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## LIGHT AT THE END OF THE TUNNEL

It would seem that there is light at the end of the tunnel – in theory you can play gigs in front of an audience of 5 in your back garden from 29 March and in a pub garden so long as the punters are appropriately separated from 12 April. Beyond gets a bit hazy, but in theory it includes an indoor gig for 1,000 or 50% of capacity from 17 May and back in the mosh pit from 21 June. Full details to come. No doubt venues and The West End will be working on things to get an early jump on this, but some won't want to fix anything firm for another month probably. But Prince of Egypt has just announced its opening 1 July and the hilariously bonkers Six has announced for 21 May at 50% with full capacity from 21 June and I'm sure others will be announcing soon.



In theory I'm going to see Karl Jenkins on 6 June and my fingers are crossed.

So, although normality is coming to a theatre near you, it isn't going to be straight away. Clearly 2021/22 is going to be a period of rebuilding. To that end, the government isn't withdrawing its support straight away.

## SEISS GRANTS

The first three grants have now closed and hopefully received by those of you who are eligible. There are two more to come, the fourth one, claimable from late April – to 31 May, has a changed set of rules which will help some and penalise others. As before, you first test if you're eligible and that's initially based on your 2019/20 Return. Did you have profits of less than £50K? Did your self-employed income exceed all your other income? If yes, move to the next square. If no, apply the tests to the average of the four years 2016/17 to 2019/20 inclusive. Is that average less than £50K and does your self-employment exceed all other income across those four years. If that works out then fine, you get a tick and proceed to working out how much.

The grant will be 80% of three months worth of the average of taxable profits for the four years 2016/17 to 2019/20. As before there's a limit of £7,500 for the grant and yes, it is taxable. It's treated as if a man from HMRC paid you money for doing a gig – so ongoing business expenses will be deductible in working out what tax is to be paid.

However they've thrown a couple of other tests in there too. You have to have had your 2019/20 Return in by March 2nd (Budget Day) and you are going to be box-ticking to confirm that you have been trading or ready to trade in 2019/20 and 2020/21 and intend to continue trading. You also have to state that you "will suffer a significant reduction in trading profits in the basis period in which the qualifying period falls because of reduced activity, capacity or demand due to coronavirus". So, if you have plans to jack it in down the road, you're ineligible. No definitions of significant by the Revenue have been given because all circumstances are different.

We expect that the system will be as before, that the Revenue will contact you to let you know if you qualify, what amount would be involved and from when you can make the claim. However, it isn't clear from what they've said whether this applies to those who find themselves eligible for the grant for the first time. But if you think there is even a slender possibility you may be eligible and haven't heard from the Revenue by mid May, contact us.

Because they've changed the years on which their tests are based, those who had an above £50K average 2016/17 to 2018/19 might now be ok if they had a poor 2019/20. A bumper 2019/20 won't invalidate things unless it drags your average up enough to exceed the £50K.

Of course, the system also now welcomes new starters who began their self-employment during 2019/20 so overall a proportion of the excluded will now come within the tent – I think it's around a quarter.

A 5th and final grant will also be made and will be claimable from mid-July. It's all a bit shrouded in mystery at the moment but the suggestion is that this will be based on a reduction in turnover for your accounts forming the basis of your 2021 Tax Return in relation to your 2020 one. More details will once again be released in due course but for now, it seems a reduction of 30% is the key percentage. Those with a reduction greater than 30% will receive a further grant of 80%, capped once again at £7,500, whereas those with a lesser reduction will receive a grant of just 30%, capped at £2,850.

To accurately calculate this reduction, it may be helpful for us to have completed your accounts. Therefore, please attempt to have your accounting materials with us as soon after 5th April 2021 as possible so that we can do our best to complete them before the end of July.

## CJRS (EMPLOYEE FURLOUGH SCHEME)



The scheme for employees will continue beyond the end of April, now until the end of September. The rate will remain at 80% pay for all unworked hours with the whole 80% reclaimable up to June, with 70% reclaimable in July and 60% in August and September. This is the sole grant for those operating as company directors, but I guess we all hope that by the time we reach July, we'll have some kind of normality.

## THE BUDGET

And then we start to pay for it, albeit very slowly to begin with.

### Personal Tax-free Allowance

For the 2021/22 tax year this will increase with inflation to £12,570 and will then be frozen at this amount until 2026. The higher rate tax threshold will also increase slightly up to £50,270, again frozen until 2026. Freezing the thresholds sounds like a small change, but it is very effective at collecting extra tax without people realising that they're doing so. However, it only works if people's income rises in coming years, which is far from certain.

### National Insurance threshold

This will increase to £797/month for employees and you will pay 12% on earnings over and above. The threshold for employers will be around £737/month. Employer NI of 13.8% will be paid on earnings over and above this. That means the sweet spot for paying oneself as a company director is now £8,840. For the self-employed, Class 4 NI will be payable at 9% on profits between £9,568 and £50,000 and at 2% over and over £50,000.

### Other thresholds

The annual Capital Gains exemption as well as inheritance and pension life time allowances will be frozen at 2020/21 levels until 2026. These will therefore be frozen at £12,300, £325,000 and £1,073,100 respectively. Again, this takes more than you think but will build up slowly.

The VAT thresholds for 2021/22 will remain at the same level as 2020/21. VAT Registration will be required if your turnover exceeds £85,000. If you are already VAT registered, your turnover will need to drop below £83,000 in order to de-register.

### Corporation Tax rates

This will be increasing from April 2023 although that is in the main for companies with bigger profits. For companies with profits up to £50K the rate stays at 19%. Companies with profits over £250K will pay 25% from 2023/24 onwards. Between the two profit levels there's a slow rise in the rate which you pay. We will need to look at this in a couple of years time to see if a more successful company is any longer better off than a sole trader. The experience of company directors over the pandemic may also feature in that review. But now's clearly not the time!

### Investment Costs (Ltd's only) – Superdeductions.

Capital purchases of new equipment etc, can reduce taxable profits by 130% of the cost. This applies if you spend money on new instruments or equipment, but not cars, property etc. So, if you buy a £1,000 laptop you can set £1,300 against your profits for the year which will save you  $£1,300 \times 19\% = £247$ . Meaning you get back a quarter of the cost from the taxman. This extra relief will be in place for all company purchases between 1 April 2021 and 31 March 2023.



Rishi's lunch-box – not many goodies..

## LOCAL CHANGES

In some ways, as the music industry begins to uncurl and stretch, EMTACS as a firm will actually have more challenges in the next year, as the work we do comes to focus on the wasteland that was 2020/21. If you need to be borrowing, doing a mortgage/remortgage application etc then things aren't going to be any different.

But, for a very substantial number of clients who have been significantly impacted by COVID-19, the value of proper accounts is less. For the Excluded who have had no income and for those whose accounts will be much more straight forward next year, we will be able to complete 'abridged accounts'. The scope of these will be variable, ranging from people whose income is a few hundred plus non-taxable Universal Credit to people where there is value in computing expenses to reduce tax bills on SEISS Grants.

Full accounts will not be sent out in these instances and the figures from them will be inserted directly into the Tax Return. The charge for doing these 'abridged accounts' will be lower at typically £150 + VAT (subject to client record keeping as always). The charge for the Tax return will still be in addition and charged at £130 + VAT.

As mentioned above, please bear in mind that if you are looking to get a mortgage or to re-mortgage, lenders may ask to see your accounts. If this is the case, we may need to continue to produce full accounts and charge accordingly.

### Amendments to Accounts

If accounts have been completed and need amending due to new information we did not have originally; we will reluctantly have to charge for the amendment. This is likely to be somewhere in the order of £50 + VAT for most amendments subject to the work involved. If for any reason an amendment is needed for other reasons, there will continue to be no charge.

### Standing Order

Don't forget we still offer a monthly standing order as a means of paying our bill and spreading the cost. If you would like to set this up, please contact the office on 0115 9815001 for details and to ascertain what the monthly payment should be set at.

### Bookkeeping/Record-Keeping

Mileage logs are now necessary to calculate business usage of a motor vehicle. HMRC will/may ask for this if they look into the motor claim. You can get phone apps for this such as TripLog Mileage Tracker or Mileage Tracker by Driversnote.

If Pension Contributions are taken at source from PAYE work, please provide us with your month 12 payslip as well as your P60 so we can see how these have been treated.

If you receive any form of benefit from your employer and they are not dealt with via the payroll, you will be issued with a P11D. If you receive one, please forward it to us as we will need it for your Tax Return.

Please provide us with your business usage percentage for items such as mobile phone and internet each and every year even if you believe them to be the same as the previous year.

For those of you who have been working from home (PAYE, as an employee) you are entitled to claim on the basis of £6/week. But rather than have to go into specific detail, HMRC will let you simply claim for £312 against your PAYE income. This applies even if all you did was have to work from home one wet Thursday afternoon. If there are two of you climbing the walls working from home then you can both make this claim, so do alert us to the fact. But do flag it up for us to say you worked from home for such-and-such an employer.

If you sell or scrap an item, instrument, vehicle or whatever, which may have been claimed for in the past, please let us know the date and proceeds, if any, so we can deal with the disposal correctly.

Please remember accounting record books are no longer sent out as a matter of course and so if you would like one, please give us a call or drop us an email and we will get one sent out to you.

Finally, if you are thinking of using a cloud based accounting software for you record keeping, please speak to us first to talk this through.

One more heave and for us, a difficult year beckons, but by this time next year we'll hopefully all be looking back at lessons learned, appreciating things that are more important than we ever realised and looking forwards to a better future. Hang on in there.

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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