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Accountants and Chartered Tax Advisors

Tax E-News

Welcome to our monthly newswire. Please get in touch if you want to discuss any of the content in more detail

October 2020

JOB SUPPORT SCHEME STARTS 1 NOVEMBER

The Chancellor has announced a new 6 month Job Support Scheme to help businesses and employees survive the winter months. We are still awaiting full details of the scheme that will replace the current "flexible furlough" scheme but the main features are as follows:-

Employers of all sizes will be eligible for the new scheme but large organisations will need to demonstrate that their turnover is reduced as a result of COVID-19.

Eligible employees will be those on the PAYE payroll at 23 September 2020 that are working for at least 33% of their usual hours.

The employee will be entitled to 2/3 of their usual pay for hours not worked and the Government will pay a grant of 1/3 of usual pay for hours not worked. The maximum grant will be £687.92 a month.

For example an employee whose usual pay is £450 a week who works 2 days a week would be paid £180 for the 2 days worked and £180 for the other 3 days. The employer could claim a grant of £90 from the Government.

OTHER MEASURES ANNOUNCED BY THE CHANCELLOR

In addition to the Job Support Scheme the Chancellor announced that the Self-Employed Income Scheme would also be extended for a further 3 months but the grant will be 20% of average monthly profits capped at £1,875.

The temporary 5% rate of VAT for the hospitality sector, accommodation and attractions will be extended to 31 March 2021.

Businesses that have deferred their VAT payments will be able to pay back the deferred amount over 11 months.

The "Bounce-back" and CBILS loans can be repaid over 10 years instead of 6 years.

GET READY FOR LEAVING THE EU ON 1 JANUARY 2021

The United Kingdom leaves the European Union at 11pm on 31 December 2020 when the transitional period ends. It is still unclear whether a trade deal will have been agreed with the EU by that date, and such an agreement is looking increasingly unlikely. HMRC have started writing to businesses alerting them to important changes from 1 January 2021 and suggesting that they have new procedures in place if they wish to trade with the EU from that date.

In particular, businesses will need to submit declarations when importing and exporting goods that are categorised as 'controlled'. Import processes for non-controlled goods will be phased in over a 6 month period. 'Controlled' goods include alcohol, explosives and certain drugs.

OBTAIN AN EORI NUMBER

If you have been trading internationally you should already have an Economic Operator Registration and Identification (EORI) number. You will need this to complete customs declarations. If you do not yet have one, you can register for free by going to www.gov.uk/eori

Businesses need to decide how they are going to make customs declarations. Customs agents, freight forwarders and express operators can help with declarations and ensure the business is providing the necessary information.

IMPORTS OF GOODS SUBJECT TO STAGED CONTROLS

Most traders with a good compliance record will be able to defer import declarations on most goods for up to 6 months after 1 January 2021 depending on the nature of the goods.

KEY VAT ISSUES AT THE BORDER

Businesses will need to decide how they will account for import VAT when they make a customs declaration. From 1 January 2021, businesses will be able to use postponed VAT accounting to account for import VAT on their VAT Return for goods imported from anywhere in the world.

They will also need to check if Import VAT is due at the border. Import VAT will not be due at the border if goods in a consignment do not exceed £135 in value. The only exceptions will be excise goods and gifts.

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WHAT TARIFFS APPLY FROM 1 JANUARY?

From 1 January 2021, there will be new rates of Customs Duty for imports - called the UK Global Tariff.

The Tariff rates for transactions with the EU will depend upon whether or not a deal is reached. For example, if there is no deal with the EU the Tariff on motor cars will be 10% so many car dealers are suggesting that business should consider acquiring a new vehicle before 1 January. To check the tariffs that will apply to goods you import, go to www.gov.uk/guidance/uk-tariffs-from-1-january-2021

STILL CONSIDERING AN ELECTRIC COMPANY CAR?

There is currently a zero P11d benefit for the drivers of electric cars in 2020/21. The legislation for this change is included in Finance Act 2020 which also states that the benefit will be 1% of list price in 2021/22 and then 2% in 2022/23.

The zero taxable benefit also applies to hybrid cars emitting no more than 50 grams of CO2 per kilometre with a range using its electric motor of at least 130 miles, but only for cars first registered on or after 6 April 2020. Unfortunately, the range of most plug in hybrids is considerably less than 130 miles. For example, the Mercedes A 250e costing £32,980 emits 26g CO2 but has a PEV range of only 45 miles.

An additional benefit for the business is that motor cars that emit no more than 50g CO2 per kilometre currently also qualify for a 100% first year allowance which means that the full cost can potentially be set off against business profits.

The Mercedes A 250e would currently qualify for a 100% first year allowance but the P11d benefit would be 6% for the employee in 2020/21.

Note however that the 50g CO2 threshold reduces to zero from April 2021 which means that hybrids will cease being eligible for the 100% write off. If the business can afford to do so it's a good time to buy a plug in hybrid.

ADVISORY FUEL RATE FOR COMPANY CARS

These are the suggested reimbursement rates for employees' private mileage using their company car from 1 September 2020. Where there has been a change the previous rate is shown in brackets.

Engine Size	Petrol	Diesel	LPG
1400cc or less	10p		7p (6p)
1600cc or less		8p	
1401cc to 2000cc	12p		8p (9p)
1601 to 2000cc		10p (9p)	
Over 2000cc	17p	12p	12p (11p)

You can continue to use the previous rates for up to 1 month from the date the new rates apply. For wholly electric cars there is a 4p advisory rate. However, for hybrid cars use the equivalent petrol or diesel rate.

Thus, where an employee is considering reimbursing their employer for private use to avoid a taxable benefit, it may be beneficial to compute the actual cost of private fuel rather than use the scale rate.

DIARY OF MAIN TAX EVENTS
OCTOBER / NOVEMBER 2020

Date	What's Due
1/10	Corporation tax for year to 31/12/19, unless quarterly instalments apply
5/10	Deadline for notifying HMRC of chargeability for 2019/20 if not within Self-Assessment and receive income or gains on which tax is due
19/10	PAYE & NIC deductions, and CIS return and tax, for month to 5/10/20 (due 22/10 if you pay electronically)
1/11	Corporation tax for year to 31/01/2020, unless quarterly instalments apply
19/11	PAYE & NIC deductions, and CIS return and tax, for month to 5/11/20 (due 22/11 if you pay electronically)

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