

FOURTH SEISS GRANT

Self-employed individuals will be able to apply for the fourth SEISS grant from late April if they submitted their tax return for 2019-20 by midnight on 2 March 2021 (it was due by 31 January 2021).

HMRC has asked for additional evidence from two categories of taxpayer. This will need to be provided very quickly otherwise HMRC will block the SEISS application.

New traders must respond to a letter and phone call from HMRC and upload a copy of their ID plus three months of bank statements from 2019-20 to a Dropbox link provided by HMRC. If you started your business after 5 April 2019 you will fall into this category.

Ensure that HMRC has your current telephone number by calling 0800 0241222. Do not delay once you have received the Dropbox link as it will expire after two days.

Where the 2019-20 tax return included a box checked to say that the self-employed business had ceased or changed (eg from a partnership to a sole trader) the taxpayer will have received an email from HMRC asking for more details. If you fall into this

category you need to email the SEISS compliance team at HMRC on seisscomplianceteam@hmrc.gov.uk.

To prove that your business is active, or is only temporarily suspended due to Covid-19 and that you intend to carry on trading beyond the SEISS grant application date in late April, HMRC will require evidence of your trading activity or preparations to continue trading such as:

HMRC will require evidence of your trading activity or preparations to continue trading

- advertising booked by the business;
- business receipts or sales invoices;
- contracts to provide goods or services;
- payments made through a business bank account.

Other forms of evidence may be accepted but act quickly as the window to provide this evidence is very short.



FREE COVID-19 TESTS FOR EMPLOYEES

All employers can now register to receive free rapid lateral flow Covid-19 tests for employees.

There is no tax charge on the benefit to the employee of having a free Covid-19 test

These are to be used for employees who do not have Covid-19 symptoms and who cannot work from home, eg retail staff.

The aim of this program is to identify workers who are infected with Covid-19 but display no symptoms. These people can still infect others without realising. If an employee has Covid-19 symptoms they should isolate at home and order a PCR test to be undertaken at a secure test site or at home.

The free lateral flow tests are designed to be used in the workplace and should not be taken to the employee's home. The basic test kits are provided free by the government but if the employer wants a private provider to organise and run the workplace testing they must pay for that service.

There is no tax charge on the benefit to the employee of having a free Covid-19 test.

The lateral flow test kits are only available to businesses registered in England as Wales, Scotland and Northern Ireland have made other arrangements for businesses.

PREPARE FOR OFF-PAYROLL WORKING

The IR35 rules have been around for over 20 years but those rules have been redrawn and renamed 'off-payroll working'.

In the public sector the engager (the end client) determines whether off-payroll working applies to a contract operated by a personal service company (PSC).

This will also be the case for contracts with large and medium-sized private sector engagers from 6 April 2021. The engager will have to determine whether contracts operated through PSCs fall under the off-payroll rules or not. The private sector off-payroll rules only apply to work performed after 5 April 2021, not to all contractor invoices paid after that date.

If the engager determines that the rules do bite, the contractor's invoices must be paid under PAYE with tax and NIC deducted and the engager must pay the employer's NIC. The entity that pays the PSC (usually the employment agency) is responsible for deducting and paying PAYE and NIC due on the contractor's fee.

Contractors who only offer their services to 'small' private businesses will see no change in their working relationship with their clients. The engager should tell its contractors whether it is classified as a small entity or not.

HMRC has said it will not impose penalties in the first 12 months where the engager has taken reasonable care to apply the rules correctly. However it will raise penalties where the engager or other entity in the chain has deliberately not applied the off-payroll working rules.

Individual contractors have little powers or rights under off-payroll working rules other than to ask for a review of the status determination made by the engager.

SDLT SURCHARGE FOR NON-RESIDENTS

Stamp duty land tax (SDLT) applies to purchases of most land and buildings in England and Northern Ireland. Wales and Scotland impose different land taxes.

For purchases of residential property completed from 1 April 2021, a 2% surcharge will apply where any of the joint purchasers are not UK-resident. This covers individuals, partnerships, companies and trusts that are defined as not UK resident at the time of the purchase. The surcharge applies on top of the 3% surcharge on the purchase of second homes.

defines non-residence for other taxes. This means that it is possible for an individual who is UK tax resident to be non-resident for SDLT purposes. Individuals who are returning to the UK could be caught by this new surcharge.

Please ask us for guidance before committing to a property purchase.

A complication is that the definition of UK residence for SDLT is different from the statutory residence test which





Good News for Lloyd's Underwriting Losses!

Temporary extension of the carry back of trading losses arising in the 2020/21 and 2021/22 tax years

The period over which trading losses can be carried back is to be temporarily extended from 12 months to three years. This temporary extension applies for trading losses incurred by companies in accounting periods ending between 1 April 2020 and 31 March 2022 (tax years 2020/21 and 2021/22 for unincorporated businesses i.e. partnerships and sole traders, including Lloyd's members and Unlimited Names).

This extended carry back is not without restriction though. For companies there is no limit on the amount of trading losses that can be carried back to the preceding year, but, after that, a maximum of £2m of unused losses are available for carry back against profits of the same trade for the earlier two years. This £2m limit applies to each accounting period falling within 1 April 2020 to 31 March 2022.

For individuals claiming trading loss relief there is a similar regime. The amount of trading losses that can be carried back to set against profits of the preceding year remains unlimited and the current restrictions to carry back losses from a trade against general income will remain. There is however a separate £2m cap that will apply to the extended carry back of losses made in each of the tax years 2020/21 and 2021/22.

The 2016 underwriting year of account, which was taxed in the 2019/20 tax year for unincorporated businesses was generally profitable, but not to the extent of previous years. Depending on the amount of Lloyd's losses arising in the 2017 and 2018 Years of Account, which fall within the 2020/21 and 2021/22 tax years respectively, the potential carry back of losses into 2019/20, 2018/19 and 2017/18 should require careful consideration, this is in order to maximise the tax recovery.

Our tax team's Lloyd's experience and forecasting of potential profits and losses could help you maximise your tax recovery. If you would like us to assist you, please get in touch.

Making Tax Digital (MTD) for Income Tax

From 6 April 2023, a new tax regime begins for those who are self-employed and /or have property rental income.

You are within MTD if you have a partnership / a business and /or rental income with combined yearly turnover is in excess of £10,000.

From 6 April 2023 you will have to maintain your business records digitally on MTD compliant software and make quarterly submissions to HMRC of the turnover and expenses. Submission has to be made within 30 days of the end of the quarter.

There is a 5th and final submission to be made within 10 months of the business accounting period. Those using a 5 April accounting year end, final submission is by 31 January following the end of the tax year.

Annual self assessment tax returns will still be required to report other non MTD income.

This is a major increase in complexity and compliance.

Some taxpayers will be able to comply with quarterly filing themselves with their tax adviser only dealing with the 5th and final submission along with the annual self-assessment tax return, or we can help with the whole process.

Lloyd's LLPs/SLPs or Unlimited Names should be exempt from MTD, based on the original advice given in 2016.





FRAUD IN TAX REPAYMENTS

It is a sad fact that some fraudsters have obtained SEISS grants by using innocent taxpayers' Government Gateway IDs and passwords.

We need to respond to HMRC quickly to ensure that your tax records are not compromised

Once the ID has been proven to work, the fraudsters attempt to double their money by submitting false tax returns to claim tax refunds.

In more serious cases the taxpayer is asked to complete an R38 tax refund form and return it with evidence of their ID and other personal information that the fraudster may not know, such as current employment or pension details. If a tax agent completed the tax refund claim the taxpayer is asked to tell HMRC what the fee for this work was.

HMRC is aware of this scam and is writing to taxpayers who have claimed a tax refund that looks out of place based on their tax history. There are two versions of this letter which are used in different circumstances.

If you receive one of these letters from HMRC please discuss it with us with some urgency. We need to respond to HMRC quickly to ensure that your tax records are not compromised and that you are not blocked from receiving a genuine tax repayment.

Where a taxpayer's unique tax reference number (UTR) has been used the taxpayer is asked to call HMRC and confirm certain details.

POSTPONED IMPORT VAT ACCOUNTING

Life outside of the EU is considerably more complicated for businesses in Great Britain who import goods, as import VAT applies to the value of most goods that come in.

There are different rules for businesses in Northern Ireland.

The UK buyer does not have to ask HMRC to use PIVA but it does need to register with HMRC to access the monthly PIVA statements from an online account which it will need to complete its VAT return.

There are three options for dealing with this import VAT and the UK buyer needs to communicate clearly to their freight agent which of these will apply:

You can access the registration system through this page: www.gov.uk/guidance/get-your-postponed-import-vat-statement and clicking the 'Start Now' button. The business' Government Gateway ID and password will be needed at the next screen. You also need to have your EORI number to hand which is needed for any business imports.

Freight agent pays the import VAT in order to release the goods from UK Customs. Freight agent recharges these costs to the UK buyer plus an admin fee.

UK buyer has their own VAT deferment account and freight agent uses the buyer's deferment account to release the goods without payment of VAT. HMRC takes payment for the VAT by direct debit around 45 days later.

The PIVA statements for the previous calendar month are available to view from the sixth working day of the following month. These statements should be downloaded regularly as they are only held online for six months.

UK buyer uses postponed import VAT accounting (PIVA) and instructs freight agent that PIVA is to be applied when goods enter the UK. The goods are released with freight agent or buyer paying HMRC and buyer accounts for import VAT as a reverse charge entry on their VAT return.

In all of the above, import duty may also be due on the goods in addition to VAT.

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.