Spring
Newsletter 2021

WYNNIATT-HUSEY LTD

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HMRC Task Force

The Chancellor has unveiled a new fraud taskforce to clamp down on criminals who exploit the Government's COVID support scheme.

The Taxpayer Protection Taskforce will have around 1,000 investigators who will investigate those who fraudulently claim taxpayer's money through the use of schemes such as furlough and the Self Employment Income Support Scheme along with setting up new measures to clamp down on tax avoidance and evasion. The Government will raise awareness of enforcement action in order to deter fraud and will significantly strengthen law enforcement for Bounce Back and CBIL Loans.

Continued Covid Support

JOB RETENTION SCHEME

The Government have extended the Coronavirus Job Retention Scheme, which was scheduled to end on 30 April 2021, to 30 September 2021.

The Grant available for all employees will remain at 80% up to the £2,500 cap until 30 June 2021.

From 1 July 2021 employers will be required to contribute an additional 10% towards the cost of their furloughed employees' wages (Government will reimburse 70% with a cap of £2,187.50) and from 1 August 2021 to 30 September 2021 required to contribute an additional 20% (Government will reimburse 60% with a cap of £1,875).

Employers will need to continue paying their employer national insurance contributions and employer pension contributions as they did under the previous furlough scheme.

SELF-EMPLOYMENT INCOME SUPPORT SCHEME (SEISS)

A fourth SEISS grant covering the period February – April 2021 will provide a taxable grant calculated at 80% of 3 months' average trading profits capped at £7,500.

Unlike the previous grants, the fourth SEISS grant will take into account self employment income that was declared on 05 April 2020 self assessment tax returns and it will now be open to those who became self-employed before 05 April 2020.

This grant is payable providing the tax return was filed by 28 February 2021 and the rest of the eligibility criteria continues to be met.

The online claims service for this grant will be available from late April 2021 until 31 May 2021.

A fifth grant covering the period May – September 2021 will be available to claim from late July 2021. The amount of this grant will be determined by how much your turnover has reduced in the current year and you can apply for either -

- 80% of 3 months' average trading profits, capped at £7,500, for those with a turnover reduction of 30% or more.
- 30% of 3 months' average trading profits, capped at £2,850, for those with a turnover reduction of less than 30%.

Please note that if claiming for the fifth SEISS grant, it is likely that HMRC will be asking a lot more questions in the online claim forms than they have asked for in previous grants.

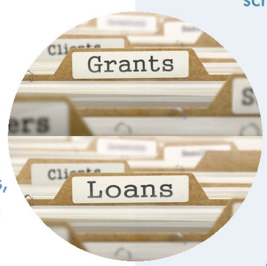
New Support

RESTART GRANT

The Restart Grant is aimed at helping shops, pubs, hotels and any other small business through to 21st June 2021, when it is hoped the final coronavirus restrictions will be lifted. The Restart Grant scheme will be administered by local councils and is available to small businesses. Non-essential retail businesses will get up to £6,000 per premises to help them to reopen. More money will be available for any small business in hospitality, accommodation, leisure, personal care and gyms, which will open later than the initial 12th April 2021 and therefore more affected by restrictions. They can receive up to £18,000, on their ratable value.

Based on the current guidance the government have given to local authorities, your business may be eligible for a Restart Grant if it:

- Is based in England,
- Occupies property on which it pays business rates (and is the ratepayer) or claims rate relief thereon,
- Has been required to close for at least 14 days because of restrictions,
- Has been unable to provide its usual in-person customer service from its premises.



You cannot receive a Restart Grant if:

- You can continue to operate during the period of restrictions because you do not depend on providing direct in-person services from your premises,
- Local restrictions are introduced for less than 14 days or you are closed for less than 14 days,
- You have chosen to close, but have not been required to close as part of local restrictions,
- Your business is in administration, insolvent, subject to a striking-off notice or has been struck off the Companies House register,
- You have exceeded the permitted subsidy limit.

RECOVERY LOAN SCHEME

The Recovery Loan Scheme was announced in the Chancellors budget on 03 March 2021 with the intention for this to replace the Government's Bounce Back Loan Scheme and Coronavirus Business Interruption Loan Scheme (CBILS), which are both due to end on 31 March 2021.

The amount of borrowing available in terms of loans and overdrafts will range from £25,000 to £10 million per business.

Loans and asset finance will likely be 6 year terms, similar to the previous loan schemes. However any overdrafts or invoice financearrangementsare only likely to be up to 3 years.

Any borrowing will be 80% guaranteed by theGovernmentto, in their words, ensure lenders continue to have confidenceto lend to businesses. However any borrowing over£250,000 will likely require a personal guarantee, and theGovernmenthave already confirmed that a borrower's main homeor principal private residence cannot be taken as security.

This loan scheme will open on 06 April 2021 and isscheduled to end on 31 December 2021 (although this remainssubject to review).

The eligibility criteria is similar to that of the previous loan schemes –

- Must be trading in the UK
- Must have been impacted by the Coronavirus pandemic

Businesses that have received loans under the original schemes can still apply for this new Recovery Loan Scheme providing they still meet the criteria.

It has not yet been announced how to apply for these loans, but the Government have announced they will release this information in due course, along with a list of accredited lenders who will offer these Recovery Loans.

Personal Liability Notices

are notices given to individuals by HMRC, transferringa company's liability for unpaid National Insurance Contributions to the recipient. It is used more frequently now than when it was introduced in 2009 and is a serious measure.

When are Personal Liability Notices Issued? HMRC inspectors have been particularly interested in company directors' intentional non-payment of National Insurance & PAYE contributions, which may result in Personal Liability Notices (PLNs) being released. The following possibilities are likely to spark HMRC's interest in this regard:

- When company directors have used "phoenixism" to stop paying their company's tax and NI debts on numerous occasions.
- Prior to the company's insolvency, a certain creditor or creditors is compensated in preference to other creditors, like HMRC - this is know as 'preference payments'.
- When the company was in trouble, the directors were paid well.

The key reason for issuing a PLN is that HMRC believes the director or other business officer has attempted to defraud them of money owed to them in form of company National Insurance payments. They may also be kept responsible for any accrued interest and fines.

What does this mean for you? If you work for a corporation as a director, shadow director, or other officer. Prior to issuing a notice, HMRC can

conduct an investigation and invite someone they suspect of committing serious tax offence for an interview. Directors and others have the ability to justify why their company's NI obligations haven't been settled, and HMRC will not issue a PLN if the reasons are legitimate. However, since PLNs are often associated with large amounts of money, receiving one can result in personal bankruptcy, disqualification as a director, and even a jail sentence if the degree of fraud is serious.

RTI Penalties

Late filing of real time information (RTI) payroll data will incur a fine from HMRC, therefore it is important to report your payroll information in good time before the submission date to ensure it is filed on time. Penalties are incurred for late FPS submissions, or even EPS submissions if there have been no payments to employees in a particular month. HMRC however will waive the penalty as long as the submission is made within 3 days of the employees' payday, if you're a new employer and you sent your first FPS within 30 days of paying an employee or if it is your first failure in the tax year to file the RTI on time. What you pay depends on how many employees you have:

1 - 9 employees - £100 monthly penalty
10 - 49 employees - £200 monthly penalty
50 - 249 employees - £300 monthly penalty
250 or more employees - £400 monthly penalty

HMRC have confirmed they will continue to use the risk based assessment approach to RTI penalty notices. This means penalty notices are not automatically assessed and issued and instead are more systematically checked at the end of the year and issued dependent on the behavior of late filing tax payer and amounts in question. There could be such a delay of up to 18 months before receiving a penalty.

Additionally there is a penalty of 5% of tax and NIC if you are more than 3 months late. These charges can be applied to more than one PAYE scheme. Interest is not charged if you pay the penalty within 30 days however you can appeal the penalty notice if there is basis to do so.

CORPORATION TAX

- The rate will remain at 19% until 31 March 2023.
- It will then rise to 25% for businesses making a profit in excess of £250,000.
- For smaller businesses with profits up to £50,000 the rate will remain at 19%.
- Where a company's profits fall between £50,000 and £250,000 marginal relief for corporation tax will apply at 26.5%.

If you have control of more than one company then the allowances stated above will be split between them i.e. if you have 2 companies they will each get £25,000 at 19% and £100,000 at the marginal rate. Thereforewhen profits are above £125,000they will pay 25% on all of it. If you have 3 companies the above allowances will split between the 3 of them and so on.

Allowances

In the 2021/22tax year the personal allowances will increase from £12,500to £12,570.The higher rate tax threshold will be from £50,270, this will also limit the upper earnings limit for NIC purposes. These changes are to be frozen up to April 2026. For VAT, the threshold for registrationwill remain at £85,000 until April 2024. The inheritance tax nil-rate band will remain at £325,000 as will the residence nil-rate band at £175,000, until 2026. The capital gains tax allowance will also remain the same at £12,300, until 2026. Rates of income tax, national insurance or VAT will remain the same as they currently stand in the 2020/21tax year.

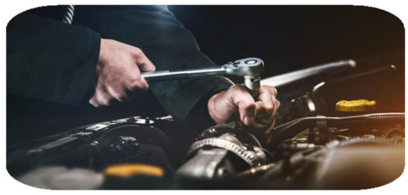
Working at home allowance

You may be able to claim tax relief for additional household costs if you have to work at home on a regular basis, either for all or part of the week. This includes if you have to work from home because of coronavirus (COVID-19).

You can either claim tax relief on:

- £6 a week from 6 April 2020 (for previous tax years the rate is £4 a week) - you will not need to keep evidence of your extra costs.
- The exact amount of extra costs you've incurred above the weekly amounts.

You'll get tax relief based on the rate at which you pay tax. For example, if you pay the 20% basic rate of tax and claim tax relief on £6 a week you would get £1.20 per week in tax relief (20% of £6). If you complete a self-assessment return you can make your claim on the return. If you don't complete a self-assessment return you will need to contact HMRC and ask them to alter you PAYE notice of coding.



Repairs vs Enhancements

If you are looking into doing any major work to a fixed asset such as a new engine on a vehicle or fitting a new kitchen in a property; HMRC may question whether or not the changes are just repairs or if they enhance the value of the asset.

We would recommend taking a before and after photograph of the changes made to the asset to support your claim and provide evidence for HMRC.

Super Deductions - Capital Allowances

From 1 April until March 2023, companies investing in qualifying assets will benefit from new first year capital allowances. Under this scheme a company will be allowed to claim:

- A super-deduction providing allowances of 130% on most new asset investments that ordinarily qualify for 18% main rate writing down allowances;
- A first year allowance of 50% on most new asset investments that ordinarily qualify for 6% special rate writing down allowances.

There is not an exhaustive list of assets. The kinds of assets which may qualify for either the super-deduction or the 50% FYA include, but are not limited to: computer equipment and servers, drills, ladders, office chairs and desks, lorries, vans, tractors, solar panels etc.

There are exclusions to these reliefs, which include expenditure on cars, second-hand assets, connected party transactions and expenditure on assets for leasing.

This relief is not available for unincorporated (sole trader and partnerships) businesses. Unincorporated businesses can claim the full cost of expenditure through the Annual Investments Allowance up to the relevant limit.

Plug In Grants

You can get a discount on the price of brand new low-emission vehicles through a grant the government gives to vehicle dealerships and manufacturers. You do not need to do anything if you want to buy one of these vehicles - the dealer will include the value of the grant in the vehicle's price. The maximum grant available for cars is £3,000. The amount of the grant depends on which category the vehicle is in.

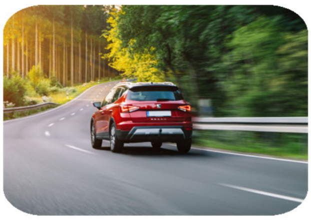
The 6 categories are:
- Cars
- Motorcycles
- Mopeds
- Vans
- Taxis
- Large Vans and Trucks.

Not all low-emission vehicles will get a grant. Only vehicles that have been approved by the government are eligible for a grant.

Child Benefit

If you or your partner earn over £50,000 then your Child Benefit is subject to a clawback. You may have to pay back some of your Child Benefit in tax if you (or your partner's) individual income is over £50,000. However, if your income has reduced below £50,000 due to Covid then you now can reapply for child benefit.

Cars vs Vans



HMRC have recently been successful in their Court Case against Coca Cola.
Coca Cola had purchased, amongst others, a VW Transporter Van, a T5 Kombi Van and a Vauxhall Vivaro Van for their employees and treated them as vans for tax purposes.
However, HMRC argued that as the vans had been modified and extra seats added, the vans were no longer being used as intended ie: the transportation of goods, and they were now multi-purpose. The outcome being that HMRC reclassified them as cars and the Courts agreed.
Please be aware of this if you are considering buying a van that has been modified to include extra seats, or if you are intending to add seats.
The Court Case could see HMRC re-visiting Twin Cabs which currently classify as a van for tax purposes.

HMRC Scams

- Email Scam: there is a campaign telling customers they can claim 'for the third grant' as support during the coronavirus (COVID-19) pandemic.
- Text Scam: there is a coronavirus (COVID-19) text scams telling customers they are entitled to funding due to the new lockdown support plan.
- Phonecall: there is also an automated phone call scam which will tell you HMRC is filing a lawsuit against you, and to press 1 to speak to a caseworker to make a payment.

DO NOT reply to any of these or click on any links they may send you. End phone calls immediately and contact us if you are unsure. HMRC will never send notifications by email about tax rebates or refunds and will never ask for personal or financial information when contacting you via text message. HMRC will never contact you via WhatsApp or other messaging services. There are many other scams so please be careful. We advise you to report any suspicious communication to us.

Other Important Information:

EMPLOYMENT
- Minimum wage is going to rise to £8.91 from April 2021

APPRENTICESHIP SUPPORT
- There will be a £3000 grant for new adult apprentice hires

VAT
- 5% VAT on hospitality is extended to end of September 2021, then 12.5% until April 2022

STAMP DUTY
- £500k nil rate band for stamp duty will end in June 2021, £250k nil rate band will end in September 2021 and go back to £125k

BUSINESS TAX LOSSES
- Tax treatment on losses (max £200k) can be carried back 3 years

INVESTMENTS
- Investment in green industries and infrastructure will be £12bn starting in spring
- More money into R & D and Enterprise Investments
- £150m for local communities to take over pubs, clubs, shops etc

HELP TO GROW SCHEME
- Management training programme – Government will back 90% of cost
- Digital Skills – Free expert training and 50% of digital enhancement software

FREE PORTS
"Free Ports" to be introduced to UK at the following regions
- East Midlands Airport
- Felixstone and Harwich
- Humber
- Liverpool City
- Plymouth
- Solent
- Thames
- Teeside

Taxation on Covid grants & loans

- Any Covid related grant, such as Self-Employment Income Support Scheme (SEISS), Job Retention Scheme (JRS), Local Restrictions Support Grant or Rates Grant form part of your taxable income, and shall be taxed at appropriate income tax or corporation tax rate at your year end. Please bear this in mind when applying for any future grants.
- Anyone that has been in receipt of the SEISS, being paid into a personal bank, should inform us of these transactions, as HMRC will require the split of income earned and grant income received on the year end tax return.
- Any Covid related loan, such as Business Interruption or Bounce Back Loan, are to be eventually paid back, so will not form part of your profit and therefore not taxable.

Mini Umbrella Companies

With the changes to IR35, workers may find themselves in a situation where an umbrella company offers an attractive working solution. It is an area to approach with caution to ensure that this company operates within the law.
The increased use of the mini umbrella company (MUC) has resulted in a fraud alert from HMRC for the way they operate. The fraudulent MUC works by splitting up a temporary workforce into hundreds of smaller limited companies. Each company would then fraudulently claim the Employment Allowance in its own right to avoid paying over the NIC on the workforce. There is considerable loss of revenue to the exchequer and a loss of employment rights for the worker.
There are five common characteristics of a MUC fraud.
1. The company has an unusual name.
2. It has an unrelated business description.
3. The directors are often foreign nationals, not UK based.
4. There is an unusually high movement of workers, through the different MUC's.
5. The business are very short lived as they are often dissolved by company's house for failing their filing obligations.

HMRC are working to raise awareness of the issues and are planning to issue advice to employment agencies and end users who use temporary labour to ensure they perform due diligence and complete thorough background checks on who they are working with.

UPCOMING ZOOM SEMINAR DATES

~ Wednesday 12th May - Inheritance Tax Planning
~ Wednesday 14th July - Inheritance Tax & Small Businesses
~ Wednesday 15th September - Pensions & Tax Relief
~ Tuesday 16th November - MTD for Small Businesses

PLEASE CONTACT US
TO REGISTER YOUR INTEREST FOR ANY OF THE ABOVE.