructed to prepare your payroll, all of these chores will be done for you.

If you would like to consider outsourcing your payroll to free up time for more productive activity in your business, please call.

The beginning of the tax year is the perfect time to consider this option.

Time off for jury service

Employer's responsibilities are set out below:

- You must allow an employee time off if they are called up to serve on a jury.
- You cannot discriminate against your employee for going on jury service.

- If you dismiss your employee for going on jury service they could take you to an employment tribunal.
- You can ask your employee to try to delay their jury service if their absence would seriously harm your business. They will need a letter from you explaining why.
- They can only delay jury service once in a 12-month period, and must say on the jury summons when they will be available.

Jury service usually lasts up to 10 days but can be longer.

NIC & PENSIONS

NIC thresholds raised

According to a pre-budget announcement, 31 million taxpayers will benefit from the increase in the NIC contribution threshold to £9,500 per year from April 2020. This is an increase of more than 10%.

The threshold determines the level at which NIC contributions are levied.

An employee on average earnings will save about £104 a year in contributions. The self-employed, who pay at different rates to employed persons, will save £78.

The government has set its sights on further increases to a £12,500 threshold. If achieved, this would save the average wage earner £500 a year.

VAT & DUTIES

The best VAT scheme

When you register for VAT you assume the duties of an unpaid tax collector. You add VAT to your sales, collect this from your customers and pay VAT on purchases and expenses to your suppliers. The difference between the VAT collected and paid is then paid over to HMRC, usually on a quarterly basis.

This process is described as the standard VAT scheme.

However, there are alternative, special schemes. They include:

1. Cash Accounting (this eliminates timing differences, so you only pay VAT when received or paid rather than invoiced).
2. Annual Accounting (you submit one VAT return, not four, in a year and make nine monthly payments on account and a balancing payment once a year).
3. The Flat Rate Scheme (you pay VAT as a fixed rate applied to your VAT inclusive turnover. The fixed rate varies according to the market sector that applies to your business).
4. Retails Schemes (various schemes designed to simplify the calculation of VAT due for retail businesses).

To some extent you can also combine some of these schemes. Note, turnover limits apply to some of these alternative methods of calculating the VAT you should pay.

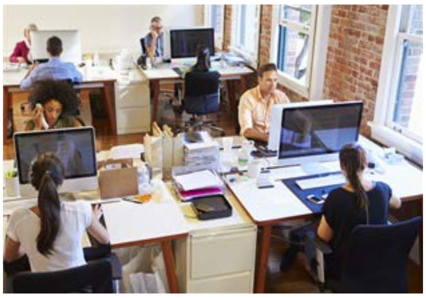
There is insufficient space in this article to describe the benefits and pitfalls of each scheme. If you are using the standard model and would like to consider your options to use a more advantageous scheme, please call.

Directors, partners, entertaining and VAT

This short article clarifies the position of directors, partners and entertaining costs for VAT purposes.

If the entertainment is provided only for directors or partners of a business, the VAT incurred is not input tax. This is because the goods or services are not used for a business purpose. The VAT cannot, therefore, be recovered.

But where directors and partners of the business attend staff parties together with other employees, HMRC accepts that the tax is input tax and is not blocked from recovery.



MISCELLANEOUS

Extension of "off payroll" rules from April 2020

The government is extending the 2017 reform of the operation of the off-payroll working rules (IR35) in the public sector, to all medium and large organisations in April 2020. This will shift responsibility for operating the rules to the organisation that engages the worker. This is how employment status for tax is decided for the vast majority of people, who do not work through their own company.

The rules will now apply to payments made for services provided on or after 6 April 2020. Previously, the rules would have applied to any payments made on or after 6 April 2020, regardless of when the services were carried out.

This means that organisations will only need to determine whether the rules apply for contracts they plan to continue beyond 6 April 2020.

Smaller businesses will not be affected by this change as it will only apply to concerns that are classified as medium or large. The published definition of "medium and large" in this context is organisations with turnover of more than £10.2m, a Balance Sheet total of £5.1m or more and/or more than 50 employees.

Additional tax breaks for electric cars

From April 2020, company electric cars will be taxed on both their fuel type - electricity - and the range of their vehicle between charges - in miles.

The effect is to reduce the tax charge on drivers of electric vehicles with extended range capabilities.

For example, electric cars purchased before 6 April 2020, and with a maximum range greater than 130 miles between charges, will generate a car benefit charge based on 0% of the list price when new.

Compare this with a pre-April 2020 electric car with an equivalent range of less than 30 miles between charges, these vehicles would generate a car benefit charge based on 14% of the list price when new.

Obviously, the tax system is being used to promote sales of electric cars with higher range capabilities.

Dormant companies and tax

Your company is considered to be dormant for tax purposes if it:

- has stopped trading and has no other income, for example investments,
- is a new limited company that has not started trading,
- is an unincorporated association or club owing less than £100 Corporation Tax,
- is a flat management company

Trading includes buying, selling, renting property, advertising, employing someone or getting interest from money invested.

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 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.

April 2020

5 Last day of tax year (6 April 2020, first day of new tax year).

14 Due date for CT61 return and CT payment for quarter to 31 March 2020.

May 2020

3 Submit employer forms P46 (car) for quarter to 5 April 2020.

31 Last day to issue 2019/20 P60s to employees.

July 2020

5 Final date to agree 2019/20 PAYE Settlement Agreements (PSA).

6 Last date for returns of expenses and benefits (forms P11D, P9D and P11D(b)) for 2019/20 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 2019/20 (forms 34, 35, 39, 40 and 42).

14 Due date for CT61 return and CT payment for quarter to 30 June 2020.

22 Class 1A NICs for 2019/20 due (19^{th} if paid by cheque).

31 Due date for second payment on account of 2019/20 Income Tax and Class 4 NICs.

31 Last day to pay 2018/19 tax to avoid second automatic 5% surcharge (unless late payment agreed with HMRC).

August 2020

2 Submit employer forms P46 (car) for quarter to 5 July 2020

October 2020

5 Deadline to notify HMRC of chargeability to Income Tax or CGT for 2019/20.

14 Due date for CT61 return and CT payment for quarter to 30 September 2020.

31 Deadline to submit 2019/20 Self Assessment tax return if filed on paper.

November 2020

2 Submit employer forms P46 (car) for quarter to 5 October 2020.

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.

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.

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