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Tax E-News

Welcome to our monthly newswire. We hope you enjoy reading this newsletter and find it useful. Please contact us if you would like to discuss any matters further.

July 2022

All content accurate as at 28.6.22

CHILDCARE ACCOUNTS CAN SUBSIDISE SUMMER CAMP COSTS

If you have children under 12 who attend a nursery, after school club, play scheme, childminder or you are considering sending them to a summer camp, you should think about setting up a tax-free childcare account. The government adds 25% to the amounts that you save in the account, contributing up to £2,000 for each child each year (a higher amount applies for disabled children). For example, if you save £8,000, this is topped up to £10,000.

The account is then used to pay approved childcare providers. It is worth noting that it doesn't need to be the child's parents paying into the account. Uncles, aunts, grandparents and others can also make payments, The government have noticed that many families who are eligible for this scheme are yet to set up their accounts.

Various factors affect eligibility but those with annual net income in excess of £100,000 are notably excluded.

The tax-free childcare account scheme will gradually replace childcare vouchers which many employers continue to provide to employees.

Childcare vouchers are free from tax and national insurance (within specified limits) and can be used to pay for childcare until the child is 16. Childcare voucher schemes can no longer be set up but employees already eligible can continue to benefit.

PENALTIES FOR OVERCLAIMED SEISS GRANTS

HMRC are reminding sole traders and partners who have received Self-Employed Income Support Scheme (SEISS) grants that there are potentially penalties of up to 100% of amounts overclaimed in certain circumstances.

HMRC may apply the penalty where they believe that the trader knew that they were not entitled to the grant and did not tell HMRC within a 90-day notification period. The law treats the failure as 'deliberate and concealed'. This means HMRC may charge a penalty of up to 100% of the amount of the SEISS grant that the trader was not entitled to receive or keep.

Traders are required to notify HMRC if there is an amendment to any of their tax returns on or after 3 March 2021 which either:

- lowers the amount of the fourth or fifth grant they are eligible for
- causes the trader to no longer be eligible for the fourth or fifth grant

If the tax return was amended before claiming the fourth or fifth grant, traders had to tell HMRC within 90 days of receiving the grant. If the tax return has been amended after receiving the fourth or fifth grant, traders must tell HMRC within 90 days of the amendment.

REPORTING SEISS GRANTS ON 2021/22 TAX RETURNS

Where applicable, the fourth and fifth SEISS grants that a trader was entitled to need to be reported on the trader's 2021/22 self-assessment tax return, with any overclaimed amounts separately disclosed. The fifth grant claim was particularly complicated as it was dependant on the reduction in business turnover.

If you have any concerns, we can check that the amounts reported are correct and minimise any potential penalties.

MTD FOR VAT - NEW GUIDANCE ON PENALTIES FOR NON-COMPLIANCE

HMRC have also issued new guidance on the penalties that they impose for non- compliance with the Making Tax Digital (MTD) for VAT rues. In particular, there is a penalty of **up to £400 for every VAT return** a business files without using 'functional compatible software'.

Functional compatible software means a software program, or set of software programs, products or applications that can:

- record and store digital records
- provide HMRC with information and VAT returns from the data held in those digital records
- receive information from HMRC

There are additional penalties if the business does not keep their records digitally.

HMRC may charge the business a penalty of between **£5 to £15 for every day** on which the digital record keeping requirement is not met.

To meet the digital record keeping requirement, the business' functional compatible software must contain:

- the business name, address and VAT registration number
- any adjustments from calculations made outside the functional compatible software for any VAT accounting schemes used
- the VAT on goods and services supplied, meaning everything the business sold, leased, rented or hired (supplies made)
- the VAT on goods and services received, meaning everything the business bought, leased, rented or hired (supplies received)
- any adjustments made to a return
- the 'time of supply' and 'value of supply' (value excluding VAT) for everything bought and sold
- the rate of VAT charged on goods and services
- details of any 'reverse charge transactions', where the business needs to record the VAT on the sale price and the purchase price of the goods and services bought
- copies of documents that cover multiple transactions made on behalf of the business like those made by volunteers for charity fundraising, a third-party business or employees for expenses in petty cash

All transactions must be contained in the functional compatible software there is not a requirement to scan or upload supporting documents like invoices and receipts.

R&D TAX CREDIT REPAYMENTS DELAYED

The Research & Development (R&D) tax credit scheme for small and medium sized enterprise companies is particularly generous as there is currently 230% relief for qualifying expenditure and, where the company is loss making, this results in a 14.5% repayable credit. This means that the company receives a £33,350 refund for every £100,000 spent on R&D.

This generous tax break has reportedly resulted in abuse of the system. HMRC have recently paused some repayments while they investigate an increase in irregular claims. Unfortunately, even for legitimate claims, this is going to increase processing times.

For the vast majority of claims, HMRC aims to either pay the payable tax credit or contact the claimant regarding the claim within 40 days instead of the previous 28 day response.

DIARY OF MAIN TAX EVENTS

JULY / AUGUST 2022

Date	What's Due
1/07	Corporation tax for year to 30/9/21 (unless pay quarterly)
5/07	Last date for agreeing PAYE settlement agreements for 2021/22 employee benefits
5/07	Deadline for agents and tenants to submit returns of rent paid to non-resident landlords and tax deducted for 2021/22
06/07	Deadline for forms P11D and P11D(b) for 2021/22 tax year. Also deadline for notifying HMRC of shares and share options awarded to employees.
19/07	PAYE & NIC deductions, and CIS return and tax, for month to 5/7/22 (due 22/07 if you pay electronically)
31/07	50% payment on account of 2022/23 self-assessment tax liability due.
1/08	Corporation tax for year to 31/10/21 (unless pay quarterly)
19/08	PAYE & NIC deductions, and CIS return and tax, for month to 5/8/22 (due 22/08 if you pay electronically)

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