



*Hazel Cooch FCCA*

Accounting and Tax Services

## Newsletter - September 2021

Hello and welcome to another issue of my mini newsletter.

**The country now has to learn to live with Covid-19 and government help is winding down as the lockdowns ease and businesses re-open.**

**Coronavirus Job Retention Scheme (CJRS)** - this is the last month that CJRS grants will be available for. As with August employees on furlough will still receive a minimum of 80% pay but employers will only be able to claim 60%, and have to fund the other 20% + any NIC and pensions themselves. Submit claims by 14 October.



**SEISS 5 grant** - the deadline for claims for this final grant for the self-employed is the end of this month and the criteria for eligibility are similar to before but this time your business must still be affected by covid between May and September this year. Additionally the turnover in 2020/21 must have reduced and the amount of grant will depend on how much the decrease is compared to the previous unaffected year (usually 2019/20). If the drop is over 30% then the grant will be 80% of average profits for 3 months, if less then it will be 30%.

**VAT - temporary rate cut** - the reduced rate of VAT on supplies of food and non-alcoholic drinks and other leisure and hospitality increased from 5% to 12.5% from the start of this month. This will last for 6 months before reverting back to the main 20% rate from 1st April 2022.

**Business Loans** - the BBL and CIBLS schemes are now closed and replaced by a new **Recovery Loan Scheme (RLS)**. The amount borrowed is at the discretion of the lender and you need to demonstrate you have a viable business that has been affected by the pandemic. As before there is a government guarantee, this is now 80% of the amount borrowed for loans over £250,000 but still at 100% for smaller amounts. If you wish to use this scheme you would need to apply before 31st December 2021. More details can be found on the British Business Bank website.

If you are in the unfortunate position where your financial circumstances continue to be affected then you will have to consider claiming state benefits such as Universal Credit.

### **Redundancies and some other employee matters**

*Please note I am not an HR expert and you may need to take specialist advice if you are affected by these matters.*

- a Redundancies** - unfortunately some employers may need to make staff redundant. Proper consultation and notice must be given. Employers should be aware that an employee can be given notice whilst on furlough but then the employer cannot claim CJRS for that period. Please also note that statutory redundancy payments and pay for unused holiday must be paid based at full pay rate and not the 80% furlough rate if applied. There is some useful advice on redundancies on the ACAS website here [www.acas.org.uk/redundancy](http://www.acas.org.uk/redundancy)
- b Flexible working** - employees with over 26 weeks service can request this, and it may benefit both parties as businesses adapt to new trading circumstances, but the employer can refuse for one of 8 reasons including cost, inability to re-organise and customer demand. More info here - <https://www.acas.org.uk/flexible-working>

- c Changes to employment contracts** - in some circumstances it may be the employer who needs to make changes in the employment terms as employees come back to work depending on how the business has been affected. These could include different hours/shifts, working from home, different duties, reduced hours/pay etc. Some flexibility may exist in the employment contract but any other changes must be agreed with the employee otherwise they could claim breach of contract or constructive dismissal.
- d Zero hours contracts** - these contracts can give the employer much needed flexibility when the work load is uncertain, however they must remember that the worker is equally entitled to turn down work offered. The workers also have some similar rights to employees such as entitlement to minimum wage, rest breaks, paid holiday etc.
- e Covid vaccinations** - an employer cannot insist that employees have the vaccinations, however they are required to risk assess the workplace and this includes taking care of other employees and customers/visitors so this may be part of a policy for certain roles. Care must be taken not to discriminate against objections for genuine medical and religious grounds etc. If the employee has reasonable objections then a policy of compulsory vaccination could be treated as constructive dismissal and the employer may also have to demonstrate other precautions were not possible to ensure safety (eg mask wearing etc).

### **Taxation changes - new Health and Social Care Tax**

It was announced this week that National Insurance Contributions (NIC) will increase by 1.25% from April 2022 for employees, employers and the self-employed (Class 4 NIC). This will be for one year only but from April 2023 it will be replaced by a new Health and Social Care levy which is effectively the same amount except it will also be extended to employees over state pension age who are working (they currently are don't pay employees NIC or Class 4 NIC). The new levy will need to be itemised on payslips from April 2023.

At the same time there will also be an increase of 1.25% in the tax rate on dividend income. I expect this is designed to stop owner managed businesses avoiding the levy by switching salary into dividends, but it will also affect those who have larger share portfolios (the first £2,000 of dividends are currently tax free unless this changes in the budget).



**The date of the next budget has been announced as  
29th October 2021.**

### **Company insolvencies and Directors liabilities**

As a general rule a Director is not usually personally liable for the debts of a Limited Company. As expected there are now increasing numbers of Companies that are applying to be struck-off at Companies House (dissolved) without going through a formal insolvency process as they have failed during the pandemic, and many of these companies have taken out Government backed loans (eg BBLs and CIBLs). A new law is currently going through which will allow investigations by the insolvency service into Directors who have shut down a company to avoid repaying government-backed loans or other creditors. It will also make it much harder to set-up a similar company straight away without the liabilities (often known as a phoenix company).

Note that the use of BBLs etc to fund the usual level of Directors remuneration should not usually cause any issues, but there may be a problem if dividends have been paid where there were inadequate profits or the Directors have simply taken the money out. They would be expected to repay such amounts.

The law will apply retrospectively to allow the Directors of companies already struck off to be investigated.

**ICO registration** - The ICO are currently sending out lots of letters businesses not registered with them - please don't ignore them. Check if you need to register (there is a handy questionnaire on their website) and register if you need to or let them know you are not required to. The penalties for not registering are quite large but it will cost most small businesses only £40. See their website for more information.

<https://ico.org.uk/>



## Making Tax Digital for Income Tax (MTDITSA)

This new method of filing accounts with HMRC will be compulsory from 6th April 2023 for nearly all unincorporated businesses (sole traders and partnerships) and landlords with a turnover above £10,000 a year. This threshold is for the combined turnover per individual.



There are 4 requirements for MTDITSA:

1. record business transactions in a digital manner - for each transaction this will be the date, amount and category of income or expenditure
2. preserve those records for the defined period
3. provide a quarterly update to HMRC - this must be done using MTD-compatible software
4. provide an end of period statement (EPOS) to HMRC - similar to the current tax return

**This is a huge compliance change for unincorporated, non-VAT registered businesses - no longer will you be able to put together accounts information just once a year! It may be advisable to start planning for this now, by getting and keeping your records up to date, preferably in a digital format.**

**Basis periods** - As a further twist HMRC have recently announced that if your business year end is not the same as the tax year (between 31 March to 5 April are acceptable) then the trading accounts will be apportioned such that they cover the tax year.

HMRC say the quarterly data will be used to generate an estimate of a businesses tax liability, which will be supplied back to the taxpayer. The current payment dates (31 January & 31 July) are not changing for now but there seems to be a lot of speculation quarterly payments will follow.

## Cryptocurrency

There has recently been more interest and activity in cryptocurrency so I thought a brief outline of the tax treatment might be useful. Note that HMRC receives information direct from UK crypto exchanges.



- a For most tax purposes HMRC do not recognise cryptocurrency as cash/money and treat purchases and sales in a similar way to shares.
- b Generally realised gains are taxed under Capital Gains Tax rules (the annual allowance of £12,300 is available if not used elsewhere and losses can be claimed as CGT losses to offset against future gains). The gain/loss is only relevant on the sale (or other disposal such as a gift) of the crypto asset, fluctuations while you hold it are irrelevant.
- c If you make a large number of trades then HMRC could view it as a business activity and apply income tax rules but this is unlikely to apply.
- d If you carryout mining activities then any crypto received is treated as miscellaneous income based on its sterling value on day received and is liable to income tax (but not NIC). Mining expenses such as extra electricity can be deducted.
- e If you are a business that accepts crypto as payment for goods and services then it is treated as cash and included in the P&L at the rate used at the time of the transaction.

As always I welcome any comments and please do get in touch if I can help with anything mentioned above, or if you have any other accounting or taxation queries.

Email: [hazel@hac-accountant.co.uk](mailto:hazel@hac-accountant.co.uk)  
Phone: 01628-471426  
Mobile: 07939-590618  
Web: [www.hac-accountant.co.uk](http://www.hac-accountant.co.uk)

