

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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## SEPTEMBER IS THE LAST MONTH FOR CJRS “FURLOUGH” GRANTS

The Government are pulling the plug on support to employers for furloughed staff at the end of September as they anticipate that the economy will be back to normal by October. The grant claims for employees furloughed in the month of September are 60% of the employee's usual pay up to a maximum cap of £1,875.

Make sure that you make your final claims for the month of September by 14 October and make any adjustments by 28 October 2021.

The end of furlough may be the trigger for many businesses to assess their staffing levels going forward and many may be considering making the tough decision about which staff to make redundant.

## DEALING WITH REDUNDANCIES CORRECTLY

Remember that there are key steps that need to be followed as far as employment law is concerned. It is also important to treat any payments on termination of employment correctly for tax and national insurance purposes. In genuine redundancy situations the first £30,000 paid on termination of employment is tax free but many employers get this wrong.

The £30,000 includes statutory redundancy pay and any enhancement from the employer as well as continuing benefits such as private health insurance.

The excess is subject to income tax and employers national insurance. We can of course assist you with the process to ensure that the redundancy process is dealt with correctly.

## 5% RATE ON TOURISM AND HOSPITALITY ENDS 30 SEPTEMBER

The temporary 5% VAT rate that has applied to supplies made in the tourism and hospitality sector since the start of the pandemic comes to an end at the end of September. The rate then increases to 12.5% from 1 October until 31 March 2022 when it reverts to the standard rate.

For those businesses operating in this sector this will mean an amendment to their accounting software and possibly prices. Note that the 20% rate continues to apply to the sales of alcohol.

Where deposits and other payments are taken before 30 September 2021 the 5% rate would apply to that supply as that would be the tax point for the supply.

## BIG TAX BILLS FOR THE SELF-EMPLOYED IN 2022/23

Last month we mentioned that draft legislation has been published to change the basis periods for the assessment of self-employed profits to coincide with the tax year. The proposed new rules provide that from 2023/24 onwards profits or losses will be apportioned to tax years where the period of account does not coincide with the tax year. This is intended to coincide with the start of Making Tax Digital for income tax.

The transitional rules proposed for the previous 2022/23 tax year could result in large tax bills for some sole traders and partners, particularly those with an existing 30 April year end. The profits of year ended 30 April 2021 would be taxed in 2021/22 under the current rules with 2023/24 taxing profits arising between 6 April 2023 and 5 April 2024 under the new rules. But what about 2022/23?

The profits taxed in 2022/23 would be those for year ended 30 April 2022 plus the period 1 May 2022 to 5 April 2023 - in total 23 months profits!

The good news is that there would be a deduction for 11 months “overlap relief” which typically arose when profits were taxed twice at the start of the business - but those will often be much lower than the extra 11 months being taxed in 2022/23!

The transitional provisions allow the taxpayer to elect to spread the excess profits over the next 5 tax years to smooth out the excessive tax bill.

We can work with you to advise you on how much to set aside to cover these additional tax liabilities.

## ACCOUNTING FOR IMPORT VAT ON YOUR VAT RETURN

HMRC have recently updated their guidance on accounting for VAT on goods imported from outside the UK which, since Brexit, includes the European Union.

Businesses registered for VAT in the UK can account for import VAT on their VAT Return for goods imported into:

- Great Britain (England, Scotland and Wales) from anywhere outside the UK
- Northern Ireland from outside the UK and EU

Businesses can also account for import VAT for goods moved between Great Britain and Northern Ireland that are declared into a customs special procedure, when they are removed from that special procedure.

You do not need HMRC approval to account for import VAT on your VAT Return.

Accounting for import VAT on your VAT Return has significant cash flow benefits as you declare and recover import VAT on the same VAT Return, rather than having to pay it upfront when the goods are imported and recover it later.

## NOTIFY OPTION TO TAX LAND AND BUILDINGS WITHIN 30 DAYS

If you are notifying HMRC of a decision to opt to tax land and buildings, you are normally required to notify HMRC within 30 days. The 30 day deadline was temporarily extended to 90 days to help businesses and agents during the pandemic, but that temporary extension has now ended for decisions made from 1 August 2021 onwards.

Supplies of land and buildings, such as leasing or renting out a property, are normally exempt from VAT. This means that no VAT is payable, but the person making the supply cannot normally recover any of the VAT incurred on property expenses.

However it is possible to waive the exemption, or “opt to tax” the land. For the purposes of VAT, the term ‘land’ includes any buildings or structures permanently affixed to it.

Once you have opted to tax all the supplies you make of your interest in the land or buildings will normally be standard-rated, and this will normally enable you to recover any VAT you incur in making those supplies.



### 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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