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Tax Matters

Time to pay tax

If coronavirus means you can't pay a tax bill on time, the government is offering Time To Pay (TTP) as a way of easing cash flow problems.

It is important to appreciate that TTP cannot be used to reduce tax liability. TTP is just that - it buys time, giving you breathing space and spreading payment over a longer period. Negotiating TTP means you can settle a tax liability by monthly instalments, making a tool to help your business weather the next critical few months.

TTP should be available across the whole range of taxes, from income tax self assessment bills, to VAT and corporation tax. There's no standard arrangement: repayment is tailored to your circumstances. You may still have to pay interest, because technically the tax is overdue. The rate of interest is usually low, but is not allowable for tax.

Arranging TTP as soon as possible should mean you avoid having to pay penalties. To do this, contact HMRC now and explain that you have coronavirus-related financial difficulties. This is usually done by phone, but you can also use webchat. HMRC has set up a dedicated coronavirus helpline, on 0800 024 1222 **https://bit.ly/3c91Ic8**. Please note that nominated partners in a business partnership can negotiate TTP with HMRC on behalf of the partnership or individual partners. Fuller information is here **https://bit.ly/3dadMKu**.

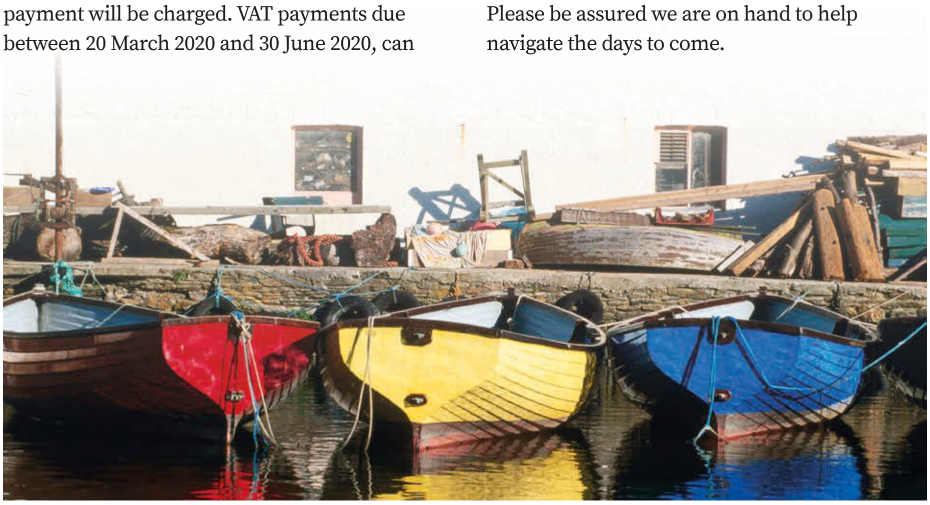
Business critical management

This is a time of unparalleled change for business and the wider community. We are privileged to act as your professional advisers, and if there are matters of concern to you, please do not hesitate to get in touch. Some questions may still be under discussion at government level, but we will do our very best to help.

To help businesses remain buoyant amid falling sales and abrupt loss of income, cash in and cash out is key. There are government support measures in place, but the next few weeks, before assistance gets to business bank accounts, will be critical. The importance of up to date accounting and management information cannot be overstated, especially to use the Self-employment Income Support Scheme or Coronavirus Business Interruption Loan Scheme, for example.

Payment of income tax and VAT can be deferred in current circumstances. The second income tax self assessment payment on account, due for payment by 31 July 2020, can be deferred until January 2021. HMRC advises that 'deferment is optional and any persons still able to pay their second self-assessment payment on account ...should still do so'. No action is needed to defer. No penalty or interest for late payment will be charged. VAT payments due between 20 March 2020 and 30 June 2020, can also be deferred, again without the need to apply. This applies to any business with VAT payments due between these dates - but does not cover VAT MOSS payments. Deferred VAT must be paid on or before 31 March 2021. VAT refunds and reclaims will be dealt with by HMRC as usual, and you should continue to send in your VAT return. Those paying HMRC by direct debit, should cancel it promptly, so it isn't automatically collected when the return is filed. Where trading is significantly disrupted, VAT registration may no longer be appropriate, and we are happy to advise here. And if you are entering a period in which input tax is more than output tax, and you anticipate regular VAT refunds, you may want to think about moving to monthly VAT returns to accelerate cash flow. For the latest guidance, see **https://bit.ly/2YAZiiw**: information is frequently updated, though this may lessen with time.

Please be assured we are on hand to help navigate the days to come.



Employer headlines

At this time of unprecedented challenge, employers will have many concerns, from issues around health and safety in the workplace (where this remains open), to how best to facilitate homeworking. Please do not hesitate to contact us for advice on these or any of the areas outlined below.

Coronavirus Job Retention Scheme (JRS)

JRS allows employers to claim up to 80% of furloughed workers' wages, to a maximum of £2,500 per worker per month. The scheme now runs for four months from 1 March 2020, rather than the three months initially proposed. The government says it will be extended again if necessary.

HMRC's online application portal for JRS claims opened on 20 April 2020, with new information to be used to make a claim: the employer step by step guide **bit.ly/2zllhjf** and guidance **bit.ly/3eFhSvK**. This online calculator can be used to work out how much can be claimed **bit.ly/2VolMl2**. Generally, guidance has been evolving since the scheme was first announced, and it is possible that there will be further updates.

Keep the calculations used as the basis of your claim. You are also advised to print the final confirmation screen, or note the claim reference number, because HMRC will not send an email confirmation. HMRC will check claims and has the right to audit claims retrospectively. It advises that payments may be withheld, or need to be repaid in full, if claims are found to be based on dishonest or inaccurate information, or found to be fraudulent. An online portal for employees and the public to report suspected cases of fraud has been set up.

Making best use of the JRS

Although many employers will now have used the JRS for the first time, there are still points to consider going forward. These include how best to staff any work needed to keep your business going, and planning for the post-lockdown future of your business.

Furlough is designed with some flexibility. It must be for a minimum of three consecutive weeks, but there is the option to take staff off furlough, have them return to work and then refurlough them. This can be done multiple times, but the three-week minimum applies to any furlough period. Judicious use of the scheme could provide the potential to start gearing up again for business. Whilst on furlough, staff are debarred from carrying out work that generates revenue for your business, but timely switching between furlough and work, or even rotating staff on furlough, may prove useful.

To recap, furlough is a formal process, bringing employment law issues to consider. To be eligible, staff must have been on your payroll on or before 19 March 2020, and have been notified to HMRC on an RTI submission on or before that date. There are also some provisions for staff made redundant early in the pandemic, who are re-employed and furloughed. A claim under JRS can only be made from the date at which an individual's furlough begins.

We are happy to advise further, to support you through an application, or to submit your claim if authorised to act on your behalf for PAYE matters.

Statutory Sick Pay Rebate

Businesses based in the UK, with fewer than 250 employees at 28 February 2020, with a PAYE payroll scheme created and started on or before that date, can reclaim Statutory Sick Pay (SSP) for staff absence due to coronavirus. This will cover up to two weeks' SSP per eligible employee. The government is currently creating a system to deliver this, with further guidance expected. Find out more here **bit.ly/2XkS2XI**.

IR35: change on hold

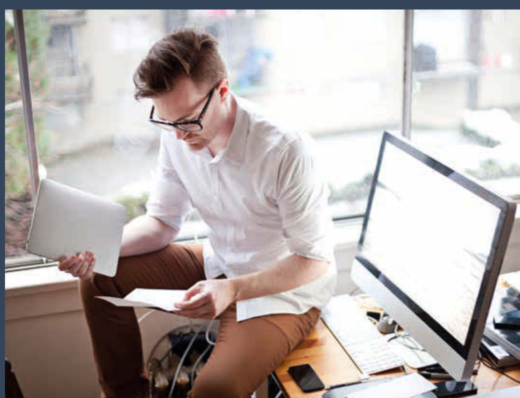
The rollout of the IR35 rules to the private sector, set to come in on 6 April 2020, is now on hold until 6 April 2021. This is to help the business community cope with the impact of coronavirus, and the government emphasises that it is a 'deferral, not a cancellation' of the policy. So what do contractors do now?

The off-payroll rules, often called the IR35 rules, were introduced because of concern about loss of tax revenue, particularly National Insurance contributions (NICs), arising through the use of intermediaries in the labour chain. Intermediaries are most often a worker's personal service company (PSC), though they can also be an individual, partnership, or unincorporated association. The government believes many off-payroll workers are wrongly classified for tax purposes, and should be treated as employees.

From 6 April 2021, therefore, if you work for a large or medium client through a PSC or other intermediary, responsibility for determining employment status passes from your PSC to your client. Further information can be found here **bit.ly/2JQ49nu**.

But for now, it's business as usual. If you work for a client in the private sector, you determine employment status on your contract, not the client. Deduction of tax and NICs remains your responsibility. To help with questions around employment status, HMRC has enhanced its online employment status checker tool, CEST, although there are still reservations about its ability to cope with the nuances of real life.

But the late change may create practical problems. What if you've already been given a Status Determination Statement (SDS), as if the new rules were now in force, for example? An SDS has no legal standing this year. It is up to the PSC to determine its status, and deal with tax and NICs as before. HMRC says it won't use any SDS already issued as evidence if there is a dispute over your employment status in the next 12 months. If we can be of any assistance with further advice, please do not hesitate to get in touch.



Help for business

Government help for business is being put in place, with schemes evolving in real time. Some measures vary across the UK. Generally, see **bit.ly/2VdnDrn**. For Scotland **bit.ly/2VaBnDr** Wales **bit.ly/2x3zPDm** Northern Ireland **bit.ly/3c1EFjw**.

Loan Schemes

There are now three schemes, all delivered through commercial lenders to support 'long-term viable businesses … respond to cash-flow pressures by seeking additional finance'. Businesses need to approach a lender, and it probably makes sense to try your usual bank first.

- Bounce Back Loans: fast-track scheme for small businesses
- the Coronavirus Business Interruption Loan Scheme (CBILS) for UK businesses with annual turnover up to £45 million **bit.ly/34KRewL**
- the Coronavirus Large Business Interruption Loan Scheme for UK businesses with annual turnover over £45 million.

Bounce Back loans

These provide 100% government-backed loans covering 25% of business turnover. Minimum loan size is set at £2,000 and the maximum at £50,000. Loans are interest free for the first 12 months, with a repayment holiday for this period. The scheme launched on 4 May, with application online **bit.ly/2KGytkP**.

CBILS

The CBILS provides access to loans, overdrafts and other finance. Finance is capped at £5 million, with a maximum term of six years for term loans and asset finance. The government covers interest payments for the first 12 months and any lender-levied fees. CBILS cannot be used as well as Bounce Back funding, and applicants must 'self-certify' that their business is adversely impacted by Covid-19.

Criticism of the scheme has brought some changes. The most recent viability tests only require a bank to assess whether a business was viable pre Covid-19, for example, and loans below £250,000 do not require personal guarantees. Any type of business can apply, if generating more than 50% of its turnover from trading activity. There is a quick eligibility checklist here **bit.ly/2Xhvjvy**.

How do I apply for a loan?

The Bounce Back scheme has a short, standardised online application form. Critically, the aim is to provide loans to businesses 'within days'.

The CBILS entails more of an application process than a conventional loan. Lenders should now, however, be focusing mainly on information you can supply at speed, assessing credit and business viability on the basis of this and their own prior information.

Self-employment Income Support Scheme (SEISS)

This supports the self-employed and partnerships and is being developed at pace by HMRC **bit.ly/2VdfgO1**. The government is signing the self-employed to the Universal Credit system before SEISS payments are made.

What does it do?

Provides a direct cash grant, of up to 80% of profits, calculated with reference to specific rules. The grant is taxable and will be paid as one lump sum, covering the three months to May. The maximum payable is £2,500 per month. The first payments should start at the end of May, and it is possible the scheme will be extended.

Criteria

Broadly, you must carry on a trade which has been adversely affected by circumstances relating to coronavirus. You must also have filed all relevant income tax self assessment returns; have traded in the 2018/19 and 2019/20 tax years, and intend to carry on trading in the 2020/21 tax year. Your profits, based on an average of the last three years, must be no more than £50,000, and at least equal to any non-trading income, such as employment income, dividends or rental income.

Directors of personal service companies are not eligible. But if paid under PAYE, government help may be available via the Coronavirus Job Retention Scheme (see Employer headlines). Note however, that only salary costs are eligible for inclusion, not dividend payments. There is guidance on how directors can access this here **bit.ly/2YxSiDo**.

What do I have to do?

HMRC will contact you by email, text or letter by mid May, asking you to claim, but there is an online tool you can use now to see if HMRC thinks you match its criteria **bit.ly/3fkiTte**. If the tool concludes you are eligible, you will be given a date you can claim from. If it finds you are not eligible, you can ask to have this reviewed. Payment directly into your bank account should be made within six working days of completing a claim.

Rent, rates and property

Commercial tenants across the UK, unable to pay rent because of coronavirus, are given protection from eviction. This is not a rental holiday however, and liability to pay remains. Discussions between landlords and tenants are encouraged. Other help, for example with business rates is also available **bit.ly/3dikYnX** and **bit.ly/2Wo15Vz**.

National Insurance: what the changes mean for you

Change to National Insurance contributions (NICs) limits and thresholds took effect from 6 April. The Treasury says the 'typical' employee will pay around £104 less in NICs in 2020/21. Before the coronavirus crisis, there were plans to raise the NICs threshold to £12,500. What will happen now is more uncertain.

For employees, payment of NICs now starts when salary tips £9,500 pa (2020/21), rather than £8,632 pa (2019/20). The self-employed benefit, with the threshold for Class 4 NICs mirroring this change, and the small profits threshold for Class 2 NICs rising from £6,365 (2019/20) to £6,475 (2020/21). For higher earners, employees and self-employed alike, the freezing of the upper earnings/profits limit at £50,000 gives access to a 2% contribution rate on a bigger slice of earnings. But for employers, the story is different: there is only an inflationary increase to the secondary threshold. Employers now contribute when salary exceeds £8,788 pa (2020/21), rather than £8,632 (2019/20). Directors in family companies must take account of the cost of both employer and employee NICs. In announcing support for the self-employed in the current crisis, the Chancellor signalled that the contribution system for the self-employed is likely to be fundamentally reformed in the medium term.

Beware sharks

The coronavirus crisis has the potential to be big business for criminals. Stressed business owners and employees make easy prey and HMRC warns that fraudsters are already looking to capitalise on the situation.

Tactics can be very sophisticated. Be alert to genuine-looking but bogus websites, plausible-sounding phone calls, and SMS text scams – as well as phishing emails. With the government's recent use of text messaging to convey genuine information during the coronavirus emergency, and increased HMRC online activity, it's even more important to be able to sift the wheat from the chaff. HMRC regularly updates its information on current scams: you can find this here **bit.ly/3e6Fr0f**. Recent examples include SMS scams purporting to offer 'goodwill payments' because of the coronavirus. Always think twice before accepting a source as genuine, always check before clicking on a link, and take care before inputting personal details on websites.

Entrepreneurs' Relief: outlook changing

Before the Budget, there were fears that it might be scrapped altogether. It wasn't. Entrepreneurs' Relief (ER) lives on, but with a new name - business asset disposal relief - and a new, lower lifetime limit.

ER, as we will call it for one last time, is a capital gains tax (CGT) relief available not just to company shareholders, but to owners of unincorporated businesses. It has been the relief, par excellence, for someone looking to dispose of all, or part of, a business and extract a capital sum, for example on retirement. Applying to gains on disposals of shares, or securities in a trading company, it gives access to a niche 10% rate of CGT, rather than 20%. In some circumstances, it can be used for disposals of assets such as land and buildings used by a company, but owned by an individual. ER can also reduce CGT paid on disposals of qualifying shares from an Enterprise Management Incentive scheme. ER is subject to a lifetime limit, hitherto £10 million.

Budget 2020 brings a new lower lifetime limit of £1 million. This has immediate effect, applying to qualifying disposals made on or after Budget day, 11 March 2020. The value of ER claimed for qualifying gains in the past will contribute to the new lifetime limit, and this will now need to be taken into account when assessing eligibility for any future claim. The new date is a cliff edge: there is no period of transition. The new limit can also apply where a business ceased trading before 11 March 2020; or the gain is a deferred gain that accrues on a chargeable event on or after 11 March 2020.

Despite the change, ER remains a vital part of the exit strategy for business owners. Ensuring availability of ER has always depended on paying close attention to the rules, and this is unchanged. In the current volatile economy, it may be of particular relevance to those reshaping their plans for the future. Please contact us for further advice.

Personal tax after the Budget

Notable for what didn't change, as well as what did.

2020/21 England, Wales and Northern Ireland income tax rates and bands remain unchanged:

Band name	Rate	Band
Basic rate	20%	£1-£37,500
Higher rate	40%	£37,501- £150,000
Additional rate	45%	Over £150,000

For Scottish taxpayers, the position is different:

Band name	Rate	Band
Starter rate	19%	Over £12,500* - £14,585
Scottish Basic rate	20%	Over £14,585 - £25,158
Intermediate rate	21%	Over £25,158 - £43,430
Higher rate	41%	Over £43,430 - £150,000
Top rate	46%	Over £150,000

* Assumes individuals are in receipt of the standard UK Personal Allowance.

There were no major changes to the Inheritance Tax regime – perhaps surprising given recommendations in last year's report by the Office of Tax Simplification. It may be that the autumn Budget brings further developments.

The Budget addressed pension issues experienced by high earners such as GPs and NHS consultants, with an increase to the two income thresholds used to calculate the tapered annual allowance. Tapered annual allowance is triggered when both 'threshold' income and 'adjusted' income exceed a particular level. From 6 April 2020, threshold income (broadly net income before tax, excluding pension contributions) increases from £110,000 to £200,000. Adjusted income (broadly net income plus pension accrual) increases from £150,000 to £240,000. This should take about 200,000 higher earners out of this particular tax trap. There is also change to the minimum tapered annual allowance, which can now fall to a low of £4,000 rather than £10,000. This, however, will only impact those with adjusted income of more than £300,000.