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Accountants and Chartered Tax Advisors

Tax E-News

Welcome to our monthly newswire. As usual please contact us if you wish to discuss any matters in this newsletter further. Best wishes for the festive season and 2021!

December 2020

Content prepared / accurate as at 25 November 2020

CLAIM YOUR "FURLOUGH" GRANT BY 14TH

We now have further details of the operation of the extension of CJRS "furlough" that will apply from 1 November 2020 through to the end of March 2021. The government support will initially be at the rate of 80% of an employee's reference pay for hours they are furloughed, subject to a maximum of £2,500 a month.

Claims must be made by the 14th of the following month although they can be made up to 14 days in advance. Another key difference from the previous versions of CJRS is that there is no requirement that the employee was on the payroll at 19 March 2020 or has been previously furloughed. They do however need to be on the payroll and subject to an RTI submission prior to midnight on 30 October 2020.

REFERENCE PAY

An employee's reference pay will depend upon whether or not they were on the payroll and subject to an RTI submission for 2019/20 on or before 19 March 2020. Where that is the case their reference pay will be that used under previous furlough claims. Where the employee has joined since that date or not subject to an RTI submission prior to 19 March the reference pay will generally be that for the last pay period ending before 30 October.

There are exceptions to these rules and complications for those working variable hours and with variable rates of pay.

We can of course assist you with your claims, or alternatively prepare them on your behalf.

NEW PENALTIES FOR OVERCLAIMED CJRS, SEISS AND "EAT OUT TO HELP OUT" GRANTS

HMRC have announced that they will be imposing penalties of up to 100% of the amounts overclaimed on businesses so make sure that your claims are correct.

The penalties depend on whether or not the overclaim is the result of a deliberate error and whether or not the disclosure was prompted by HMRC. The penalty may be reduced where the taxpayer assists HMRC in correcting the error.

Many overclaims may be the result of careless errors or a misinterpretation of the rules which have changed many times in the last 9 months so we hope that HMRC will apply the rules with a light touch and focus on those that have abused these schemes.

We understand that HMRC are writing to 4,000 catering establishments that they suspect may have overclaimed under the "Eat out to help out" scheme that ran in August. Traders are being asked to check their claims and respond within 60 days or face an HMRC compliance check.

MAKE A CLAIM IF YOU ARE WORKING FROM HOME

With more of us working from home there is good news from HMRC that employees can now make a claim for tax relief to cover some of their costs while they are working from home.

The previous rule for employees was that there had to be a home working arrangement with their employer under which they were required to work from home on a regular basis to be paid £6 a week tax free (£4 a week up to 5 April 2020). This rule has now been relaxed as a result of COVID-19 so that such arrangements are not currently required and employees can also claim tax relief directly from HMRC where their employer does not make the payments.

£312 a year tax free is equivalent to £538 gross for a higher rate taxpayer. The payments are tax deductible for the employer and not liable to national insurance contributions.

Where the employer does not make the payments to the employee there is a new claims portal on the HMRC website so that the employee who is working from home can claim to deduct £312 from their employment income. That would generate a £124.80 tax refund for a higher rate taxpayer or £62.40 if basic rate.

There is a similar tax break for the self employed which provides a deduction from profits of up to £26 a month.

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HOW ABOUT A VIRTUAL CHRISTMAS PARTY?

HMRC are not the Grinch after all. They have recently announced that employers may arrange a "virtual" Christmas party this year and there will be no taxable benefit for employees provided that all staff are invited and the cost per head does not exceed the normal £150 limit.

Maybe keep it to a modest affair and let's have a big bash when the Coronavirus pandemic is over as we are allowed more than one event a year within the £150 limit.

PLUS CHRISTMAS GIFTS OF UP TO £50 TO EMPLOYEES

Remember that certain gifts to staff at Christmas are also tax free if structured correctly. Employers are allowed to provide their directors and employees with certain "trivial" benefits in kind tax free.

This exemption applies to small gifts to staff at Christmas, on their birthday, or other occasions and includes gifts of food, wine, or store vouchers.

There are of course a number of conditions that need to be satisfied to qualify for the exemption.

Conditions for the exemption to apply

- the cost of providing the benefit does not exceed £50
- the benefit is not cash or a cash voucher
- the employee is not entitled to the benefit as part of any contractual obligation such as a salary sacrifice scheme
- the benefit is not provided in recognition of particular services performed by the employee as part of their employment duties (or in anticipation of such services)

GIFTS TO CHARITY

Where possible taxpayers should "Gift Aid" any payments to charity to provide additional benefit to the charity. Higher rate taxpayers obtain additional tax relief on the grossed up amount donated.

For example, where an individual makes a £20 cash donation to charity the charity is able to reclaim a further £5 from HMRC making a gross gift of £25. Where the individual is a 40% higher rate taxpayer he or she is able to claim a further £5 tax relief under self-assessment, reducing the net cost of their donation to £15.

Note that the donor is required to make a declaration that they are a UK taxpayer and those that have not suffered sufficient UK tax to support the Gift Aid amount will taxed on the shortfall.

Remember that Gift Aid does not just apply to gifts of cash. Many charity shops will now sell donated items on your behalf and are able to treat the sale proceeds as Gift Aided donations. It is also possible to gift quoted securities and land and buildings to charity and claim Gift Aid on the market value of those assets.

DIARY OF MAIN TAX EVENTS DECEMBER 2020 / JANUARY 2021

Date	What's Due
1/12/20	Corporation tax for year to 28/02/2020 unless quarterly instalments apply
19/12/20	PAYE & NIC deductions, and CIS return and tax, for month to 5/12/20 (due 22/12 if you pay electronically)
30/12/20	Deadline for filing 2019/20 tax return online in order to request that HMRC collect outstanding tax via the 2021/22 PAYE code
1/1/21	Corporation tax for year to 31/03/2020 unless quarterly instalments apply
19/1/21	PAYE & NIC deductions, and CIS return and tax, for month to 5/1/21 (due 22/1 if you pay electronically)
31/1/21	Deadline for filing 2019/20 self-assessment tax return online and paying your outstanding tax for 2019/20 and first payment on account of 2020/21 tax. **Note that if this liability is no more than £30,000 you can agree with HMRC to spread over 12 months**

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