DNS Accounting Group

This issue includes updates and news on...

- IR35 Update: HMRC Gets a Red Card in PGMOL Case.
- Furlough Scheme Extended till October-2020 & the SSP Rebate Scheme Launched.
- New COVID-19 Discretionary Grant for Small-businesses Announced.
- Tax Rules on Home Office Expenditure Relaxed.

Tax Tips and questions

- VAT– Are You Registered for the Right Scheme?
- Tax Relief on Pension Contributions Explained.
- Giveaways to Reduce Inheritance Tax (IHT) Bill.
- Tax Treatment on Benefits Provided to Employees during Covid-19.

TAX TIPS & *News*

Newsletter June 2020

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

Since we move into the fourth month of the deadly virus hitting the UK, it can be reasonably said 'we do not live in normal times anymore' and the subject of Covid-19 will feature for several months to come until the life resumes to normal. On a positive note, the number of new cases reported in the UK have been declining and on the back of it the government has announced new measures where restrictions will be lifted for non-essential businesses from mid-June. It will be interesting to see what changes will occur to our lifestyle once the lockdown eases, I am betting that we may never fully go back to how we lived before the crisis and there will be fundamental shift in the way we manage hygiene and social distancing, which may become a permanent social fabric. I usually do not write about politics but COVID19 has reflected that world is far more dangerous and when it comes to fight for resources and power its going to get ugly, especially with China Flexing its muscles and US highly uncomfortable. Lets hope this does not result in world chaos and businesses gets certainty and the ecosystem to thrive.

A number of businesses that will reopen after the lock down eases will need to think about the steps and planning required to re-build their business and most importantly plan the return of the their employees. We suggest health and safety measures are put in place for employees, cash flow forecasts are prepared, insurance policies are revisited and digital strategy is at the forefront of your marketing plan. I request you to check Government guidelines on how to return back to work safely.

This month we are doing a survey to understand if your business was able to seek support from the grants and measures announced by the government. The survey takes 30-seconds to complete and will enrol you in a lucky draw to **win a £100 gift voucher**.

Take the survey!

Do not forget about the latest support measure - Discretionary Support Grant announced by the government. Last week our team emailed you around this support and more information can be found in the newsletter.

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Tax Tips and questions

Finally, the government has provided unprecedented support by movingly quickly and coming up with system and processes to support the economy in these dire times. The costs for the support will have to be recouped back and therefore it is safe to assume some serious changes will be made to the tax system, and it may be the right time for individuals and businesses to consider tax planning, which can be booked by getting in touch with a team member at DNS.

Please refer to the **Key Dates and Deadlines for June-2020**, to keep up to date with the filing deadlines for your business.

I wish you and your families well.

Stay Home! Stay Safe!

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

IR35 Update: HMRC Gets a Red Card in PGMOL Case

While the MPs decided not to vote on a tabled amendment to the 2019-21 Finance Bill, which proposed a two-year delay to the off-payroll implementation to 2023-24, HMRC suffered yet another blow in a recent employment case.

The case was between Professional Game Match Officials Limited (PGMOL) vs HMRC, where the Upper Tribunal decided that the referees were not employees of PGMOL. The full details of the case can be read here.

Though this is an employment case, it has a particular significance for the contractors who are being targeted by HMRC through the IR35 reforms. The ruling again upheld that HMRC's interpretation of Mutuality of Obligation (MOO), a key test for IR35 assessment, is flawed, and it is unfair to judge that MOO exists, only on the basis that a worker contractually provides their services personally for a fee.

HMRC has confirmed to appeal against the findings in the Court of Appeal, but as of now, they should accept defeat and make changes to Check Employment Status Tool (CEST), which a lot of organisations and agencies are relying on to assess their contractor workforce.

It looks highly likely, the off-payroll reforms will be implemented from April-2021. Therefore we ask our readers to support the Stop the Off-payroll Tax run by IR35 expert Dave Chaplin, so the reforms can be delayed and the government first addresses the concerns raised by The Lords Committee and other industry experts before they are implemented.

Furlough Scheme Extended till October and SSP Rebate Scheme Launched

In a statement made on the 12th May 2020, Chancellor Rishi Sunak has confirmed that the coronavirus furlough scheme will be extended to the end of October. While the scheme will continue to provide employees with 80% of their monthly wages up to £2500, new measures will be put in place from the end of July to ensure that the scheme will continue for all sectors and UK regions but with employers bringing back furloughed employees part-time while sharing the cost. The Chancellor is contemplating that Employers may be asked to contribute 30% of the costs towards furloughed employees pay. We wait for further details and will keep you posted once we get further feeds. Furlough scheme is one of the most costly schemes that the UK Government is providing to businesses, and if not for furlough, one third of employees in the UK may be out of a Job.

SSP Rebate Scheme Launch

A new online service has been launched on 26th May 2020, to allow small and medium-sized employers claim back some coronavirus-related Statutory Sick Pay (SSP). The scheme will help employers to reclaim SSP paid to all employees on or after 13th March 2020, provided the PAYE scheme started on or before 28th February 2020.

The SSP amount has been increased to £95.85 per week from 6th April 2020 (£94.25 before 6th April 2020). Employers should start calculating the number of staff and the amount of SSP paid for the periods they wish to claim.

The scheme will be a breather for many businesses as they will now be able to claim back the SSP amount paid from the government, in spite of the scheme being announced many weeks ago.

New Covid-19 Discretionary Grant for Businesses Announced

A discretionary fund has been set up to accommodate certain small businesses previously outside the scope of the business grant funds scheme. This additional fund will be provided to businesses who were not eligible for the Small Business Grant Fund or the Retail, Leisure and Hospitality Fund.

To be eligible the business must be small, have under 50 employees and should have been affected by the Covid-19.

The business could receive a grant of £25,000, £10,000 or an amount under £10,000, which will be at the discretion of the Local Authority.

This discretionary fund is aimed to increase support for businesses who are struggling to survive due to the Covid-19 shutdown but are unable to access other grant funding. It is anticipated that the businesses will receive their first payment under the scheme by early June.

The Local Authorities have been asked to prioritise businesses in shared offices or other flexible workspaces, which do not have their own business rates assessment.

DNS is providing free consultation to businesses to check if they are eligible for the grant and apply for the grant if they meet the criteria. Please speak to your account manager if you wish to know more or call us on 03300 88 66 86.

Rules on Home Office Expenditure Relaxed.

The government has finally addressed the issue of additional costs incurred by working from home during the coronavirus crisis, and has announced a temporary exemption to Tax and National Insurance, to ensure that home office equipment purchase by employees will not be subject to tax and NICs, where the expenses are reimbursed by the employer.

To be eligible for the relief, the expense needs to meet the below two conditions:

- That equipment is obtained for the sole purpose of enabling the employee to work from home as a result of the coronavirus outbreak, and
- The provision of the equipment would have been exempt from income tax if it had been provided directly to the employee by or on behalf of the employer (under section 316 of ITEPA).

In a statement, Jesse Norman said, HMRC will exercise its collection and management discretion and will not collect tax and NICs due on any reimbursed payments made from 16 March 2020 (the date the government recommended working from home) to the date these regulations take effect.

If the cost is not reimbursed by the employer, the employee can claim tax relief for these purchases via self-assessment tax return or P87 as long as the expense has been incurred wholly, exclusively and necessarily in the performance of their employment duties.

More details on the expenses reimbursed to employees and their tax treatment can be read on Gov.uk.

VAT Schemes for Small-Businesses

Choosing the right VAT accounting schemes can make your life easier, simplify your VAT accounting and in a few cases help you to improve or build your cash flow. Here we cover the 3 VAT schemes that small-businesses could use.

Flat Rate VAT Accounting Scheme

Under this VAT accounting scheme, you need to calculate the VAT due as a specified percentage of your gross turnover (inclusive VAT) rather than of paying the difference between the actual VAT you have charged on sales and the VAT you've paid out on purchases as per standard VAT accounting.

The flat rate used depends on your industry and the percentage rate you apply, typically between 9% and 14%. For the first year of VAT registration under this scheme, you would be eligible of 1% discount on the flat rate percentage applicable to you. To be eligible your estimated taxable turnover in the next coming year should not be above £150,000.

From April-17, small businesses who use the VAT flat rate scheme and fall within the definition of "limited cost trader" must pay VAT at the enhanced rate of 16.5% instead of their industry prevailing rate. For details visit here.

Cash Accounting Scheme

As the name suggests under the Cash Accounting Scheme, instead of calculating the tax based on invoices sent or received small businesses calculate their liability on the basis of cash payments made and received, (i.e. the normal tax point rules doesn't apply in the cash scheme).

It is very advantageous in case if no payment is received from your customer, it would provide the effect of giving automatic relief for bad debts therefore no payment of VAT will be due. To be eligible your estimated taxable turnover should not be more than £1.35m.

Annual Accounting Scheme

Compared to other schemes it's relatively easy because, under the Annual Accounting Scheme, you just need to prepare and file one VAT return per year. Generally, it would be more convenient to coincide this VAT period with your financial year-end to make it administrative easier and keep an eye of the affairs (and it may act as a bonus to get on and complete the annual accounts at the same time).

Regarding the VAT payments, equal payment would be calculated based on the previous year's total VAT liability (or for new businesses, an estimate of future turnover), are made monthly, starting in month 4 through to month 12, with a final balancing payment in month 14 i.e. Within 2 months of month 12. Alternatively, quarterly payments can be made.

There could be a cash flow advantage in this, especially if turnover is growing or if there is a seasonal pattern in your business, and the final payment is made one month later than usual. The risk, as always with future tax liabilities, is that sufficient funds are set aside or not. For details visit: https://www.gov.uk/vat-annual-accounting-scheme

Each of these VAT schemes can help to simplify the VAT process for a smaller business. If you're unsure which would be the right scheme (or combination of schemes) for you, it's best to seek professional advice before making a choice or speak with your account manager.

Tax Relief on Pension Contributions

When you make personal contributions into a pension, the government usually gives you a top-up as a way of encouraging you to save for your future. This add-on comes in the form of tax relief. Getting tax relief on pensions means some of your money will go into your pension pot which otherwise would have gone to the government as tax.

How much pension tax relief can you earn in 2020/21?

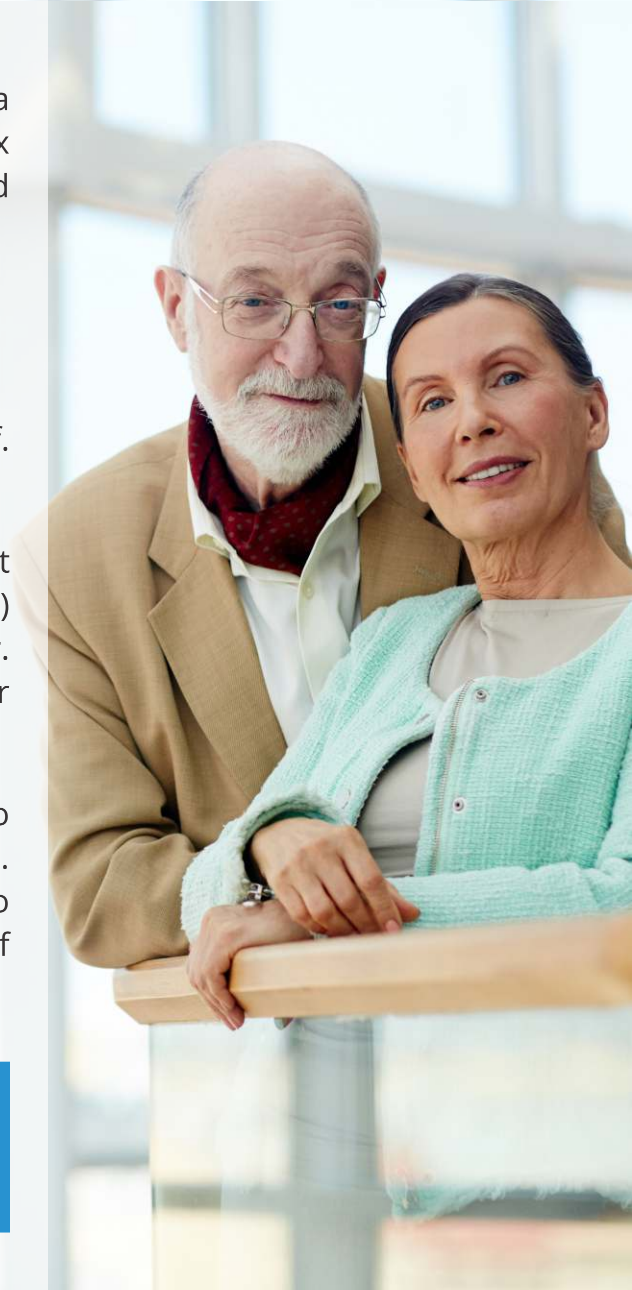
The government puts a cap on the amount of pension contributions on which you can get tax relief. This is called the pensions annual allowance.

If you're a UK domiciled and resident for tax purpose, in the tax year 2020-21 the general rule is that you'll able to get tax relief on pension contributions of up to 100% of your income (or relevant earnings) or a £40,000 (or £1.073 million lifetime allowance in 2020/21) annual allowance, whichever is lower. Any contributions you make above this limit won't provide any tax relief and will be added to your other income and be subject to Income Tax at the rate(s) that applies to you.

However, your employer or your personal service company can contribute as much as they want into your personal pension pot but you won't get any personal tax relief on these contributions. Contributions exceeding £40,000 will be subject to the annual charge. The Annual Allowance applies to all the pension schemes you belong to. Since April 2016 If your adjusted income is in excess of £150,000, your Annual Allowance in the same tax year will be cut up to a certain limit.

Tip: You can use your unused allowances from the previous three years as long as you were a member of a pension scheme during those years. You can also contribute up to £3,600 into pension pot of non-earning family members.

For your more details please refer our blog Pensions-tax-relief or reach out to us at 0330 0886 686.



Giveaways to Reduce Inheritance Tax (IHT) bill.

The impact of the Covid-19 pandemic has severely affected the global market economy, which has caused a significant decline in the value of certain asset sectors such as real estate and, most notably, the stock markets. It may be worth considering gifting these assets to reduce IHT exposure.

There are several ways you can gift assets free of IHT:

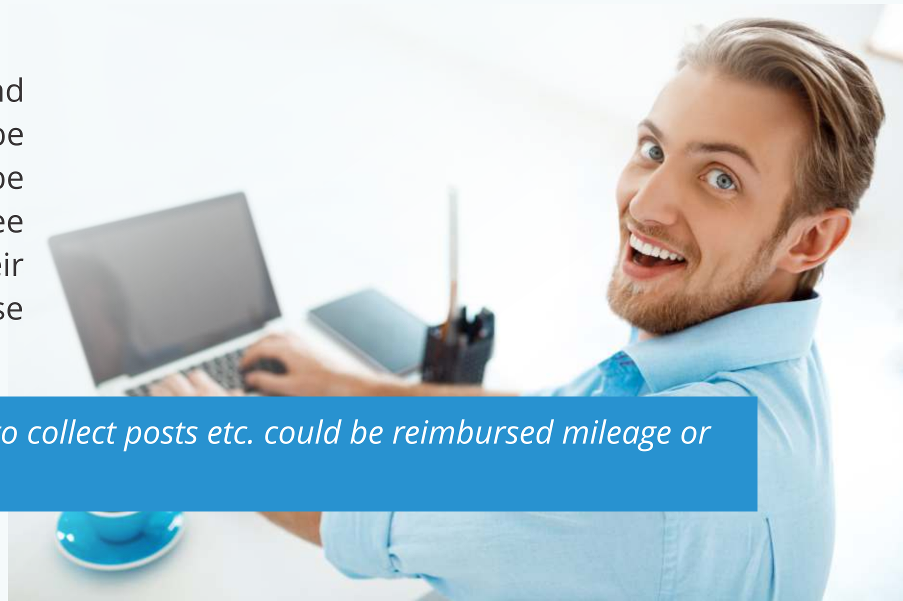
- **Annual Exemption:** In any tax year you are allowed to gift up to £3,000 to anybody. You can also gift any unused allowance from the previous year.
- **Small Gifts:** A gift of up to £250 each tax year can be given to anyone provided as long as you have not used another exemption on the same person during the same year.
- **Additional Income:** Any extra income (after tax) that you don't need, can be used to make regular gifts. You are advised to use HMRC form IHT403 to record such gifts.
- **Wedding Gifts:** Gifts to children up to £5,000 and grandchildren or great-grandchildren up to £2,500 when they get married are exempt from IHT. For anyone else, the maximum amount is £1,000.
- **Charities/Political Parties:** Any donations to charities and political parties will be exempt from IHT. If you leave at least 10% of your net estate to charity in the will, the rate of IHT can reduce to 36%.
- **Potentially Exempt Gifts (PET):** All gifts without reservation that do not fall in any of the above exemptions will be free from IHT charge, provided you live for 7 years after making the outright gift. A tapered relief applies if you die within 7 years of making the gifts. There is no limit on the number of PETs you can make.

Tip: If you have assets that have fallen in value since purchase (property, shares etc.) they could be passed on with minimal Capital Gains Tax (CGT). Any gain or increase in the value of any assets would accumulate in the estate of the recipient and any gain would be free from a potential IHT liability after 7 years.

Tax Treatment for Expenses and Benefits Provided to Employees during COVID-19

We have received numerous queries relating to the topic of how taxable expenses and benefits provided to employees due to coronavirus should be treated, and subsequently reported to HMRC. The tax treatment will differ depending on whether you provide these things for employees or reimburse purchases made by them, also the below won't apply to furloughed employees.

- **Mobile phones and SIM cards** - You can provide one mobile phone and SIM card per employee tax-free without a restriction on private use.
- **Broadband** - If an employee already has and pays for broadband, no additional expense can be claimed. If a broadband connection is needed to work from home where there was not one previously the broadband fee can be reimbursed by the employer and is non-taxable, as long as any private use is limited.
- **Laptops, tablets, computers, office supplies** are non-taxable provided they are mainly used for business purposes, with no significant private use.
- **Expenses such as electricity, heating or broadband.** Payment/reimbursement to employees of up to £6 a week (£4 to 6 April 2020) is non-taxable. Receipts must be provided for claims above this amount. Employees should check with their employers if they will make these payments.
- **Employer-provided loans:** A salary advance or loan to help an employee at a time of hardship is an employment-related loan. Loans below £10,000 in a tax year are non-taxable.
- **Living Accommodation:** If an employee is working at a temporary workplace and is provided with living accommodation due to coronavirus, then tax relief may be available. In this scenario, the cost of providing the accommodation should still be reported on a P11D, even where the value of that benefit is nil or If an employee cannot go home due to coronavirus, an employer can opt to reimburse their subsistence and lodging expenses, if, for example, they stay in a hotel. These expenses are taxable and should be reported via a PAYE Settlement Agreement.



Tip: Employees who are working from home but have to travel occasionally to office to collect posts etc. could be reimbursed mileage or other travel expenses.

Key Dates and Deadlines for June 2020

1st June 2020

- New Advisory Fuel Rates (AFR) for company car users.
- Due date for payment of Corporation Tax for period ended 31st August 2019.

7th June 2020

- Deadline for VAT returns and payment Accounting Quarter period ending 30th April 2020 if filed online. (Payment can be deferred till 31st March 2021).

14th June 2020

- Due date for Corporation Tax quarterly instalment for "very large" companies with year-end 31st March 2021.

19th June 2020

- Monthly deadline for postal payments of CIS, NICs and PAYE to HMRC.

22nd June 2020

- Monthly deadline for electronic remittance of CIS, NICs and PAYE to HMRC.

30th June 2020

- CT61 quarterly period ends.
- Companies House Deadlines for filing the accounts for year-end 30th September 2019.
- Corporation Tax Return (CT600) for filing the accounts for year-end 30th June 2019.

Awards & Accreditations

BRITISH ACCOUNTANCY AWARDS 2017 & 2018 WINNER

Independent Firm of the Year South-East, England

accountingexcellence
SHORTLISTED
2018

PRACTICEexcellence
SHORTLISTED
2017

British Accountancy Awards
2019 SHORTLISTED

British Accountancy Awards
2018 WINNER

British Accountancy Awards
2017 WINNER

The British Accountancy AWARDS 2013
WINNER

The Contracting Awards2019
FINALIST

TOP 5
accountingexcellence
Investing in People Award
2019

DNS Accounting Group

DNS Accounting Anywhere	DNS Umbrella	Target Accounting	Limelight Accountancy	cloudcogroup Chartered Management Accountants	Korklin & Company	1st Accountancy
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info@dnsaccountants.co.uk	info@dnsumbrella.co.uk	info@targetaccounting.co.uk	mail@limelight-accountancy.co.uk	info@cloudcogroup.co.uk	info@korklin.com	info@london-1st.co.uk

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