EMTACS NEWS

SPRING 2020



# STRANGE TIMES

“May you live in interesting times” is an old Chinese curse and it’s not unlikely that Covid-19 will be the single most significant event of our lifetimes and that includes men-on-the-moon, the twin towers and the fall of the Berlin wall. When hindsight is available, I do think there will be two distinct eras, before and after the virus. We will be emerging into a very different world, even when we have vaccines and drug treatments and have put social distancing behind us. This lockdown period which feels like it’s dragging on for ever will, from 10 years’ distance, seem the twinkling of an eye and just a border between two very different worlds.

The government is trying to keep the economy going by providing a number of schemes that endeavour to support the self-employed and those employees who might otherwise find themselves out of a job. As we’ll discuss, the schemes are far from universal and there are a number of holes down which people will fall. For those who fail to qualify for either scheme, the fall-back is Universal Credit whose system was in meltdown, but which is now coping a little better.

In a vaccinated world most aspects of the world will return to a new normal. People will casually go and sit squeezed together to watch a football match safe in the knowledge that all they’ll catch from their neighbour is a cold. Or they’ll go along to a West End show and sit in bucket seats with no space to breathe, but they won’t care so long as the show is good. But the vaccinated world is some way ahead, and we must live with how things are.

There have been problems for EMTACS – staff who are among those whose health is deemed to be at high risk, an office that doesn’t really lend itself to good social separation and a whole lot of special software that won’t easily fit in with online working. But we’re getting there and there is a skeleton crew of staff in the office; all emails are being monitored and the phones are manned but I hope you’ll appreciate that in these strange times you might be getting a response from someone else and not straight away. As the scouts used to say, we’ll do our best.

I’ve been lending a hand since I am an unemployed old git these days and furloughing rules don’t apply to me. Those staff who are furloughed are impeded from working although whilst things are in limbo, people may come in and out of furlough as circumstances permit.

In normal circumstances we send out stuff around this time of year – a newsletter with updates on the things that are new for the coming tax year and other items that seem relevant to the lives of professional musicians, actors and others that often derived from the Chancellor’s Budget. This has traditionally come through the post and for a first time, this is coming to you as an email attachment. If anyone has the slightest difficulty in reading this, then shout and a hard copy will wing its way to you. I can add pretty pictures in colour this way as well, but the overall effect if you’re working on a phone is going to be a bit of a drag. You may not want to read 3,500 words on a 4” screen.

The second thing which is coming through your letterbox imminently is the start of hostilities for the coming program of preparing the 2019/20 Tax Return – this is the legendary coloured form in which we ask you all the little nitty-gritty things that don’t form part of your accounts – so interest, share dividends, pensions, that sort of thing. This form often would arrive towards the end of April to allow for you to collect P60 forms and that sort of thing, so the delay is minimal. As ever, we’d like this form back when you can manage it. And please – to accelerate things, we haven’t pre-printed a name and email on there – please can we ask you to complete these, it will save trying to work out who the forms are from!

And in addition, we plan on gearing up to enable us to work on your accounts that ended in the year to 5 April 2020. Clearly there are two likely reactions to the circumstances in which we find ourselves. Those who are locked in and have finished tidying the garden/window box to within an inch of its life may be looking to complete an ugly task they usually postpone to the end of the year, namely collating their accounts material and sending it in to us. And frankly there are also those who might be able to manage this task but feel that they have to defer sending it to us, because the prospect of getting a bill from us at this time is a final straw.

If you are in this latter category, then please do send the material in but let us know how things stand financially at that point in time. Obviously as a business we have our own problems and we can’t afford to complete everyone’s accounts and not get paid, so where settling up with us is feasible, please do so. If you do have difficulties, please give us a call and we can have a chat about it.

What we dread is a situation where everyone who does have financial challenges leaves things to the last minute and we have to accomplish miracles in the final months running up to the end of January.

# WHAT HAS HE DONE FOR ME?



**Furloughing – the first and simplest scheme**.

If an employer finds themselves with no work to dish out to an employee they can make them redundant, but as an alternative, the employer can furlough them and the government will compensate them to the tune of 80% of their recent or averaged wage, plus the cost of the employer’s NI/pension contribution. This was always designed to keep people in jobs, so the economy is still there when we all emerge into the light again. There is a cap of £2,500/month regardless of the original wage level. Fine if you’re on ordinary wages, problematic if your life was used to much higher wages. Whatever the furloughed wage comes out at, you will also have tax, NI and pension deducted from it.

There are complications and loopholes and as a safety net it does have a few holes. If you were changing jobs in March or if you’re on a zero-hours contract and your employer wants to keep you on to do a reduced timetable of work. If you’ve been on maternity leave during 2019/20, your average will be artificially lower. You also should not do work for your employer during periods of furlough so in theory you can’t pop in to fix the photocopier and go back into furlough and your periods of furloughing must be at least three weeks long.

The furlough scheme has now been extended for a second time, running until the end of October. The 80% looks to be remaining in place for the duration of this time but the government will be encouraging employers to share the cost in some way come August. The Government will clarify this further in due course.

**Self-Employed Income Support Scheme – the most relevant scheme for our clients**.

To qualify for this, you have to jump through about four tests.

1. Would you have been working in 2020/21?

2. Is your work going to be reduced by Covid-19?

3. Is self-employment more than 50% of your overall income for 2018/19 tax year OR more than 50% of your overall income across the three years 2016/17 to 2018/19

4. Is your self-employed profit less than £50,000 for 2018/19 OR is your average self-employed profit for 2016/17 to 2018/19 less than £50,000.

If you can give four Yes’s, then you qualify and move on to working out what they have to offer. It will be based on 80% of the average of your last three years profit figures on your Tax Returns. You then divide by 12 to get a monthly figure – but are limited to £2,500/month, in the same way as the employed, above. Then from late-May, they’ll deposit three months’ worth (so up to £7,500) into your bank account in one lump sum (more below). There is nothing to say that this will continue beyond that point as yet but bearing in mind this scheme costs the Treasury £10Bn/month, it can’t last much after that. This income is described as a grant and is taxable and NI-able when you come to look at your accounts for 2020/21.

So, if your average profits are above £37,500 then you’ll be limited to the £2,500/month but you fail to qualify if your average profits (and 2018/19) are above £50K. To me this seems baffling and wrong. Why not just keep the ceiling at £2,500/month like those with furloughed employment? Their logic lies in the intention of the two schemes. The furloughing one is to ensure people will have a job to go back to. The SEISS is an attempt to even things up for the bulk of the self-employed. But it’s a hideously blunt instrument.

Initially the government had indicated that all those eligible would be contacted by way of a note/form/something by the Revenue which explains what they compute as your likely payment under the scheme. However, this seems to have been altered and although some will have been contacted, others will need to check their eligibility themselves.

The government have just recently opened up a portal through which you can begin this claim. However, their system specifically rules out agents claiming on behalf of clients, which is a pain in the neck and means that you guys will have to jump through some hoops to make the system work for you.

Specifically, you need to go to

<https://www.tax.service.gov.uk/self-employment-support/enter-unique-taxpayer-reference?fbclid=IwAR0LBToLQ3HgogMLts57gZ64iWtB9YJHthfpP_L2-5P8YsemwH1WEJ0tVNM> to begin. You’ll be asked to provide your 10-digit tax reference (UTR) and your NI number. That should get you confirmation that you qualify (or you don’t) and also tell you when you can pursue the claim fully. It is at this point things start to get more difficult. If you already have a personal Government Gateway, things should be straight forward but if not, it’ll then ask for your email address, actual address and some other information in order to set one up. The good news is that you should receive your Gateway immediately rather than having to wait a good two weeks. You must keep this somewhere safe as you will need it to log on again.

Once you have your Gateway and have reached your application date (starting May 13th), you can then go back online and having provided them with bank details and other things, they should go ahead and process a payment, which will begin to be sent out from May 25th.

If you bump into a message at any point saying that you don’t qualify when you expected to do so, then contact us and we’ll try to make sense of it and pursue it with the Revenue if needed. Some people in press reports have tried to establish their eligibility online and been told no, – come back later so it’s obviously not yet running smoothly.

**OTHER HELP**

There are other bits of help for the small business but none of them seem particularly relevant since they relate to businesses which have premises and with one or two isolated exceptions that excludes you guys.

The most recently announced leg-up is what they’re calling bounce-back loans. The original Business Interruption Loans (still there) that they spoke about were ill-suited to the task of supporting Individual businesses because the banks were making you jump through hoops and forms and attach personal guarantees as the government was only guaranteeing 80% of the loan. Now the government is guaranteeing 100% of the loan, the banks no longer care, and they just need a short form completed. No repayments required in the next 12 months and the first year’s interest paid by the government. There is a limit you can borrow of 25% of your business’s turnover, up to £50K and that may require you to furnish them with turnover figures.

**Company Directors** – get stitched up. For a long while there have been advantages in an arrangement whereby your income flows into a company, then flows on to you in the form of a basic salary of £700ish/month with the rest coming as dividends to the shareholders (i.e. you). This was all very well but in the current set-up the only support a director can generate is by furloughing themselves and getting support from the government of around £575/month. No allowance gets made for the dividend income and as a spin-off the Director is not supposed to do any work for the company which involves work that might create income. So, they can do VAT Returns, pay bills etc, but no chatting with clients.

Pressure is being brought to bear to try to alter this state of affairs and I think it will come to nought. It takes a whole lot of lengthy campaigning to change a government’s mind on things like this and I just don’t see it, however unfair it might seem.

**Putting Things Off** - here are a few other areas where the government is helping out. If you are VAT registered, you should still file a VAT Return for the quarter that ends on 31/3, 30/4/ or 31/5 but you don’t actually have to pay up. This is only a deferment however and further down the road you will have to settle up this liability.

The second payment on account of income tax and NI, which is due 31 July is another that you can, if you wish, take a pass on paying. However as with the VAT, it doesn’t go away and instead will be added to your balancing payment due in Jan 2021. But that might not be as awful a prospect because in most cases the majority of what people pay in January is usually a payment on account towards their 2020/21 tax. Based on this year’s profits, this will for most, likely be massively reduced. In effect it will take the ‘tax advantage’ of the current mess and grab it now instead of having to wait for lower tax bills to catch up next year.

Some deadlines have been relaxed – if you have a set of company accounts due in, you can apply for an exceptional 3-month filing delay, but you must apply before the due date. So a company whose accounts are due in at end-May can delay that to end-August but must apply before 31/5. This doesn’t seem to impact the tax liability and Corporation Tax remains due at the same date, 9 months and a day after the year end. However, with all liabilities, HMRC have been issuing instructions to their collection arm to soft-pedal collecting outstanding liabilities in VAT, Income Tax and Corporation Tax.

**DELAYS IN MTD & IR35 -** Some administrative burdens have been delayed. The Revenue’s Making Tax Digital program was going to be extended from 1 April 2020 and that’s now going to slip by a year. There’s also a delay in the bringing in of rules surrounding Personal Service Companies under provisions often referred to as IR35. A PSC is where a one-man business effectively sells its services to an organisation when really what you are looking at is an employment. We will look at the fuller implications of the changes, just not right now!

# IN OTHER NEWS

**Capital Gains Tax changes** – There is a new regime coming in for CGT on properties. Under the old rules, say if you sold a house in April 2019, you would have to put the detail of the transaction on your 2019/20 Tax Return and get that in by 31 Jan 2021, only paying the tax at that point, meaning 21 months from profit to tax. Not any more – now if there is a sale of a residential property in the UK which has a liability to CGT, you have to report this to HMRC within 30 days, provide them with approximate figures and also pay an estimate of the tax. Failure to do so can leave you paying fines and interest on the CGT involved. This doesn’t affect selling your own house, one on which your profit is piffling, or where you’ve made a loss.

The official idea is that it helps to collect the tax at the time the money is there when people can forget that they owe a fat wedge. The advantages to the Revenue’s cashflow are merely secondary of course. You still have to do a proper computation for the Revenue when your tax return is completed – but you then get credit for the tax you’ve already paid as well.

**Lettings Relief** - There are another couple of changes that are coming in with the new tax year – there used to be an obscure allowance called Lettings Relief. This helped reduce liabilities for anyone selling a property in which they had lived, and which had also been rented out. There was a complicated formula to work it out, but it was usually subject to a maximum of £40K. For people who bought flats in the 80s and 90s, lived there and moved on, renting their old place out, this was a big benefit when it came to sell at a substantial profit 20 years later.

Of course, you do have the money from the sale, but in most instances, it didn’t really seem to have much justification as a tax relief.

The Revenue have also altered things regarding the credit you get for having lived in a place. It used to be that you got an allowance for the years that you had lived in a property plus the last 18 months. That was meant to allow for people who for one reason or another took their time in making a sale. This has now been moved down to 9 months – because this legislation was drafted in a different world. With a property market officially on lock-down this is a change I think may be reversed but we will have to wait and see. It’s bad enough that you can’t sell a place, but to then get tax-penalised for the fact would be cruel.

# HOW TO USE THE PORTAL - AGAIN

You will remember that roughly 2 years ago, due to GDPR rules, we were forced into the use of client portals. These have over time, started to because more and more beneficial to both us and clients, but there are still some who need a little help with how to use them. All have been mentioned before but to recap:

Firstly, when uploading documents to send to us, please ensure that once you have added all the documents you wish to send to the small window called Temporary Folder, you then press the Upload All button, followed by the blue Confirm button at the bottom of the page. Without doing this, the documents are not added to the portal. Secondly, once an upload has been done, please send us an email or give us a call to let us know as we do not get the notification emails that you do when something is added the other way.

If you have received an email notification stating we have sent documents via the portal, please ensure you press Download button in order to view. We have had instances whereby clients have pressed Upload as they want it to be sent to their computer.

Another thing to add is that the folder window may not be large enough to see all documents. Please ensure you scroll down to check you have all the documents you were expecting. In most cases they will be there but if you can still not see them, let us know. This is especially an issue when viewing the portal on a mobile device, due to the size of the screen.

There is one final issue we have, particularly in the run-up to the 31 January deadline. We often send out figures to clients either through the portal or in the post and for some reason some people think that now they have the figures, they don’t need to do anything else. **You must send back the signed Accounts and the signed Authority for us to submit the Tax Return, otherwise we can’t do that, and deadlines may be missed in the end of Jan chaos.**

# EXPENSES – A FEW REMINDERS

******Increasingly, the Revenue have begun to ask for mileage logs to support a claim for Business Use percentage of a car. It’s a bind though and you might want to try out some of the phone apps that do this sort of thing - or keep a simple month’s log.

Clothing is always our controversial area. I used to talk about the Tesco test. It’s professional clothing if you were to go round Tesco’s and get a second look. If what you’ve bought does not generate any curiosity, then you shouldn’t be claiming it. So just because you bought a pair of black denims for pit work doesn’t mean they’re allowable. But since you don’t often see a dinner jacket in the deli queue, that would be claimable. Obviously, there are other things which slip through into the claiming pile – kid’s clothes, trips for 2 adults and 2 kids to go see Frozen 2 etc. We will chuck them out, but it saves time if you don’t even put them in.

# TO KEEP IN MIND

**VAT Threshold and Registrations** - The other bookkeeping thing we should mention concerns those whose turnover could leave them liable to register for VAT. The registration threshold has stayed put again at £85,000 in a rolling twelve-month period, where it’s been for the last two years as well. I realise that things may well have changed for people this year but if your turnover hasn’t been compromised by the virus, then you should keep an eye on it on a monthly basis. Anyone with an average turnover over £6K per month should be keeping an accurate list of their turnover month by month starting with the previous twelve months, to make sure you don’t exceed the threshold. You can end up slipping over the threshold by having a really good end of one year and a really good beginning of the next and not know you have done so. The VAT people are asking for a list of monthly turnovers in recent times on registrations. It’s a bit of a mess if you have to back-date a VAT registration, so just as well to keep an eye.

**GIFT AID** – These days I work for the local Oxfam shop and it’s one of our tasks to plug the Gift Aid scheme – “are you a UK taxpayer” is a regular question when people bring bags of stuff in. Every so often we get a customer grumbling because they say that it has ended up costing them money when it turned out that they weren’t a taxpayer. If you make a charitable donation and claim Gift Aid, the charity turns your £10 donation into £12.50 by claiming back £2.50 of the tax you’ve paid from the Revenue. Now if you turn out to have no tax paid then the Revenue then come back to you to have their £2.50 back. Therefore, if you think there’s any danger of this happening, please don’t make a claim, it may come back to bite you in the bum. And on behalf of Oxfam, if you are a taxpayer, make sure you are registered and put your donor number on the bags!

***DEADLINES*** -Even in these strange times the deadline for filing Tax Returns is most likely to remain constant. Therefore, we also need to keep our own personal company deadlines that we give out each year. The first of these is to guarantee completion and filing and due to what may be an increase in work come the back end of the year, this will be brough forward to the

**15th October** this year.

Secondly, the deadline in order to avoid our overtime surcharge. This will also be brought forward from previous years and will instead be the **15th November** rather than the end of the month. A brightly coloured sheet containing these dates will also be sent to you shortly in the same envelope as your coloured Tax return information form.

This newsletter is for guidance only and no actions should be taken on information in it without first consulting with us.

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