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Accounting and Tax Services

Newsletter - March 2021

Hello and welcome to another issue of my mini newsletter.

Budget 3rd March 2021

Despite various predictions of tax rises, the budget did not actually have too many of these in the immediate future. I think the Chancellor realises it's too soon as the economy still needs to recover but watch out for consultations being announced later this month on future tax changes.



Covid-19 help - A large part of the budget detailed continuing measures to help businesses and individuals get through the financial impacts of coronavirus restrictions:

Coronavirus Job Retention Scheme (CJRS) - the flexible furlough scheme continues until the end of September 2021. Employees on furlough will still receive a minimum of 80% pay but employers will have to start contributing towards this - 10% for July and 20% for August & September.

Further SEISS grants - the Chancellor announced more details about the 4th grant (see separate section below) and also a new 5th and final grant sometime in late summer, the level of which will depend on how much your turnover has fallen. It will be set at 80% of average profits for 3 months if the fall in turnover is over 30%, but at 30% if it's less than that. It is as yet unclear how turnover is defined, for example will it include the earlier SEISS grants?

Restart grants and more - the Chancellor confirmed funding for restart grants - up to £6000 for non-essential retail per business premises that have been shut by law and up to £18,000 for hospitality, leisure, personal care and gym businesses per premises - these grants are to support them reopening in a covid safe way. Additionally eligible retail, hospitality and leisure businesses will pay no business rates for 3 months and then benefit from a 66% discount for the next 9 months. There will also be a new loan scheme as CIBLS and BBL ends called the Recovery Loan Scheme (RLS) with loans from £25,000 backed by an 80% government guarantee.

VAT - temporary rate cut - the reduced rate of VAT of 5% on supplies of food and non-alcoholic drinks and other leisure and hospitality has been extended until the end of September. There will then be a further 6 months with a 12.5% rate on these supplies before reverting back to the main 20% rate from April 2022.

Stamp Duty cut - the threshold for paying stamp duty on residential properties temporarily set at £500k will continue for an extra 3 months for sales completed by 30 June and there will then be a transitional period of 3 months with a threshold of £250,000, before it reverts to the original ceiling of £125,000 from 1st October 2021.

Mortgage guarantee scheme - there will be a new low-deposit mortgage guarantee scheme for 95% LTV mortgages. The government backed scheme is designed to encourage lenders to broaden their eligibility criteria and will be available for properties costing up to £600,000. This scheme will run until the end of next year.

Taxation changes

Personal tax - The personal allowance will increase to £12,750 (from £12,500), the basic rate limit to £37,700 (from £37,500) and the higher rate threshold to £50,270 (from £50,000) on 6th April as previously announced. They will then be frozen until 2026. The rates of tax and National insurance remain unchanged.

The inheritance tax threshold, pensions lifetime allowance, annual exempt allowance from capital gains tax (£12,300) and VAT exemption threshold (£85,000) will also be frozen.

These freezes are a real terms decrease, the effects of which will be felt in a few years time.

Corporation tax - From April 2023 the rate of Corporation tax will increase to 23% (currently 19%), but this increase will not affect small companies with profits under £50,000 and there will be a tapering inbetween those thresholds.

There will also be a 130% super-deduction on tax for investments in certain plant and machinery (for companies only) .

Business Losses - both companies and unincorporated businesses will be able to be carry back losses for 3 years (currently only one) which means more businesses should be able to access tax relief sooner if they were viable but have made losses due to covid.

Self Employed Income support scheme (SEISS) - grant 4

The fourth grant has changed slightly from earlier ones. The years the calculation will be based on now include 2019/20 and to be eligible you need to have filed that tax return by 2nd March 2021. This does mean people who only started self employment in the 2019/20 tax year are now included, but it may also affect the entitlement of those who were previously claiming.



It is possible some may be come ineligible, and others may find the amount of their claim, now based on an extra year's account, will change.

Other eligibility conditions remain such as the £50k income cap and the fact over 50% total income must derive from self-employment, either in 2019/20 or over the average of the years. Trading must still be continuing or intending to continue once covid restrictions permit.

For new claimants, that is those who commenced self-employment in 2019/20, there are some extra verification processes and HMRC will be contacted them by letter and then phone requesting various documents including proof of trading activity eg bank statements.

The bad news is claims are not scheduled to open for the forth grant until late April, but lot there is a lot of pressure on the government to bring this date forwards. HMRC say they need this time to process 2019/20 tax returns.

Reminder - pay any remaining self-assessment tax by the 31st March or incur a 5% penalty. The penalty free extension for self-assessment tax payments due on 31st January (including anything deferred from July 2020) expires at the end of this month. Make sure you either pay your tax by then or make an arrangement with HMRC to pay by installments - details here: <https://www.gov.uk/pay-self-assessment-tax-bill/pay-in-instalments>

Reminder - pay any remaining VAT deferred from earlier in 2020 by the 31st March or risk incurring a penalty. If you chose to defer the VAT for quarter early in 2020 when the option was offered that payment is due this month. You either need to pay or opt to join the instalment scheme – details here: <https://www.gov.uk/guidance/deferral-of-vat-payments-due-to-coronavirus-covid-19>



National Minimum Wage (NMW) increases - from 1st April the NMW will apply for those aged over 23 (note this is a lower age level as was previously from age 25) and will rise by 19p to £8.91 per hour. There are other minimum rates for those under aged 23 and apprentices.

ICO registration - I've been asked about this few times, although again not strictly an accounting matter. If you are a business and hold personal data of individuals (eg staff, customers that aren't companies etc) then you do need to be registered with the Information Commissioners Office as a data handler. See their website for more information.



VAT reverse charge now applies (from 1st March) to the construction industry. Where the supply of building services is made to a VAT registered customer who is someone other than the end user then VAT is no longer charged. The purchaser accounts for the output VAT, but can of course reclaim as input VAT subject to usual criteria.

Rental property - Not really accounting, but important for those of you who rent out property. Just in case you've missed it you must have an electrical certificate (EICR) as well as a gas certificate in place for all tenancies (including existing tenancies) from 1st April.



EU property - If you have a property in the European Union area the fact that the UK has now fully left may mean there are some changes affecting how your property is taxed, even if it is not rented out. You will need to check the tax laws for the applicable country.

REMINDER - CGT on sales of residential property - As has been the case since last April it is necessary to file a return online if you have CGT to pay on the disposal of a residential property, even if not a business asset, within 30 days of the completion of the sale if there is a taxable gain. Do not wait to file your self-assessment tax return to declare. The tax due also has to be paid.

ATED - If you are a Company that owns a residential property worth over £500,000 then remember to file your ATED return. Register for the online service by 1st April to file your 2021/22 ATED return which is due by 30 April 2021. There are reliefs for let properties but the return still needs to be filed to claim these.

Making Tax Digital (MTD) - Making returns under MTD rules already applies to VAT returns for entities with turnover over £85,000. HMRC are continuing the roll out and from April 2022 all VAT returns will have to be filed this way.

More significantly they are also expanding MTD to Income Tax and from April 2023 self-employed businesses and landlords with income over £10,000 will also have to keep digital records and file quarterly returns under MTD rules, this is a huge compliance change for non-VAT registered businesses - no longer will you be able to put together accounts information just once a year! It may be advisable to start planning for this now, by getting and keeping your records up to date.

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.

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