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Chartered Accountants
Business & Tax Advisers

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Business firmly at forefront of Budget's recovery programme

'Super deduction'

The Government, after offering unprecedented support during COVID-19, is now making a significant effort to persuade businesses to increase investment with a new 'super deduction' tax break worth £25 billion over two years.

Projected to boost UK business spending by £20 billion a year, the scheme, announced in Chancellor Rishi Sunak's Budget, is intended to encourage businesses to invest in productivity-enhancing assets.

From 1 April 2021 until 31 March 2023, companies investing in new qualifying plant and machinery will benefit from a 130% first-year capital allowance.

This move – dubbed the biggest business tax cut in modern British history – might allow companies to cut their tax bill by up to 25p for every £1 invested, according to HMRC.

Additionally, a 50% first-year capital allowance will be available for qualifying special-rate assets, although certain exclusions will apply, including used and second-hand assets.

New disposal rules will apply to assets that have claimed these allowances.

Corporation tax rate and losses

The main rate of corporation tax is to remain at 19% until 1 April 2023, when it will increase to 25% on profits over £250,000 – still the lowest rate within G7 countries.

The two-year delay in implementing the rise is intended to boost post-COVID 19 recovery.

However, a small profits rate will be introduced for companies with profits of £50,000 or less – estimated to be around 70% of actively trading companies – which will continue to be charged at 19%. This will not be available to close investment-holding companies.

Companies with profits between £50,000 and £250,000 will pay tax at the main rate, but this will be reduced by a marginal relief creating a tapered corporation tax rate.

The corporation tax trading loss carry-back rule is being temporarily extended from the existing one year to three years. This measure will cover company accounting periods ending in the period 1 April 2020 to 31 March 2022.

After the loss has been carried back to the preceding year, a maximum of £2m of unused losses will be available to carry back against profits of the same trade to the earlier two years. This £2m cap applies separately for both 2020/21 and 2021/22.

For more detailed information on the budget, see our budget summary: https://tinyurl.com/8tr3yh5w

VAT deferral – new payment scheme launched by HMRC

Businesses who deferred VAT due from 20 March to 30 June 2020 will be able to make smaller payments over a longer period, instead of paying the full amount by 31 March 2021.

HMRC confirmed businesses can make smaller payments by the end of March 2022, interest free.

See https://www.gov.uk/guidance/deferral-of-vat-payments-due-to-coronavirus-covid-19

Contractors and clients need to check new 2021 tax legislation

Changes to taxation affecting contractors working in the private sector for large and medium-sized businesses came into force from 6 April.

IR35 legislation was first introduced in 2000 for the public sector but has now been expanded to the private sector and looks at whether an independent contractor is working as a contractor or are more like a 'quasi-subcontractor' or 'not-quite' employee and should therefore be taxed the same way.

If IR35 does apply, then a full review needs to happen to determine their correct tax status.

Any worker who is then identified as a 'deemed employee' will need to be added to the organisation's payroll, with the correct tax and national insurance amounts deducted.

However, they will still not be treated in the same way as an employee who will be eligible for any employment benefits such as holiday pay or auto enrolment pension contributions.

Make sure to report your CGT gains within 30 days

A new rule requiring capital gains tax (CGT) on UK residential property to be reported and paid to HMRC within 30 days, is now in force.

Buy-to-let landlords, second homeowners or accidental landlords need to be aware they are in the firing line.

From 6 April 2020, anyone making a taxable gain from the sale of UK residential property has had to report it to HMRC and pay the tax owed within 30 days of the completion date.

In calculating the tax due, you are able to offset capital losses already incurred at this point. The disposal will also need to be reported on a self-assessment tax return and the tax paid within 30 days will be credited in the tax computation.

Tax Compliance manager, Helen Spalding, commented: "If you have disposed of any UK residential property, it's important to establish quickly whether capital gains tax applies to the disposal and whether it needs to be reported and paid within 30 days."

Helen Spalding

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Do charity code changes affect you?

Two main changes have come with the update to the Charity Governance Code released in December 2020, following a rigorous consultation with the sector.

Director Michaela Johns explained the changes are focused on the areas of Integrity and Diversity which has now become Equality, Diversity and Inclusion.

"With the timing of the release pre-Christmas, boards should now be discussing the changes at their trustee meetings and making any changes required to their policies, procedures and practices.

"The code is a principle-based approach and trustees are encouraged to comply or explain why they have not," said Michaela.

Governance establishes how an entity is intending to operate, top down and bottom up, in order to faithfully pursue its stated purpose in the best interest of all parties. It is about culture and accountability and not finding blame when it goes wrong but learning from mistakes.

Anyone wanting more information about the new code should email michaela.johns@ hwb-accountants.com

Tax sites in freeports

The Solent region is set to get a post-Brexit economic boost with freeport status being conferred on the Port of Southampton, one of eight such sites across the UK. Associated British Ports Southampton handles around 14 million tonnes of cargo each year, supports 15,000 jobs and contributes around £1 billion to the UK economy.

The freeport could generate 25,000 local jobs and could lead to more than £2 billion being invested in the region.

Furlough and fee protection – are you prepared for a tax investigation?

With HM Revenue & Customs (HMRC) putting resources back into their compliance services, it will come as no surprise to anyone that enquiries, especially those into the misuse of the Coronavirus Job Retention Scheme (CJRS), will be on the rise.

A Budget announcement revealed a £100m investment in a taskforce to tackle fraud across all COVID-19 support packages, including 1,265 HMRC operatives responsible for detecting and investigating those who have fraudulently claimed taxpayer's money through schemes such as furlough and the Self Employment Income Support Scheme (SEISS).

It was reported in 2020 that the Government estimates that up to £3.5 billion has been overclaimed through the scheme, as a result of either fraud or error. While genuine errors will no doubt have occurred, HMRC will be looking to get their money back.

It is expected that HMRC will focus on identifying the fraudulent cases, however with so many claims made, there will be some claimants who fall under the watchful eye of investigators even though they have legitimate claims.

A tax investigation is generally time-consuming and expensive – with your existing accountancy fees not covering the additional work required to comply with an investigation, leaving businesses with bills over and above what they expected to pay annually.

HMRC enquiry fee protection can help. It is designed specifically to cover the extra time spent by accountants, assisting you with your HMRC investigation, offering peace of mind and financial protection. If you don't currently have Fee Protection cover with HWB, speak to us today.

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VAT Domestic Reverse Charge now in force

The VAT domestic reverse charge for the construction industry has now come into effect for businesses that operate under the construction industry scheme (CIS).

If your business operates in the building and construction industry, you'll need to ensure you comply with the new legislation.

See: https://tinyurl.com/ytksx6xu

Stamp Duty Land Tax – the job of a solicitor or a tax adviser?

The Stamp Duty holiday – raising the threshold at which property buyers pay the tax from £125,000 to £500,000 – has been extended to 30 June, reducing to £250,000 until 30 September when the holiday ends.

It is the mistaken belief of most house buyers that your conveyancing solicitor will advise you on the Stamp Duty Land Tax (SDLT) payable and any reliefs you may be able to claim.

SDLT is a form of tax and is therefore outside of the scope of most conveyancing work, which is essentially the transfer of legal title to property. If not reviewed, as is often the case, SDLT can be over or underpaid.

Solicitors, in the main, will not want to include an SDLT review for a variety of reasons, therefore if your purchase is anything other than a simple single property, checking the SDLT position with a tax adviser would be recommended.

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Tax allowances you can claim on your new build

The Structures and Buildings Allowance (SBA) provides tax relief for expenditure on structures and buildings which previously received no form of capital allowances.

If you build, buy or lease a structure and construction contracts were signed on or after 29 October 2018, you may be able to claim tax relief on some of the spend.

If your business is subject to Corporation Tax, you may claim 3% a year from 1 April 2020 on qualifying costs and the allowance period will end 33 and one third years from the later of:

a) the date the structure first came into non-residential use or

b) the date on which the qualifying expenditure is incurred

If your business is subject to Income Tax, the date is 6 April 2020. You can claim for construction costs subject to certain conditions. Residential properties are not included in the scheme and there are various exclusions. To qualify for the SBA, the structure must be used for a qualifying activity, which is taxable in the UK.

More information on the SBA can be found at https://tinyurl.com/4un8czjc

Alan Rolfe

Free business resources are now at your fingertips

Our one-stop shop business resources centre has been designed with your business in mind – helping you to save time and money.

We have sourced a series of helpful guides, templates and videos in one place so you have everything you need at your fingertips.

Our selection of links to handy guides and business resources will help with key aspects of starting, running and growing a business effectively.

Improve your understanding of business strategies and processes to help with management tasks such as analysis and forecasting to navigating your business through Brexit.

Each of the guides will be relevant to different key stages of a business life from set up to growth and exit planning.

The guides include:

- Strategy Planning – guides and plan templates to help identify areas for building a strategic plan
- Profit Improvement – templates and videos on how best to use analysis
- Exit Planning and Tax – calculators and guides to assist with understanding your position
- Growth – plan templates to support your planning, social media strategy and systems
- Funding and Finance – checklists and simple forecasting templates
- Brexit – updates for businesses trading and operating with the EU
- Videos and Webinars – a number of webinars and instructional videos on various topics, from Payroll to Tax.

Find the Business Resource Centre here: https://tinyurl.com/e3m8wxjx

Picture us on Instagram!

At HWB we are always looking for new ways to stay in contact with our valued clients.

We have now launched an Instagram account – **hwbaccountants** – where we are posting pictures, snippets of information, links and job vacancies.

Our Instagram is running alongside our established social media platforms – LinkedIn, Facebook, Twitter and YouTube.

Why not take a look and follow us? We will be regularly posting interesting images and compelling content and we welcome contributions from clients.

HWB seminar and webinar programme continues in 2021

We will continue to hold regular webinar and seminar events throughout 2021.

We cover many sectors in our popular events – from education and charity to tax and economic updates.

You can see what's in the pipeline and register online via our website: **www.hwb-accountants.com/events**

If you've missed any of our previous events, you can catch up via our YouTube channel, where there are also some useful guide videos. https://www.youtube.com/c/Hwb-accountants

Long service awards

Congratulations to two colleagues who have clocked up their 20 Year Service awards.

Associate Director Andrew Kershaw (pictured, left) joined Smith Acreman in August 2000 as a trainee before HWB acquired the company in September 2004. He is an expert in online accounting with particular healthcare sector expertise. Andrew was promoted to Associate Director in 2012.

Business Adviser Chris Wignall (pictured, right) joined HWB on 2 January 2001 as a trainee. He specialises in accounts, tax, business and compliance advice to SMEs, including FCA registered businesses, and service charge certifications.

We're proud to celebrate these milestones with the team.