

## This issue includes updates and news on...

- ▶ Government's Covid-19 Support Measures
- ▶ Budget-2020 Summary
- ▶ Off-payroll in Private Sector: IR35 Update
- ▶ 70% Increase in Will Writing

## Tax Tips and questions

- ▶ Covid-19: Tips for Easing Cashflow
- ▶ Paying Statutory Sick Pay (SSP) for Employers
- ▶ Working from Home – What Can I Claim?
- ▶ VAT Treatment on Retained Deposits resulting from Forfeited Contracts

# TAX TIPS & News

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# WELCOME

Welcome to April's edition of Tax Tips & News bulletin.

A few months ago, we didn't even know of Covid-19, yet now we find ourselves in the 'worst global pandemic and public health crisis of our generation'. In addition to the social impact the virus is causing, the economic havoc it has created is also evident, consequences of which could last for years.

The government has announced the biggest ever support package for businesses and individuals and the Bank of England has reduced interest rate from 0.75% to 0.1%, the lowest ever interest rate in their history, showing the scale of the problem and challenge we all face.

The biggest support the government has brought to protect jobs is Furloughed Workers Scheme or Coronavirus Job Retention Scheme whereby Employers can furlough their employees without terminating their jobs and continue to pay the employees. More details to follow in the section below.

There are plenty of other measures the government is undertaking mainly in the form of Time to Pay arrangements, VAT deferral, Penalty Waiving, Self-assessment Tax Deferral. Additionally, they have rolled out government backed loans for businesses. Overall the UK government is one of the most proactive in the western world to come out with such a generous support.

One big win for Contractors is the delay in the roll out of in Off-payroll in the private sector. Arguably if contractors did lose out on the government support, this delay will help them immensely. Where majority of the workforce is struggling to work, many contractors such as those in IT, are able to work from home. So, there is something for all in last few weeks developments.

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We urge you to refer to our section on Key Dates and Deadlines for April-2020, to keep yourself abreast with filing deadlines for your business.

One can only hope that the Covid-19 crisis should not last long, but sadly it is looking increasingly likely that this may not be the case. For businesses that are facing disruption, our dedicated Covid-19 team is here to help you understand and apply for the measures announced and suggest strategies that could help in mitigating the impact. Please speak to your account manager for more details on how DNS can assist.

Stay Home! Stay Safe!

**Sumit Agarwal** ACMA, ACA (India)  
Founder & Managing Director

# Government's Covid-19 Support Measures

The coronavirus outbreak has quickly escalated and the drastic actions taken by all the governments globally to the crisis has caused significant turmoil in recent days. Travel restrictions, social distancing measures and large-scale quarantines are all having significant impact on the economy.

Unsurprisingly, in the last few weeks, the UK government has announced a raft of measures to support businesses, employees and self-employed individuals to cope with the ongoing crisis. Some of the popular measures include:

- Businesses can claim 2 weeks of SSP repayment per employee from the government for employees who are sick.
- VAT payment deferral for payments due between 20th March 2020 and 30th June 2020, until April-2021.
- 3-month extension to file the accounts with Companies House.
- 31st July 2020, second payment on account deferred for all taxpayers till January-2021.
- Self-employed Income Support Scheme.
- Job Retention Scheme, known as Furlough.
- Business rates relief and grants for small businesses.

To read the full measures please download our Covid-19 Support Guide by [clicking here](#).

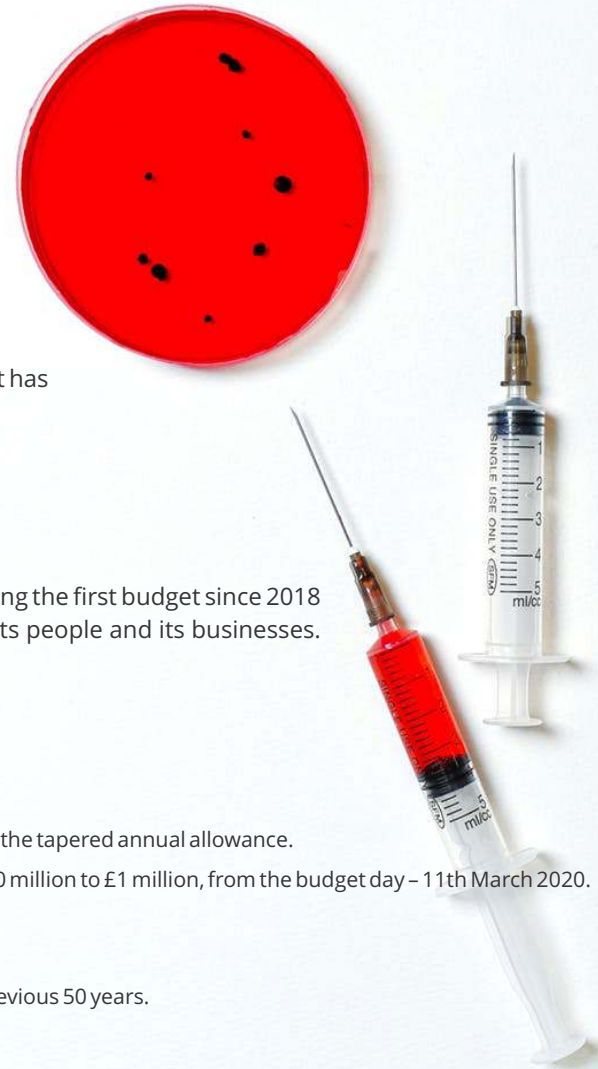
Only time will tell if the measures announced are enough to support the falling economy but the government has promised to 'go further and faster' if the need arises to support the people.

## Budget-2020 Summary

After only a few weeks in office, the new chancellor, Rishi Sunak, was given the most difficult task of announcing the first budget since 2018 and also his first. The budget was overpowered by the Coronavirus, the implications of it on the country, its people and its businesses. Here, we summarise the immediate tax implications it will have on businesses and individuals:

- Personal Allowance threshold and tax rates remain same.
- Class 1 National Insurance threshold has been increased to £9,500 from 6th April 2020.
- The flat rate deduction for homeworking arrangements will increase from £4 a week to £6.
- The Pensions relief threshold will rise to £200,000, individuals with income below this level will no longer be affected by the tapered annual allowance.
- To everyone's surprise, the Entrepreneur's Relief is not abolished but the lifetime allowance has been reduced from £10 million to £1 million, from the budget day – 11th March 2020.
- First Year Allowance on purchase of zero Co2 emission vehicles, extended till April 2025.
- National Insurance Employment Allowance increased from £3,000 to £4,000 from April-2020.
- Structure and building allowance increased from 2% to 3%, full relief will now be available in 33 years rather than the previous 50 years.

To read the full changes announced in the budget [click here](#).



## Off-payroll in Private Sector: IR35 Update

You may be already aware, that as part of the package of measures announced to protect the economy from the coronavirus outbreak, the planned introduction of off-payroll working in the private sector is postponed for one year from 6 April 2020 to 6 April 2021.

The government did not fail in stressing several times, that this is simply a deferral to the rules and not a cancellation. This has definitely brought a relief to businesses and contractors in these uncertain time as many have now extended outside IR35 contracts for the foreseeable future.

Although for now, IR35 is the least of worries for many contractors, the government's review report published in late February 2020, did clear two important concerns:

- the reforms will not apply to organisations that are wholly overseas with no UK presence.
- new guidance to be published in the employment manual on recourse available for contractors when they disagree with client's assessment.

The recent support measures announced by the government, again raised the question on the status of contractors, as they are not treated as self-employed and do not obviously get the protection and security available to employees, and therefore cannot be expected to pay the same tax!

## 70% Increase in Will Writing

According to the Law society report, will writing and granting power of attorney enquiries have surged by 70% in the last month. The recent pandemic has proven that life is unpredictable and there will never be a right time to put your affairs in order. Most of the enquiries are from elderly, those more vulnerable to the virus, NHS doctors and police officers, who are at the frontline of the pandemic.

Your assets are the money, property and other possessions that you own and your Will decides how this needs to be distributed. If a Will is not drafted and you die intestate, the law decides how your assets are passed and may not get meet your current plans or wishes.

Reasons for getting a Will Drafted:

- Reduce the impact of Inheritance Tax, often called Estate Planning.
- Decide who executes your wishes and organises your estate and who receives the assets.
- Protect those who are financially dependent on you like children or other family members.
- You can decide the Guardians for your children if something happens to both parents.
- Makes it simpler for your loved ones to organise your estate or it can be a very stressful and time consuming process.

Though having a Will is important, having a legal and completely up to date Will is more important. There have been many cases where people have written their own wills, for example, and have ended up leaving behind a legal dispute that rages on for months or years.

Therefore, it is important to seek professional advice before creating the Will.



## Covid-19: Tips for Easing Cashflow

Managing cashflow is soon going to become an issue for a lot of businesses and individuals. The below hacks can help ease the pressure a bit:

- **Cancel VAT Direct Debit:** VAT payments due between 20th March and 30th June are being deferred automatically and can be paid by 31st March 2021. HMRC is not responsible for stopping the direct debit instruction, so businesses themselves should contact their bank to do this.
- **High Income Child Benefit Charge (HICBC):** Taxpayers who have made an election to stop receiving child benefit due to the HICBC should consider cancelling the election in order to restart their claim. The child benefit may need to be ultimately paid back via the self-assessment tax return, but it can help a little towards easing immediate cash flow concerns.
- **Time to Pay Arrangement:** Speak to HMRC to negotiate a bespoke Time to pay arrangement that will allow for the payment of taxed after their due date. HMRC have setup a dedicated helpline and can be contacted on 0800 0159 559.
- **Company Benefits:** We do not know how long the lockdown may last, so it may be worth considering giving away certain company benefits – like car keys, to reduce the impact of the P11D taxes in 2020/21.
- **Check for Reliefs and Grants:** The government has announced various measures to support businesses like – business interruption loan scheme, job retention scheme, SSP repayment, business rates reliefs and small-business grants, check if you are eligible and apply.
- **Payment on Account for Self-assessment due for 2019/20:** If you pay your self-assessment tax through direct debit, it's time to call your bank and cancel the direct debit. Note the payment can be deferred till 31st January 2021, with no interest and penalties to pay.

Additionally, businesses should check if their insurance covers for pandemics and/or government announced closures.

## Paying Statutory Sick Pay (SSP) for Employers

As per legislation, Employers have to pay SSP to their employees and workers when they meet certain eligibility conditions. To qualify for SSP, workers:

- employment contract must be placed and have done some work under it.
- be earning an average of at least £118 per week.
- are on sick off for at least 4 days in a row, including non-working days.
- they've been off for 7 days due to illness. It would be in the form of a fit note from their doctor.

In the absence of any company Sick Pay Schemes, Statutory Sick Pay (SSP) of £94.25 for up to 28 weeks is the least amount you have to pay workers when they are off sick.

**Note:** On 4 March, UK Prime Minister Boris Johnson announced that cover the coronavirus outbreak. As part of measures, the rules for the payment of statutory sick pay (SSP) will be changed and will be enabling employees who fall ill or isolated because of the virus- to be able to make a claim for sick pay from the first day of their absence.



## Who is not entitled to Statutory Sick Pay?

Employees are not eligible to get SSP, if they:

- have already had SSP for 28 weeks
- had Employment and Support Allowance in previous 12 weeks
- are getting SMP or Maternity Allowance

## Do employees need to provide any medical evidence to employers?

The Government recently has confirmed that employees don't need to provide medical evidence in order to receive SSP when self-isolating due to coronavirus or for the first 7 days of sickness. After which the employers can ask for a fit note.

SSP stops when the employee comes back to work or no longer qualifies.

For freelancers and the self-employed who do not get SSP in this uncertain time the government has introduced special measures to provide financial support to them and their family members if any contract the virus. The Government has benefited them through the benefits system. If they fall ill or isolated etc, they will be able to claim employment and support allowance (ESA) and/or Universal Credit equal to SSP.

# Tax treatment in case of working from home

Due to the current situation many employees are now working from home and in order to perform their duties and depending on the nature of the job, the employee may need certain equipment, such as a computer. The employer will generally provide this if employees does not have this or own it or may also provide the employee with necessary supplies, such as paper, printer ink and suchlike. Where the employer provides equipment or meets expenses, it's vital to consider the tax implication and relief related to it.

## Home working expenses include:

- equipment, services or supplies you provide to employees who work from home (for example computers, office furniture, internet access, pens and paper)
- additional household expenses, such as gas or electricity charges, for employees who need to work from home.

## Tax relief available

There is no tax charge on the expense that an employer incurs in providing directors and employees with supplies and services that:

- are provided other than on the employer's premises (e.g. employees who work at home or whilst travelling), and
- are provided for the sole purpose of enabling the employee to perform the duties of the employment and
- that the individual uses in performing the duties of the employment, and any use for the employee's private purposes is not significant.

If above conditions met and you have provided equipment, services and supplies to an employee who works from home, you do not have to report or pay any BIK or tax if they're only used for business purposes, or any private use is insignificant.

## Employer reimbursement of costs

Employers can help employees to cover their reasonable additional expenses incurred while working from home. Eligible certain payments are not subject to either income tax or national insurance as well as deductible for the purpose of corporation tax for the employer

The employer can reimburse the additional household expenses, using either of the below option.

### Flat Rate Basis

HMRC allows employees to reclaim a flat rate of up to £4 (£6 from 6th April 2020) a week to cover the additional costs if they work from home. They will not need to keep any records.

### Factual/Actual Cost Basis

If employees think that they may be able to prove by way of a 'fair and reasonable' calculation that they are incurring additional costs because of working from home and the actual costs are above the flat rate basis i.e. £4 per week, then you may be able to reimburse the higher sum if HMRC agrees. You will need supporting evidence to demonstrate it in case of revenue audit or abjection, which may prove to be difficult.

#### **Tip for Directors – Rental Planning**

*There is a certain difference in rules for directors and employees who work from home. They are not allowed to claim rent or mortgage interest while the sole trader can. However, a director may be able to rent out part of his property to the company and charge a market rent for the use of the property, which can help in claiming more than £208/year. The director should document the transaction and maintain proper records, otherwise HMRC can challenge it and the rent paid may be classified as additional salary which would be subject to Tax and Class 1 NICs.*

*For the company, the rental payments are deductible from its profit and will reduce CT liability and the director will need to disclose the rental income in their tax returns and can deduct allowable expenses like electric, light, heating, broadband etc. after appropriate apportioning. If the rent is £1,000 or less, then it will be covered under the property allowance.*

## VAT Treatment of Retained Payments and Deposits

Previous rules, where a business collected a deposit for goods or services which customers did not use or cancel and the business retained the payment, the retained payment would be considered as outside the scope of VAT on the basis that it signified compensation for the loss suffered as a result of the cancellation. If VAT paid on this to the HMRC, an adjustment could be made in next VAT return and the VAT claimed back from HMRC.

For example, if a hotel booking was made for £200 plus VAT of £40 at the time of booking the VAT is passed to HMRC. If the customer then cancels or just doesn't turn up, a refund/adjustment of the VAT accounted for on receipt of the deposit can be obtained from HMRC after the time of the expected supply.

From 1st March 2019, if you retain deposits for goods or services which customers do not take up or cancel and the business retains the payment you now have to account for VAT on them.

"HMRC has determined that, when a customer makes or promises to make a payment, it is consideration for a supply and therefore subject to VAT. HMRC says it cannot be considered or reclassified as a payment to compensate the supplier for the loss suffered as a result of the cancellation once it is known the customer is not going to use the goods or services. Therefore, as per their new policy, VAT will be due on all retained/deposited payments for unused services and uncollected goods. VAT already accounted for on the deposit must not be adjusted in the next Vat return, unless the payment is refunded. Only Security deposit paid as fully refundable are outside the scope of VAT." Therefore, as per above example you cannot adjust the £40 in next VAT returns or cannot make a claim for refund.

Unfortunately, if you calculated and accounted VAT on these deposits prior to 1st March 2019, HMRC is not going to make a refund. Their view is that you needed to apply the correct rules (even if HMRC would have advised you this was not correct at the time you asked) and so no adjustment would be allowed.

## Who will be affected?

This change in policy will have an impact in the hotel and hospitality industry who commonly have “no shows”. Hotels, for example, will no longer be able to treat VAT charged on cancellation or 'no show' charges, example for hotel room bookings as outside the scope of VAT.

Businesses that retain forfeited deposits for unfulfilled supplies may also be covered by the new policy.

# Key Dates and Deadlines for April

- |                                   |  |
|-----------------------------------|--|
| <b>1<sup>st</sup> April 2020</b>  | <ul style="list-style-type: none"> <li>• Payment of corporation tax for accounting periods ended 30<sup>th</sup> June 2019.</li> <li>• Digital services tax at 2% introduced.</li> </ul>   |
| <b>5<sup>th</sup> April 2020</b>  | <ul style="list-style-type: none"> <li>• 2019-20 tax year end.</li> <li>• Pay unpaid 2013-14 class 3 NICs.</li> </ul>  |
| <b>6<sup>th</sup> April 2020</b>  | <ul style="list-style-type: none"> <li>• Start of 2020-21 tax year.</li> </ul>   |
| <b>7<sup>th</sup> April 2020</b>  | <ul style="list-style-type: none"> <li>• Due date for VAT returns and payment for 28<sup>th</sup> February 2020 quarter. <b>DEFERRAL AVAILABLE</b></li> </ul>  |
| <b>14<sup>th</sup> April 2020</b> | <ul style="list-style-type: none"> <li>• Submit forms CT61 and pay tax for the quarter ended 31<sup>st</sup> March 2020.</li> </ul>  |
| <b>19<sup>th</sup> April 2020</b> | <ul style="list-style-type: none"> <li>• Monthly postal PAYE/class 1 NICs/student loan payment.</li> <li>• CIS return.</li> </ul>  |
| <b>21<sup>st</sup> April 2020</b> | <ul style="list-style-type: none"> <li>• Intrastat (Due date for payment of supplementary declarations for March 2020).</li> <li>• EC sales list (Deadline for online monthly or quarterly return filing).</li> </ul>  |
| <b>22<sup>nd</sup> April 2020</b> | <ul style="list-style-type: none"> <li>• Monthly electronic PAYE/class 1 NICs/student loan payment.</li> </ul>   |
| <b>30<sup>th</sup> April 2020</b> | <ul style="list-style-type: none"> <li>• Annual Tax on Enveloped Dwelling (ATED) filing and payment deadline for tax year 1<sup>st</sup> April 2020 - 31<sup>st</sup> March 2021.</li> <li>• Corporation tax return (Filing deadline for corporation tax return self-assessment form CT600 for period ended 30<sup>th</sup> April 2019 to be submitted to HMRC).</li> <li>• Companies House should have received accounts of private companies with 31<sup>st</sup> July 2019 year end.</li> </ul> |



# Awards & Accreditations



## BRITISH ACCOUNTANCY AWARDS 2017 & 2018 WINNER

Independent Firm of the Year South-East, England



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