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**WHC**

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## **Newsletter 12.03.2021**

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## **1 Budget summary**

Chancellor Rishi Sunak set out a Budget to protect businesses through the pandemic, fix the public finances and begin building the future economy.

The Chancellor once again pledged to do 'whatever it takes' during the COVID-19 pandemic and confirmed that the furlough scheme would be extended until September 2021 to support jobs through the crisis.

Mr Sunak also confirmed that the Self-Employment Income Support Scheme (SEISS) has also been extended, with two further grants this year. Claimable by the self-employed, including the newly self-employed from 6 April 2019, provided they have filed their 2019/20 tax return for by midnight on 2 March 2021,

The stamp duty nil rate band on residential properties in England up to £500,000 will continue until the end of June. It will taper to £250,000 until the end of September, and then return to the usual level of £125,000 from 1 October 2021.

To support businesses as they re-open following lockdown, £5 billion will be made available in restart grants. Non-essential retail businesses re-opening first will be eligible for up to £6,000 but the leisure and hospitality sectors, which have been worse affected and will re-open later, will be eligible for up to £18,000.

However, the rate of corporation tax will increase to 25% in April 2023 for companies with profits over £250,000, whilst retaining a Small Profits Rate of 19% for companies with profits of £50,000 or less.

The Chancellor also introduced a super-deduction for companies investing in qualifying new plant and machinery. Under this measure a company will be allowed to claim 130% on most new plant and machinery investments that ordinarily qualify for 18% main rate writing down allowances.

He also confirmed the location of the eight Freeports in England. Freeports are special economic zones with favourable tariffs and lower taxes to make it easier and cheaper to do business.

Details of the local business restart grant can be found here

<https://smallbusiness.co.uk/where-to-get-your-small-business-restart-grant-worth-up-to-18000-2552317>

## **2 Late payment penalties for SA waived until 1<sup>st</sup> April 2021**

HMRC has announced that Self Assessment taxpayers will not be charged a 5% late payment penalty if they pay their tax or set up a payment plan by 1 April.

The payment deadline for Self Assessment is 31 January and interest is charged from 1 February on any amounts outstanding.

Normally, a 5% late payment penalty is also charged on any unpaid tax that is still outstanding on 31 March. But this year, because of the impact of the coronavirus (COVID-19) pandemic, HMRC is giving taxpayers more time to pay or set up a payment plan.

Taxpayers can pay their tax bill or set up a monthly payment plan online and are required to do this by midnight on 1 April to prevent being charged a late payment penalty. The online Time to Pay facility allows taxpayers to spread the cost of their Self Assessment tax bill into monthly instalments until January 2022.

Jim Harra, HMRC's Chief Executive, said:

*'Anyone worried about paying their tax can set up a payment plan to spread the cost into monthly instalments. Support is available at GOV.UK to help anyone struggling to meet their obligations.'*

### **3 Online service opens for VAT deferral scheme**

HMRC has announced that businesses that deferred VAT payments last year can now join the new online VAT Deferral New Payment Scheme to pay it in smaller monthly instalments.

To take advantage of the new payment scheme businesses will need to have deferred VAT payments between March and June 2020, under the VAT Payment Deferral Scheme. They will now be given the option to pay their deferred VAT in equal consecutive monthly instalments from March 2021.

Businesses will need to opt-in to the VAT Deferral New Payment Scheme. They can do this via the online service that opened on 23 February and closes on 21 June 2021.

Jesse Norman, Financial Secretary to the Treasury, said:

*'The Government has provided a package of support worth over £280bn during the pandemic to help protect millions of jobs and businesses.*

*'This now includes the VAT Deferral New Payment Scheme, which will help provide businesses with the breathing space they may need to manage their cashflows in the weeks and months ahead.'*

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

#### **4 HMRC clarifies IR35 rules**

HMRC has published a briefing on its approach to the changes to off-payroll working rules, commonly known as IR35, which will be introduced on 6 April 2021.

Reiterating its advice from last year, HMRC has confirmed that it will not issue penalties for inaccuracies in the first 12 months of the regime, unless there is evidence of deliberate non-compliance.

HMRC also confirmed that it will not use information it receives under the expanded regime to open new compliance enquiries into returns for tax years before 2021/22, unless there is reason to suspect fraud or criminal behaviour.

The new tax rules will see the extension to medium and large organisations in the private sector. These reforms will shift the responsibility for assessing employment status to medium and large organisations engaging individuals via a personal services company.

<https://www.gov.uk/government/publications/hmrc-issue-briefing-supporting-organisations-to-comply-with-changes-to-the-off-payroll-working-rules-ir35/hmrc-issue-briefing-supporting-organisations-to-comply-with-changes-to-the-off-payroll-working-rules-ir35>

## **5 Domestic VAT reverse charge effective from 1st March**

The twice-delayed introduction of the domestic VAT reverse charge for construction services came into effect on 1 March 2021.

The change was originally scheduled to come into effect from 1 October 2019 but was deferred for 12 months after industry bodies highlighted concerns about the lack of preparation and the impact on businesses.

It was put back another five months due to the impact of the coronavirus (COVID-19) pandemic on the sector. The change applied from 1 March 2021 and overhauled the way VAT is payable on building and construction invoices as part of a move to reduce fraud in the sector.

From March 2021, the person receiving the supply of services, not the supplier of services, who accounts for the output VAT on those services. The recipient deducts VAT due on the supply as input VAT, subject to normal VAT rules. In most cases, no net tax on the transaction will be payable to HMRC. This new procedure will apply right the way up the CIS supply chain until you reach end users/intermediary suppliers, the supply defaults to normal VAT rules, so long as the end user/intermediary supplier correctly evidences their status.

The Domestic Reverse Charge (DRC) applies to most supplies of building and construction services from 1 March 2021, which are:

- standard or reduced rated supplies
- where both parties are registered for VAT in the UK
- and payments for the supplies are required to be reported via the Construction Industry Scheme.

The DRC does not apply to:

- zero rated supplies
- services supplied to end users or intermediary suppliers, so long as these have provided written confirmation of their status to the supplier
- employment businesses supplying either staff or workers.

<https://www.gov.uk/guidance/vat-reverse-charge-technical-guide>

## **6 Bounce Back Loan repayment period can be extended**

Businesses that took out government-backed Bounce Back loans to get through the coronavirus (COVID-19) pandemic will now have greater flexibility to repay their loans, the government has announced.

The Pay as You Grow repayment flexibilities now include the option to delay all repayments for a further six months. This means businesses can choose to make no payments on their loans until 18 months after they originally took them out.

Pay as You Grow will also enable borrowers to extend the length of their loans from six to ten years, which reduces monthly repayments by almost half.

They can also make interest-only payments for six months to tailor their repayment schedule to suit their individual circumstances.

The Pay as You Grow options will be available to more than 1.4 million businesses which took out a total of nearly £45 billion through the Bounce Back Loan Scheme (BBLs).

The Chancellor of the Exchequer, Rishi Sunak, said:

*'Businesses are continuing to feel the impact of extended disruption from COVID-19, and we're determined to give them the backing and confidence they need to get through the pandemic.'*

*'That's why we're giving Bounce Back loan borrowers breathing space to get back on their feet, through greater flexibility and time to repay their loans on their terms.'*

<https://www.gov.uk/government/news/chancellor-eases-burden-on-more-than-a-million-businesses-through-pay-as-you-grow-flexible-repayment-options>

<https://www.british-business-bank.co.uk/finance-hub/pay-as-you-grow>

## 7 SEISS grants 4 and 5

On 9<sup>th</sup> March 2021 the ICAEW has provided the following details concerning SEISS grants 4 and 5, which were announced in the Budget of 3<sup>rd</sup> March 2021

*The criteria for the fourth and fifth SEISS grants will include 2019/20 self assessment tax return data and widen the scheme to hundreds of thousands more taxpayers, but close it to others. Ahead of legislation and HMRC guidance ICAEW's Tax Faculty explains what we know so far.*

*It had been hoped that the delay in announcing the eligibility criteria for the fourth self-employment income support scheme (SEISS) grant would allow the government and HMRC to use data from 2019/20 tax returns to widen the scheme, including to some who started self-employment in that year, and so it proved.*

*HMRC estimates that up to 300,000 taxpayers who started self-employment in 2019/20 may now qualify for the remaining two grants, alongside a further 300,000 who were previously ineligible because they failed either the £50,000 income cap or the test which checks that their trading income was less than half their total income (the 50% test).*

*However, the ICAEW believes that these estimates should be treated with caution and warns that some taxpayers who were eligible for the earlier grants will not be eligible for the fourth and fifth grants if they now fail the £50,000 or 50% tests.*

*The inclusion of 2019/20 data will also mean that, in individual cases, the grant available may be more or less than previous grants.*

*To qualify for the fourth and fifth SEISS grants taxpayers must have filed their 2019/20 self assessment tax return by 2 March 2021. This applies to all claimants and with more than 1m returns still outstanding on 28 February some who claimed the earlier grants may be disappointed if they failed to file their 2019/20 tax return in time.*

*The criteria are otherwise unchanged, and the government resisted calls to change the £50,000 income limit and 50% test or to extend support to those trading through limited companies.*

*HMRC has published a factsheet pending more detailed guidance.*

*The tests of eligibility are first applied to 2019/20. If the tests are failed, they are then applied to the four years 2016/17 - 2019/20, where available. There is no confirmation as to how the rules will work for those that did not trade in all four years.*

### **SEISS 4**

*The fourth SEISS grant covers February to April 2021. It has been set at 80% of three months' average trading profits and is capped at £7,500. Average trading profits is over the four years 2016/17 - 2019/20, where available.*

*HMRC will contact potentially eligible taxpayers in mid-April and applications will be open from late April to the end of May 2021. Many will be disappointed that claims cannot be made until late April, but HMRC needs that time to check the 2019/20 tax return data and to carry out pre-verification checks.*



## **SEISS 5**

*The fifth grant covers May to September 2021. It has been set at 80% of three months' average trading profits capped at £7,500 for those whose turnover has reduced by 30% or more.*

*Those with a turnover reduction of less than 30% will receive a grant based on 30% of three months' average trading profits, capped at £2,850. Average trading profits will be calculated as for SEISS 4.*

*Details of how the turnover test will work may not be available for some time, but the Tax Faculty understands that the comparison is likely to be tax year 2020/21 compared with 2019/20 (this may need to be varied where taxpayers do not prepare accounts to 31 March or 5 April).*

*The grants are based on three months trading profits despite covering a five-month period. HMRC has indicated that this approach is intended to tailor support as the economy opens up. It also notes that employers will be required to contribute to furloughed employees' income in July, August and September, and that the self-employed can work and claim whereas no claim under the Coronavirus Job Retention Scheme is possible for hours worked.*

*The SEISS applications portal is expected to open for the fifth grant in late July*

### **Tax treatment**

*Finance Bill 2021 will include a measure to change the tax treatment of SEISS grants which will be subject to taxation in the tax year in which the amount was received.*

*The current position is that all SEISS grants are taxable in 2020/21 but given the extension of the scheme this needs to change. 2020/21 and 2021/22 returns will include boxes for SEISS grants to allow them to be reported separately and crosschecked by HMRC. HMRC is still exploring how it might pre-populate tax returns or give agents access to information of the amounts claimed by their clients.*

*A measure to allow HMRC to recover SEISS grants where an individual is no longer eligible following a change in circumstances is also to be included in Finance Bill 2021.*

*The Tax Faculty understands that this is primarily intended to cover the situation where a tax return is amended after a claim has been made and based on the amended return the taxpayer would either not be eligible for a grant or would be entitled to a lower grant.*

*The faculty does not expect that HMRC will pay higher grants where an amendment would result in a higher amount due and that is likely to be perceived as unfair*