

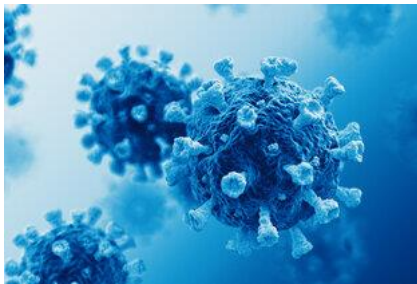
Tax E-News

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 2021

FURLOUGH GRANT REDUCES TO 70% FOR JULY

For the month of July the CJRS Furlough grant support from the government via HMRC reduces to 70% of the employee's usual pay for hours not worked. This is despite the fact that "Freedom Day" in England has been delayed four weeks to 19 July 2021, and now called "Terminus Day". The government support to employers will then reduce to 60% in August and September.



CORRECTING ERRORS IN EARLIER FURLOUGH CLAIMS

The numerous changes in the method of calculating CJRS furlough grants will no doubt have resulted in errors by some employers.

Remember that you are required to tell HMRC about overclaimed CJRS grants as part of your next claim. You will be asked when making your claim whether you need to adjust the amount down to take account of a previous overclaim. Your new claim amount

will be reduced to reflect this. You should keep a record of this adjustment for 6 years.

You should also be aware that HMRC may levy a penalty even if the error is careless or due to a misinterpretation of the rules.

You might therefore like us to check any previous claims that you have made.

If you have made an error that has resulted in an underclaimed amount, you should contact HMRC to amend your claim. As you are increasing the amount of your claim HMRC will need to conduct additional checks.

FIFTH SELF-EMPLOYED INCOME SUPPORT GRANT TO BE PAID IN JULY

The fifth (and final) SEISS grant will be available for the self-employed to claim towards the end of July.

The eligibility criteria remain broadly the same as the fourth grant. Self-employed profits in 2019/20 must not exceed £50,000 and must be more than 50% of your total income. If that test is not met, then the same £50,000 and 50% tests are applied to average profits and total income over the four fiscal years to 2019/20.

Self-employed traders need not have claimed grants under the previous scheme to qualify for the July payment and will be required to confirm that their business continues to be adversely affected by Covid-19. The amount that

traders will be able to claim will depend on how much their turnover has reduced by. If the reduction is more than 30% the grant will be 80% of average profits capped at £7,500 but if less than 30% only 30% of average profits, capped at £2,850. We are still waiting for more details from HMRC on the basis for the turnover comparison.

PLEASE LET US HAVE DETAILS OF YOUR SEISS GRANTS FOR YOUR 2020/21 TAX RETURN

As you are probably aware tax agents were not able to claim SEISS grants on their client's behalf, and we do not currently have access to the amounts you have claimed.

If you are self-employed and have received any SEISS grants in 2020/21 can you please let us have details of the amounts received so that we can include the correct amounts in your return. The amounts received are taxable but should not be included in your turnover as that would mean double counting.

TAX FREE CHILDCARE ACCOUNT SUBSIDISES SUMMER CAMP COSTS

If you have children under 12 who attend a nursery, after school club, playscheme, 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 up to £2,000 for each child so £8,000 is topped up to £10,000 (a higher amount applies for disabled children). The account is then used to pay Ofsted registered childcare providers.

Note that it doesn't need to be the child's parents paying into the account, uncles, aunts, grandparents and others can also make payments.

Note also that you are not eligible if you or your partner have adjusted net income in excess of £100,000 for the current tax year.

This scheme will gradually replace childcare vouchers which many employers continue to provide to employees. These are free from tax and national insurance (there are 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.

PENSION CONTRIBUTION IS TAX EFFICIENT FOR BOTH EMPLOYEE AND EMPLOYER

Pension contributions to approved pension funds on behalf of employees and directors continue to be a tax-free benefit provided the annual input limit is not breached. The contributions are also deductible for the employer provided incurred wholly and exclusively for the purposes of the trade and paid before the end of the accounting period of the business.

For most taxpayers the annual input limit is £40,000 and this overall limit applies to contributions by the employee plus contributions made by the employer on the employee's behalf. It is also

possible to take advantage of unused relief from the previous three fiscal years.

Payments into the pension fund by the employing business will be deductible against business profits. Currently this will only save 19% corporation tax but from 1 April 2023 will save 25% where profits exceed £250,000 and 26.5% where profits are between £50,000 and £250,000.

Note that these limits are divided by the number of associated companies, i.e. under common control.

Although the contribution on behalf of the employee or director may be tax-free they are generally not able to access the fund until age 55.

There have been a number of "schemes" devised over the years to exploit the pension rules.

HMRC WARNING NOT TO USE UNFUNDED PENSION ARRANGEMENTS

HMRC are currently attacking a marketed tax avoidance scheme using unfunded pension arrangements to avoid Corporation Tax, Income Tax and National Insurance contributions.



HMRC strongly believes these arrangements do not work and will seek to challenge anyone promoting or using these arrangements and make sure the

correct tax is paid.

Users of these arrangements may pay considerable fees to use them yet may still have to repay the tax claimed to be avoided, as well as interest and a penalty. Contact us if you are approached to use such a scheme.

DIARY OF MAIN TAX EVENTS

JULY/ AUGUST 2021

Date	What's Due
01/07	Corporation tax for year to 30/9/20 (unless pay quarterly)
05/07	Last date for agreeing PAYE settlement agreements for 2020/21 employee benefits
05/07	Deadline for agents and tenants to submit returns of rent paid to non-resident landlords and tax deducted for 2020/21
06/07	Deadline for forms P11D and P11D(b) for 2020/21 tax year. Also deadline for notifying HMRC of shares and options awarded to employees.
19/07	PAYE & NIC deductions, and CIS return and tax, for month to 5/7/21 (due 22/07 if you pay electronically)
31/7	50% payment on account of 2021/22 tax liability due.

Please contact a member of our team if you would like to discuss any of the issues raised.

Call: 01353 649100 Email: enquiry@mcintyrestuart.co.uk

01/08	Corporation tax for year to 31/10/20 (unless pay quarterly)
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19/08	PAYE & NIC deductions, and CIS return and tax, for month to 5/8/21 (due 22/08 if you pay electronically)
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