



*Hazel Cooch FCCA*

## Accounting and Tax Services

### Newsletter - July 2020

Hello and welcome to another issue of my mini newsletter.

#### **Covid-19**

The virus now seems like it will be around for a while yet and I hope my email updates on the financial support aspects have been useful. Here are a few new or recent changes including some made in the Chancellor's speech on 8th July:



**Self-assessment tax July 2020 instalment** - As you are probably aware it is possible to defer this until January 2021, however if you do then please remember to budget for the larger than usual payment that will be due in January.

**VAT payment deferral** - the temporary deferment for VAT quarters has now ceased and all should be paid on time. Also remember that any VAT you did defer needs to be paid by 31 March 2021.

**Coronavirus Job Retention Scheme (CJRS)** - all furlough claims to 30th June must be made by the end of this month. The second part of the scheme started on 1st July allowing staff to work part time and claims to be made for 80% of the hours not worked. These staff must have previously been furloughed. From August the scheme will start to be phased out as the amount employers can claim will slowly fall until it ends on 31 October.

**New Jobs Retention Bonus** - £1,000 will be paid to employers for keeping staff who had been furloughed after the CJRS ends until at least the end of January 2021. To be eligible the employee must have been paid at least £520 pcm for November, December & January - more details are to follow and it is not yet known if furloughed Directors will be eligible.

**Kickstart schemes for new jobs** - employers who take on unemployed 16-24 year olds (they must be claiming Universal credit for this grant to apply) for at least 25 hours a week at National Minimum Wage can claim a grant to cover those 25 hours wages at NMW for 6 months. Employers can top this up if they wish. NMW depends on age. This scheme will start in August and run to December 2021.

**Training grants** - employers can claim £1,000 to take on new trainees aged 16-24 and upto £2,000 for new apprentices hired between August and January.

**Second SEISS grant** - claims for the first grant have now closed but there will be a second tranche of grants for which eligible self-employed can apply from August (exact dates yet to be announced). The eligibility criteria are broadly the same (you need to have filed a 2018/19 tax return, intend to continue trading etc) and your business needs to be able to show that it continues to be adversely affected after 14th July 2020. The grant will be reduced from 80% to 70%.

**Stamp Duty cut** - the threshold for paying stamp duty on residential properties will rise from £125,000 to £500,000. This is already in effect and will apply on sales completed by 31 March 2021.

**VAT - temporary rate cut** - the rate of VAT is reduced to 5% on supplies of food and non-alcoholic drinks from restaurants, cafes, pubs and bars etc, and also on hot takeaway food. (Most prepared cold takeaway food is zero rated already). The cut also applies to accommodation in hotels and B&Bs etc and admission charges to attractions including theatres and cinemas. This came into effect on 15 July and continues up until 12th January. It is up to the supplier whether they pass this saving onto the customer - some businesses may feel they need to keep at least part to cover their increased costs and compensate for reduced capacity and the fact they were closed for a while.

## Log cabins and garden offices etc

As more people are finding that they either need or want to work from home the popularity of either building house extensions or separate garden offices increases. You should however be aware of the tax treatment of these, the basics for businesses are as follows:

VAT - if your business is VAT registered and the structure is for business use then you can reclaim any VAT paid.

Income tax (for sole traders & partnerships) or Corporation Tax (for Companies) - HMRC does not allow tax relief on structures against profits. Even if they are moveable they are not considered as plant and machinery as they are not used in the business, but rather as a place where business is carried out. This means you cannot claim for the foundations, basic walls, floor and roof structure including doors & windows. You may, however, be able to claim for the costs of insulation, wiring, plumbing & heating, shelves & fixtures.

Capital Gains Tax - if the structure is an extension to your home you may also find that it impacts the Principal Private Residence Relief (PPR) as any part of the home used solely for business would not be eligible for that exemption. If you claim mixed use to protect PPR then you would not be able to claim all the VAT and other costs as business.

Rates - you should also consider whether you might be liable for business rates if any business is run from home. If you are you may be eligible for small business rates relief but you would need to check the requirements with your local authority.

## Working at home for employees

Unfortunately if you are an employee you cannot claim anything if you choose to build an office at home.

HMRC will allow you to claim tax relief for bills you have to pay because you have to work at home on a regular basis, for example, business telephone calls or the extra cost of gas and electricity for your work area. You cannot claim tax relief if you choose to work from home (they are currently accepting that Covid-19 means you have to work at home).

You cannot claim for things that you use for both private and business use, for example, broadband access if you already had it, however you can claim tax relief on the full cost of substantial equipment, for example a computer, you have to buy to do your work.

From 6 April 2020 your employer can pay you up to £6 a week (£26 a month) to cover your additional costs if you have to work from home which is tax free, but obviously you can't then claim the expenses against tax.

If your employer doesn't reimburse you then you can claim the £6 a week as a tax deduction as a round sum as an alternative to calculating the extra costs - this is often easier as you don't then need to keep evidence of the extra cost increases (which may have to be "shared" with other household members).

As always I welcome any comments and please do get in touch if I can help with anything mentioned above, or if you have any other accounting or taxation queries.

Email: [hazel@hac-accountant.co.uk](mailto:hazel@hac-accountant.co.uk)  
Phone: 01628-471426  
Mobile: 07939-590618  
Web: [www.hac-accountant.co.uk](http://www.hac-accountant.co.uk)

