Winter
Newsletter 2021

Wynniatt-Husey Ltd

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INSIDE THIS ISSUE:

LONG DELAYS BY HMRC

At present, we do not feel we are receiving the efficient service as previously experienced by HMRC.
Thousands of UK Taxpayers are having to wait at least 6 months to get their tax rebates.
These delays are believed to be caused by increased demand on tax authority staff due to the management of Covid furlough payments and increased workload due to post-Brexit paperwork.
Hundreds of HMRC's more experienced staff have been transferred to deal with furlough payments to both companies and the self-employed, and while the organisation has recruited additional staff to deal with applications for tax rebates a lack of experience among these workers is thought to have added to the delays.
From experience, partnership registrations are taking up to 6 months to be completed, and we also have a case where a self-assessment registration was sent in April 2021 and we still do not have the relevant information (UTR number) in order to submit a self-assessment tax return.
We are having to constantly contact the HMRC helpline in order to check on the progress. Even with formal complaints (which a member of staff made 3 times) this does not change the outcome of when they process the information.
We appreciate this is as frustrating for our clients as it is for us, but we are trying our best in light of their inefficiency. Hopefully they manage to resume order in the near future!

CAPITAL GAINS TAX REPORTING: FROM 30 TO 60 DAYS

If you sell a UK residential property, you may have to file a capital gains tax return with HMRC. Since 6 April 2020, you had a short turnaround for reporting this of 30 days. However, in the budget it was announced that effective from 27 October 2021 you now have a time period of 60 days to complete and pay the capital gains tax return.
The main reason for this change was that many believed the 30-day period was too short, Michael Steed, Co-Chair of the ATT's Technical Steering Group, said:
"The very short time-limit for reporting disposals of residential property has proved really challenging for those affected and we welcome the Government's extension to a 60-day period. A large part of the problem is that many taxpayers are simply not aware of the new requirements and with such a short deadline, it was very easy to miss."
Please ensure that you notify us when the capital gains disposals take place, and we will be able to advise you whether you have to adhere to the above requirements.

RISE IN CORPORATION TAX

The Chancellor has confirmed that from 1 April 2023, an increase from 19% to 25% in the main rate of corporation tax. In addition, the 19 percent rate will continue to apply to companies with profits of not more than £50,000, with marginal tax at 26.5% for profits of up to £250,000. Only businesses with profits of £250,000 or greater will be taxed at the full 25% rate. If you have multiple companies the £50,000 profit is divided by the number of companies owned therefore you will pay a lot more tax.

MAKING TAX DIGITAL SPRINGS SURPRISE ANNOUNCEMENT

Despite the fact that the implementation of Making Tax Digital has again been delayed, this time until April 2024 (for more information on this, see article "Making Tax Digital Update" below) HMRC have announced that when MTD does eventually go live, that they will expect the accounting data that will be submitted to fall in line with the end of the tax year.
For any sole traders or partnerships whose financial years end on either 31 March or 05 April, then there is no need to worry. But for any sole traders or partnerships whose year end fall on a different date, then we would advise speaking to your current account manager as soon as possible, in order to avoid any potentially nasty tax shocks for when MTD does come into effect. Some people may have to pay tax on double profits.
Also if your income was affected by Covid-19 we could change last years accounts however this MUST be done before 31 January 2022.

MAKING TAX DIGITAL UPDATE

Making Tax Digital for VAT
Since April 2019, VAT-registered businesses with a turnover above the VAT threshold (currently £85000) must keep VAT records digitally and submit returns using Making Tax Digital (MTD) compatible software.
From April 2022, these requirements will apply to all VAT-registered businesses, including those with a turnover below the VAT threshold.
Making Tax Digital for income tax
The introduction of MTD for income tax/self-assessment has been pushed back several times, most recently in recognition of stakeholder feedback and the challenges faced by businesses because of the COVID19 pandemic.
Making Tax Digital for Income Tax (MTD) rules apply to you if you're registered for Income Tax Self-Assessment and have a qualifying income (turnover, not profit) of more than £10,000. If you meet this criteria, from 6 April 2024 you'll need to use MTD compatible software to:

- keep records of your business income and expenses in a digital format
- submit quarterly updates of your business income and expenses to HMRC
- finalise your business income and submit your final declaration

You can choose to sign up voluntarily to Making Tax Digital for Income Tax at any time.
You must use Making Tax Digital (MTD) for Income Tax from 6 April 2024 if you:

- are registered for Income Tax Self-Assessment (if you were self-employed or collecting property income before 6 April 2023)
- have a qualifying income of more than £10,000

If you become a sole trader or landlord after 6 April 2023:
You do not need to sign up until after you've submitted your first Self-Assessment tax return. HMRC will then let you know if your qualifying income is over £10,000 and if you must sign up for Making Tax Digital for Income Tax.
If you get income from a partnership:
General partnerships that earn over £10,000 a year must sign up for Making Tax Digital for Income Tax by 6 April 2025. These partnerships only have individuals as partners and all partners are jointly liable without limits for partnership debt.
HMRC will confirm at a later date when other types of partnerships should sign up.
Wynniatt-Husey Ltd are currently in partnership with Sage, Xero, QuickBooks and FreeAgent so if you would like to begin using one of these softwares ahead of MTD being brought in, then please speak to your current account manager.

Scams & Fraudulent Claims

There are ever more frequent scams floating around regarding HMRC and people providing their bank details and personal information to fraudsters. Common scams that seem to be going around at the moment include "national insurance underpayments", "available COVID19 grants/support" and "you are due a tax refund"

The tax authority has reported more than one million referrals of suspicious contact in the last year and HMRC have responded to an increase of 135% in telephone scams.

It is important to be very vigilant about this and be aware that HMRC will not ask you for personal details over the phone or via a letter, email or text message.

We strongly advise to let us know if you do receive anything suspicious or unexpected as we will be able to check the validity of the request and report it if required.

In addition, there have been a number of cases of fraudulent claims into HMRC for retrospective large tax rebates.

Research and Development (or R&D) claims are becoming more popular, which unfortunately means that companies seeking to take advantage of the generous tax reliefs on offer are becoming more prominent. Often companies are approaching clients to entice them into using their services (usually by assuring them they will be due a big tax refund), and to pay upfront and/or excessive fees for the privilege. However, although the information they are providing may sound attractive, it is unethical and likely to be investigated, therefore we suggest not to liaise with these companies and to let us know if they do approach you. We again will be able vouch the validity. Ultimately it will be you who will be facing the tax investigation and the likely fines/penalties to follow should HMRC rule your R&D is invalid.

If there is a legitimate R&D claim to be done, then we at Wynniatt-Husey will be delighted to carry this out for you, with you safe in the knowledge that any claim made by us will be 100% by the book.

An example of a recent case was with regard one of these companies approaching our client to include a large provision (which failed to meet the HMRC legislation with regards to expense provisions) into the prior year accounts in order to reclaim some tax already paid.

Tackling Covid Fraud

HMRC have recently announced that they are to invest £100m into tackling Covid-19 grant fraud, in relation to the Coronavirus Job Retention Scheme (CJRS, also known as furlough) and self-employment income support scheme (SEISS).

The money is to be spent on a specialist task force, consisting of 1,265 staff, deploying a wide range of methods in recouping an estimated 3.5bn of fraudulent Covid-19 support claims.

It has also been announced that individuals or company directors could face a personal liability for fraudulent bounce back loan claims, if it is found that the loan was used to repay personal debts or for directors' dividends. It has also been revealed that soon The Insolvency Service will be granted additional powers to investigate bounce back loan fraud even when a company has been dissolved.

NEW HEALTH & SOCIAL CARE LEVY

The government has recently announced a new "Health and Social Care tax" to come into effect from 05 April 2022.

This tax has been brought in to try and ease the pressure on the NHS which has been under considerable strain since the COVID19 pandemic started.

Between 06 April 2022 and 05 April 2023 –

- Employees who pay national insurance as part of their wages
- Employers who pay national insurance for employing staff
- Self-employed people who pay national insurance on their profits

Will be paying an additional 1.25% in national insurance.

From 06 April 2023, the national insurance rates will revert back to what they are currently, and a new tax will be introduced called "Health and Social Care Levy" which will collect this additional 1.25% instead.

This Levy, unlike current national insurance, will also be paid by any state pensions who are still working.

Directors of Limited companies, who have managed to escape this national insurance rise, will instead be hit by an increase in the dividend tax, which is raising from 7.5% to 8.25% for basic rate taxpayers and from 32.5% to 33.75% for higher rate taxpayers from 06 April 2022.

Minimum Wage Increase

The National Living Wage (NLW) will rise to £9.50 from 1 April 2022. This represents an increase of 59 pence or 6.6 per cent. The National Minimum Wage (NMW) rates for younger workers:

- 21-22 Year olds £9.18
- 18-20 Year olds £6.85
- 16-17 year olds £4.81
- Apprentice Rate £4.81

The age threshold for the NLW was lowered from 25 to 23 in April 2021. The threshold will be further reduced to 21 by 2024, following recommendations made by the low pay commission (LPC) in 2019.

The LPC's remit is to recommend the rate of the national living wage that will enable the UK to meet the target of two-thirds of median earnings by October 2024.

MAKING A DIFFERENCE

In light of the recent COP 26 summit, we thought we would take this opportunity to tell you about our quest to become a paperless office.

Our e-filing system has led us to removing 95% of filing cabinets and our Portal enables us to send out accounts and tax returns in a secure manner which can be electronically signed by you and returned to us via the same system.

This is an accepted form of signature supported by HMRC & Companies House and is fully compliant with GDPR regulations.

But we need your help, while a lot of clients are already using this system, we would like more of you to jump on board. All we need is a secure email address to which we can send confidential documents, and once you receive notification that we have sent you something, you create a login and password and follow the instructions on how to view, sign and return. We hope that you will embrace this change and help us to do our bit and become a climate friendly company.

HOSPITALITY VAT UPDATE

The Hospitality VAT reduced rate of 5% which has been in place since the 15th July 20 will be increased to 12.5% from the 1st October 2021 to the 31st March 2022. This has been put in place in order to assist with the transition back to the standard rate Vat of 20% from the 1st April 2022.

Hospitality VAT was introduced to support the reopening of the economy following the outbreak of the coronavirus pandemic and help to re-establish habits such as eating out in restaurants. Its main objective was to support businesses severely affected by the coronavirus pandemic and social distancing measures.

The reduced rate of VAT for hospitality includes certain supplies relating to hospitality, hotel and holiday accommodation and admission to certain attractions. For example:

- Food and non-alcoholic beverages sold for on-premises consumption, for example Restaurants, Cafes & Pubs.
- Hot takeaway food & hot takeaway non-alcoholic beverages.
- Sleeping accommodation in hotels, holiday accommodation, pitch fees for camping.
- Admissions to attractions which are not already eligible for the cultural VAT exemption.

WIN a Fortnum & Mason Family Christmas Hamper worth £250

All you need to do is click on the link in the email and leave us a review!

Make sure you clearly leave your name/company name.

Entries will need to be in by 10/12/21 and the winner will be announced on 13/12/21

BUDGET HIGHLIGHTS

Inflation likely to rise to 4%

- More funding for lorry park facilities
- HGV levy suspended until 2023
- Vehicle Excise Duty for HGV's frozen

- £24billion for multi year housing settlements
- £11.5billion for new affordable housing, estimate 180,000 homes and more development on brown field land
- £5billion to remove unsafe cladding
- Residential Property Developers Tax - 4% on profits over £25million

More funding:
Scotland - £6.4billion
Wales - £2.5billion
Northern Ireland - £1.6billion

New visa system to bring in highly skilled workers

£44billion increase into healthcare by end of parliament
- 40 new hospitals
- 50,000 more nurses
- 50 million more primary care appointments

- 100 local projects to benefit from "Levelling Up Fund"
- £800million to museums and cultural attractions
- Tax reliefs for museums and galleries extended for another 2 years

£3.8billion on numeracy skills training for adults

UK internal domestic flights to have lower rate of Air Passenger Duty from April 2023

- Alcohol duty system to be simplified the stronger the drink the higher the rate
- Tax relief for small producers, including cider makers
- Cut tax duty on sparkling wines like Prosecco and fruit ciders
- Draught relief for pubs - 5% cut of duty for draught beers and cider
- Planned increase on duty for spirits and whiskey will be frozen

Universal credit taper to be cut by 8%

Overseas aid to return to 0.7% by 2024

- £300million towards "Start for Life" - offering parenting programmes and help with mental health
- £170million to create network of Family Hubs
- £150million to support and train people who work in early years, with more funding for holiday and activity programmes
- £4.7 billion into schools by 2024/25

2000 new police officers
£2.2billion for courts and rehab services
£3.8billion to build new prisons

- £21billion on roads
- £46billion on railways
- £5.7billion for "London style" transport systems across the city
- £5billion on cycling infrastructure
- £5billion on local minor roads maintenance

Investment into youth services - building more youth clubs and 8000 football pitches

Local funding for councils over the next 3 years of £4.8billion

Expanding R & D reliefs
- Scope to include cloud computing and data processing
- From April 2023, only UK companies can claim R & D relief

Corporation Tax announced at last budget is confirmed

Shipping tonnage tax to be fairer for UK companies

Business Rates:
- Fairer and more frequent revaluations
- Investment relief for green tech
- Business rates improvement relief which means no additional business rates for expansion or property improvements
- 50% business rates discount for retail, hospitality and leisure - one year only

£1million Annual Investment Allowance extended to March 2023

Fuel duty rise cancelled

WYNNIATT-HUSEY THINKS:

Apart from the tax rises shown earlier the chancellor has done very little to raise monies. It appears that he's relying on inflation and the freezing of all personal allowances to naturally increase taxes and devalue the amount of lending the government currently have. With inflation being allowed to get out of control and certain materials spiralling, any monies in the bank will natural lose value.
Be careful of long term projects and always try and build inflation to your prices.