Viewpoint Accountants

CORONAVIRUS NEWSLETTER

Edition 14 - 04 May 2021

Welcome to the Coronavirus tax newsletter. This newsletter is designed to keep you informed of the latest Coronavirus related tax issues.

We hope you enjoy reading the newsletter; remember, we are here to help you so please contact us if you need further information on any of the subjects covered.

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DETAILS OF LATEST CJRS "FURLOUGH" GRANTS

The fourth version of the CJRS "furlough" grant scheme starts on 1 May 2021 and will run until 30 September with employees affected continuing to be supported such that they are entitled to be paid at least 80% of their "usual pay" subject to a limit of £2,500 a month for hours not worked. The government, via HMRC, will continue to provide support up to this 80% figure for the months of May and June. The government support then reduces to 70% for July and the 60% for August and September with the employer being required to make up the difference. The employer is also required to pay national insurance contributions and pension contributions on the full amount paid to the employee.

ELIGIBILITY FROM 1 MAY 2021

In order to be included in a CJRS "furlough" grant claim for periods after 1 May 2021 an employee must have been on the payroll and subject to an RTI (real time information) submission between 20 March 2020 and 2 March 2021.

The claim calculation continues to be complex with care required to compute the employee's "usual pay" and "usual hours" particularly where the hours and pay varies. Furloughed hours for the grant claim continues to be the difference between the employee's usual hours and hours worked in the claim period.

"USUAL PAY"

In order to qualify for the first and second CJRS "furlough" support grants an employee needed to be included in an RTI submission for 2019/20 by 19 March to be included. If that employee continues to be employed their "usual pay" for the next version of CJRS continues to be that same amount, even where they have had a pay rise.

Those who failed the original eligibility test but were on the payroll and subject to an RTI submission before 30 October 2020 were eligible for the third version of furlough that started on 1 November 2020. If that employee continues for to be employed their "usual pay" for the next version of CJRS continues to be that same amount, again even where they have had a pay rise.

For employees on fixed pay who were first reported through RTI between 31 October 2020 and 2 March 2021 the "usual pay" is based on the last pay period ending on or before 2 March 2021. For those on variable pay calculate 80% of the average wages payable between 6 April 2020 (or, if later, the date the employment started) and the date before they were first furloughed on or after 1 May 2021

The grant calculations don't get any simpler! If we can be of assistance in helping you with your claims please get in touch.

Note that HMRC may impose penalties on employers that have overclaimed, even for careless errors.

DETAILS OF FOURTH SELF-EMPLOYED INCOME SUPPORT GRANT

Like the CJRS scheme for employers the Self-Employed Income Support Scheme (SEISS) has been extended to September 2021and details of claims for the fourth grant have now been released. This fourth grant covers February, March and April 2021. There will then be a fifth grant covering May to September 2021.

The latest grant allows the self-employed to claim 80% of their average profits for the period up to 2019/20, and is again limited to £2,500 a month.

Like CJRS there are lots of conditions that need to be satisfied such as being self-employed in 2019/20 and continuing to trade in 2020/21 or would be doing so if it the business had not been impacted by coronavirus.

In order to be able to make a successful claim the self-employed profits in 2019/20 must not exceed £50,000 and must be more than 50% of the individual's total income. If that test is not met, then the same £50,000 and 50% tests are applied to average profits and total income over the four years (or shorter period) to 5 April 2020. This means that those who commenced trading in 2019/20 will now potentially be eligible for SEISS grants, having not previously qualified for the first three grants.

Although we cannot make the claim on your behalf we can help you determine whether you are eligible and assist you with your claim if required.

Conditions for the fifth grant will be linked to a reduction in business turnover.

Self-employed individuals whose turnover has fallen by 30% or more will continue to receive the full grant worth 80% of three months' average trading profits, capped at £7,500. People whose turnover has fallen by less than 30% will receive a 30% grant, capped at £2,850. We are still awaiting further details of the fifth grant calculation.

MAKING TAX DIGITAL EXTENDED TO MORE BUSINESSES

Currently only VAT registered businesses making taxable supplies in excess of the £85,000 VAT registration threshold are mandated to comply with Making Tax Digital (MTD) rules. Those rules require the business to keep digital business records and send VAT returns using MTD-compatible software.

MTD for VAT is now being rolled out to all VAT registered businesses from April 2022 which may cause some traders who are VAT registered but below the threshold to consider deregistering to avoid having to comply with MTD for VAT. If you decide to do so you will need to complete Form VAT7 and account for output VAT on the market value of stock and assets still owned at the date of deregistration. This is where input VAT has been reclaimed on those assets.

There is however a £1,000 de-minimis which means that output VAT does not need to be accounted for where the combined market value of the assets is less than £6,000.

Unfortunately, deregistering for VAT will not necessarily sidestep MTD as the requirement to keep business records digitally will be introduced for income tax from April 2023. From then MTD for income tax will apply to businesses with gross income in excess of £10,000 a year which will include property landlords as well as traders and professionals.

ASSOCIATED COMPANIES COUNT FOR NEW CORPORATION TAX RATES

A 25% rate of corporation tax will apply to all of a company's profits if they exceed £250,000 from 1 April 2023. The 19% rate will continue to apply where profits are below £50,000. The marginal rate that applies between those limits will be 26.5%.

Those upper and lower limits are divided by the number of "associated companies" in the accounting period. This is not merely companies in the same 51% group but also includes companies under common control, for example where the same individual controls two standalone companies.

So, if Fred controls Bloggs Trading Ltd and also Bloggs Lettings Ltd the limits become £125,000 and £25,000. If Bloggs Trading Ltd has profits of £200,000 in year ended 31 March 2024 then the 25% rate will apply to all of that company's profits.

In a group situation you may wish to consider restructuring the businesses by the transfer of trades to a single operating company, leaving the other companies dormant as those companies would not normally be counted as associates.

NO EMPLOYERS NICS FOR A YEAR IF YOU HIRE EX-MILITARY STAFF

The Government have announced a one-year exemption from paying employers national insurance contributions (NICs) where military veterans are recruited by civilian employers.

Employers can claim relief if they employ a veteran during the qualifying period. The qualifying period starts on the first day of the veteran's first civilian job since leaving the regular armed forces and ends 12 months later. For 2021/22 employers will be required to pay the NICs and claim back the amounts paid at the end of the tax year.
From 6 April 2022 a new zero NIC rate will apply.

FURTHER INFORMATION & ADVICE

If you would like further information or advice about any of the issues raised in this newsletter then we would be delighted to hear from you.

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