



TAX BRIEFING

JUNE 2020



SPECIALIST TAX CONSULTANCY AND PROVIDER OF
CORPORATE STRUCTURING SERVICES FOR INDIVIDUALS,
FAMILIES AND PRIVATE COMPANIES

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SELF-EMPLOYED GRANTS

If you are self-employed and your business has been adversely affected by COVID-19 you may be eligible to claim a grant from HMRC of up to £7,500.

To qualify for this self-employed income support scheme (SEISS) you must meet all of these conditions:

- you traded in 2018-19 and submitted your tax return for that year by 23 April 2020;
- you continued to trade in 2019-20 and expect to trade in 2020-21;
- your self-employed profits made up at least half of your average annual income over the years 2016-17 to 2018-19 or those years in which you were self-employed; and
- your profits from self-employment in 2018-19 did not exceed £50,000 or your average annual profits for 2016-17 to 2018-19 did not exceed £50,000.

You can check whether you are eligible for the grant by using HMRC's SEISS eligibility tool on gov.uk or we can check for you.

If you are eligible you should have received a letter, email or text from HMRC telling you when you can submit your SEISS grant claim. If you have not received such a communication we can contact HMRC on your behalf to find out why.

HMRC will calculate how much grant you are due from the tax returns you have already submitted.

HMRC will calculate how much grant you are due from the tax returns you have already submitted. All you need to do is claim it. Once your claim is accepted you should receive the money straight into your bank account within six working days.

Do not be taken in by spam emails or texts which tempt you to click on an embedded link to claim the grant. The genuine HMRC emails do not include a clickable link nor require a reply.

VAT ZERO RATES

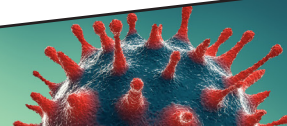
There are three rates of VAT applicable to sales in the UK: standard 20%; reduced 5%; and zero 0%. Products and services are very rarely switched between different rates but on 1 May 2020 digital publications and personal protective equipment were switched from standard to zero rate VAT with immediate effect.

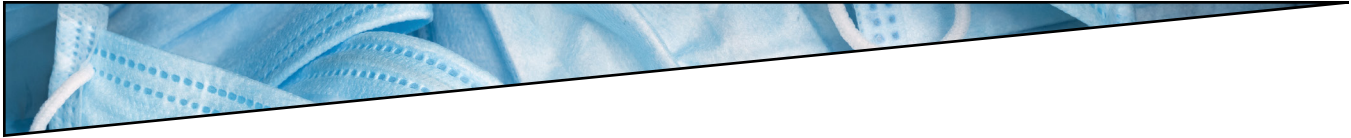
DIGITAL PUBLICATIONS

The sale of physical books, newspapers, newsletters and magazines has always been zero-rated but the digital versions of the same products were standard-rated. In the Budget on

11 March the Chancellor announced that digital publications would be zero-rated from 1 December 2020 but that rate change has been brought forward to 1 May 2020.

The zero rate for digital publications includes online subscriptions for newspapers and magazines as well as e-books but it does not cover audiobooks, film or music download services. Strangely the sale of digital versions of sheet music is not covered by the zero rate either.





You may have missed this change in the midst of other COVID-19 related chaos, so check that your invoicing system has been adjusted for any digital publications that you sell. Clubs and societies should also review their policies regarding distribution of physical or electronic membership magazines.

PPE

Personal protective equipment (PPE) as defined by

Public Health England is zero-rated for sales made between 1 May 2020 and 31 July 2020 inclusive. This is to help care homes and other businesses who need to buy PPE but cannot reclaim the VAT.

If your business has recently begun to produce protective equipment such as hospital gowns or face masks, check that VAT has been correctly accounted for.

HELP WITH STATUTORY SICK PAY

If you have paid statutory sick pay (SSP) to employees who were unable to work because they had COVID-19 symptoms, or they self-isolated because someone in their household had such symptoms, you may be eligible to reclaim that SSP.

In order to reclaim the SSP, all of these conditions must be met:

- your PAYE scheme was registered with HMRC by close of business on 28 February 2020;
- on that date you had fewer than 250 employees registered across all of your PAYE schemes;
- your business was not in difficulty on 31 December 2019; and
- you will not breach the state aid limits for your business sector by claiming the SSP refund.

The latter two conditions are due to the SSP refund being classified as state aid. The maximum amount of SSP-related state aid an individual business can receive is €800,000 although lower limits apply to the agriculture and fishing sectors.

Usually SSP is payable from the fourth day of an employee's absence due to illness, however where the employee's absence relates to COVID-19 symptoms SSP is payable from the first day the individual was unable to work. Only SSP relating to COVID-19 matters can be reclaimed by the employer and for a maximum of 14 days per employee, even if the individual is unable to work for a longer period.

A refund claim can cover any number of employees who received SSP over multiple pay periods but be sure to keep good records of which SSP payments you have included in a claim. The online portal to claim SSP refunds opened on 26 May and we can submit claims on your behalf.

GRANTS FROM LOCAL AUTHORITIES

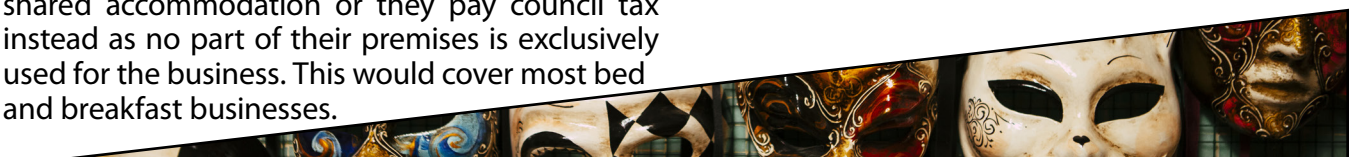
To help businesses struggling due to the COVID-19 lockdown, local authorities have been distributing grants of £25,000 or £10,000 to certain businesses which pay business rates on properties with a rateable value of less than £51,000. In addition businesses which qualify for rural relief or small business rates relief should automatically receive a grant.

However many small businesses do not pay business rates directly, either because they lease shared accommodation or they pay council tax instead as no part of their premises is exclusively used for the business. This would cover most bed and breakfast businesses.

If you are a small business, ask your local authority about what grants may be available for you. Local authorities in England have been given more funding to make discretionary grants to those business who do not pay business rates. These grants can be for less than £10,000. In Scotland, Wales and Northern Ireland there is a range of grants available to

different sectors including B&Bs, holiday lets and the creative arts.

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WORKING AT HOME EXPENSES

Many workplaces are currently closed and employees are working at home where possible to prevent the spread of COVID-19.

This comes with advantages, not least avoiding the daily commute, but may also create costs for the employee such as additional power and water used whilst working. The employer can help with those costs by paying employees a tax-free and NIC-free allowance of £6 per week (£4 for periods before 6 April 2020).

The employee does not have to provide evidence of the additional expenses to receive the flat rate allowance. However if the employer wishes to pay a higher rate, proof that the employee has incurred costs in excess of £6 per week must be retained.

Employees who are furloughed cannot receive the home-working allowance as they should not be working at all while on furlough.

HMRC have confirmed that during the COVID-19 pandemic employees who have not previously been home-based are eligible to receive the home-working allowance from the date their employer agreed they could work from home. When offices reopen those employees who regularly work at home as part of their normal duties, not just informally out of hours, should have a formal home-working arrangement in place with their employer in order to continue to receive the home-working allowance.

If the employer does not pay the home-working allowance the employee can claim the flat rate amount from HMRC directly. If the employer does not pay the home-working allowance the employee can claim the flat rate amount from HMRC directly, either on their tax return or using form P87 (online or by post). This is a recent change in practice by HMRC who previously would not permit employees to claim for home-working expenses without evidence that increased costs were incurred.

Where the employee needs additional office equipment to make home-working possible or bearable, the employer can provide such items with no tax charge as long as there is no significant private use. If the employee has purchased their own necessary home office equipment the employer can reimburse the cost of those items with no tax or NIC charges arising. This is another change in tax law, effective for payments made to employees from 16 March 2020 to 5 April 2021.

CIS REPAYMENTS

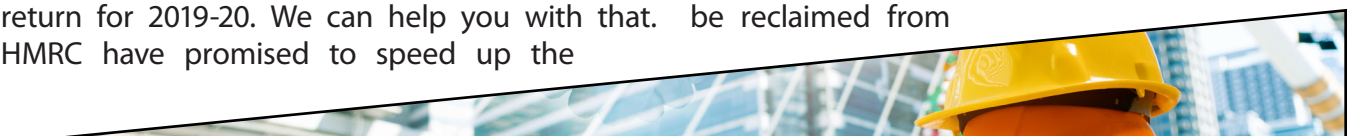
Subcontractors registered in the construction industry scheme (CIS) will normally have tax deducted from their invoices by the companies they work for.

At the end of the tax year that CIS tax needs to be tallied up and set against the subcontractor's own tax liability. In most years once business expenses are taken into account the subcontractor will be due a tax repayment.

If you are a sole trader the quickest way to receive this tax repayment is to submit your personal tax return for 2019-20. We can help you with that. HMRC have promised to speed up the

processing of tax repayments this year as many construction workers have been unable to work since March.

If you trade through your own limited company the CIS tax deducted from your invoices is first set against the PAYE and NIC the company owes to HMRC. Any CIS tax not off-set in this way can be reclaimed from





HMRC either online or by post. Using the online method means you will receive the tax refund more quickly. You can ask for the tax repayment to be set against other tax your company owes such as corporation tax or VAT.

Do not delay paying tax because you believe there is a CIS tax refund due to you or your company.

In normal times paying your VAT late will create a default surcharge which is imposed at a higher percentage each time your VAT payment or VAT return is late. Currently the VAT due on returns for periods ending in February, March or April 2020 is automatically deferred to 2021 but you will have to pay that VAT eventually, so put aside what you can to pay the VAT when it falls due.

OFF-PAYROLL WORKING DEFERRED

Changes to the application of the IR35 rules (known as off-payroll working) were due to come into effect from 6 April 2020 but due to the COVID-19 pandemic those changes have been deferred until April 2021.

The reforms apply where a worker supplies his or her services through a personal service company (PSC) to a large private sector engager (the customer at the end of the chain).

Currently it is down to the worker to decide whether IR35 applies to their contracts and if it does the PSC deducts PAYE and NIC from amounts paid to the worker. From April 2021 under the off-payroll rules the customer will be responsible for deciding whether IR35 applies to the contract and will issue a 'determination' to the worker informing them of the outcome of that decision.

Where IR35 does apply, the invoice from the worker's PSC must be paid after deduction of PAYE and employees' NIC. Employer's NIC should be

paid directly to HMRC by the customer. Some large companies have already made determinations for their contractors but those decisions do not have to be implemented until 6 April 2021.

If the customer is a 'small' company or partnership in the private sector the off-payroll working rules will not apply and IR35 will be operated as it is now with the worker deciding whether it applies. We can help you decide whether your customer will be categorised as small or not.

Where the customer is a public sector body (of any size) it is the customer rather than the PSC which must determine whether IR35 applies, as has been the case since April 2017.

VAT AND BAD DEBT RELIEF

Unless you use the VAT cash accounting scheme you have to account to HMRC for the VAT you charge on sales even if the customer does not pay you. However when you write off a sales debt as bad you can reclaim the VAT from HMRC if it meets these conditions:

- at least six months have passed since the payment date for the invoice (not the invoice date);
- the debt has not been assigned, sold on or factored; and
- the VAT was declared to HMRC on a VAT return.

The latest you can reclaim VAT on such bad debts is 54 months after the due date for payment so it is worth reviewing your old bad debts to check

whether any have been missed.

Businesses which use the flat rate scheme (FRS) can also reclaim VAT on bad debts where the above conditions are met.

Example

Shaun is a builder using the FRS with a rate of 9.5%. He charges his customer £6,000 including VAT of £1,000. Shaun pays HMRC £570 (9.5% x £6,000) under the FRS. His customer does not pay so six months after the due date Shaun can claim £1,000 from HMRC as bad debt relief.

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. No one should act on such information without seeking appropriate professional advice.