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Business Matters

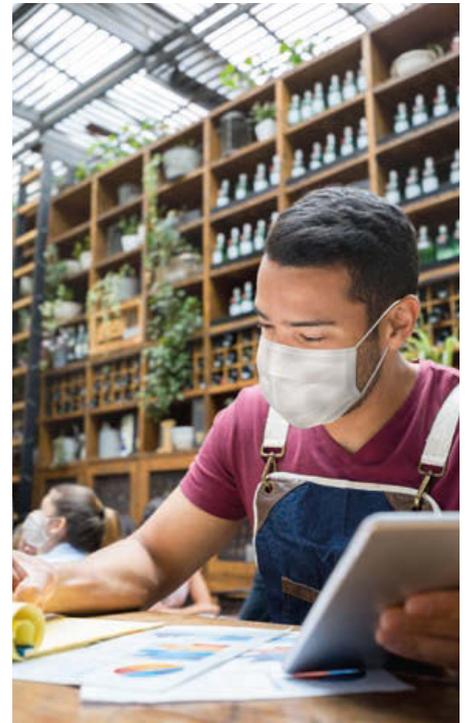
Tax cashflow: your next steps

Income tax: The Winter Economy Plan gives longer to pay for liabilities due in January 2021. This applies not just if you took up the option of putting off to 31 January 2021 the second income tax self assessment payment on account for 2019/20, due by 31 July 2020, but also to payment of other amounts due by 31 January 2021: the balancing payment for the 2019/20 tax year and first payment on account for 2020/21. The Plan allows an additional period to pay of up to 12 months to those who need it, moving the deadline to January 2022.

If you have self assessment tax debt up to £30,000, you can take advantage of this by setting up a payment plan online without needing to phone HMRC, and you should get automatic, immediate approval. This page provides the link to the online facility <https://bit.ly/2S96Uok>. For larger debts, or to arrange longer to pay, contact HMRC's helpline to set up a Time to Pay arrangement <https://bit.ly/3cu9qPa>. Alternatively, if you are

able to, you can pay in full or in instalments on or before 31 January 2021, via the usual online service.

VAT: The VAT deferral period ended on 30 June 2020, and as far as ongoing liabilities are concerned, it's business as usual. It was originally announced that any VAT payments deferred between 20 March 2020 and 30 June 2020 should be paid in full on or before 31 March 2021. The Winter Economy Plan changed the rules, giving extra time to pay. The VAT deferral 'New Payment Scheme' allows payment in 11 equal interest-free instalments in the 12 months to 31 March 2022. You will need to opt-in to do this, and HMRC will provide a means of doing so early in 2021: <https://bit.ly/3jcLmml>. If you prefer, you can still pay in full or make payments towards the deferred VAT at any point before 31 March 2021. HMRC has advice on how to do this: <https://bit.ly/3jn3sC2>.



Further help: HMRC's Time to Pay service is available to any business struggling to pay tax on time: <https://bit.ly/3jmkArn>. You may also find information on the TaxAid website helpful: <https://bit.ly/2G8oDcZ>, although the charity is only resourced to help those on yearly incomes of £20,000 or less. We are happy to discuss other possibilities with you. If, for example, taxable income for 2020/21 has fallen in comparison with 2019/20, it may be possible to reduce your 2020/21 payments on account, rather than use the monthly payment facility.

Please do contact us for advice.

Making Tax Digital: an update

Making Tax Digital for VAT (MTD for VAT) has been effective for businesses with turnover above the VAT threshold of £85,000 since April 2019. HMRC recently outlined its next steps, including the introduction of Making Tax Digital for Income Tax Self Assessment. Here, we consider the plans.



Extension of MTD to all VAT-registered businesses

Since April 2019, VAT-registered businesses with turnover above the VAT threshold of £85,000 have been required to keep digital records for VAT purposes and provide their VAT return information to HMRC using MTD functional compatible software. From April 2022 these requirements will apply to all VAT-registered businesses, including those with turnover below the VAT threshold.

Implementing digital links

In April 2020, as a result of the coronavirus (COVID-19) pandemic, HMRC deferred the deadline for businesses reporting under MTD for VAT to have digital links in their recordkeeping for the purpose of transferring information from software and spreadsheets to their online VAT filing.

HMRC is permitting a 'soft landing' period for businesses to have digital links in place between all parts of their functional compatible software. During this period only, HMRC will accept the use of 'copy and paste' as a digital link for VAT periods. Businesses will not be required to have digital links between software programs until their first VAT return period starting on or after 1 April 2021.

For VAT periods after this date, businesses' systems must use digital links for any transfer or exchange of data between software

programs used as functional compatible software, as outlined in VAT Notice 700/22.

The use of cut and paste will no longer be accepted as a digital link from this point. However HMRC will accept the following (please note this list is not exhaustive):

- linked cells in spreadsheets
- emailing a spreadsheet containing digital records so the information can be imported into another software product
- transferring a set of digital records onto a portable device (such as a pen drive or a memory stick) and physically giving this to someone else, who then imports that data into their software
- XML, CSV import and export and download and upload of files
- automated data transfer
- API transfer.

MTD for Income Tax Self Assessment

MTD for Income Tax Self Assessment will take effect from April 2023 for unincorporated businesses and landlords with total business or property income above £10,000 per year.

HMRC will pilot the scheme before it goes live. Those with income from one source of self-employment and landlords (except for those with furnished holiday lettings) who

wish to participate can find out how to do so here: <https://bit.ly/31zXruk>.

In a written statement, Jesse Norman, Financial Secretary to the Treasury, said:

'This timetable allows businesses, landlords and agents time to plan, and gives software providers enough notice to bring new MTD products to market, including free software for businesses with the simplest tax affairs.'

'HMRC will expand its pilot service from April 2021 to allow businesses and landlords to test the full end-to-end service before the requirement to join.'

In regard to MTD for corporation tax, a consultation is expected this year, however HMRC has not yet announced a start date.

No matter if your business is big or small, MTD affects you. As your accountants, we can help you to stay compliant with the MTD rules. Please contact us for more information.

The return of UK freeports



The government is planning to re-establish freeports in the UK as part of its plans to boost the country's economy following Brexit. However, these Special Economic Zones have gained importance as part of the business recovery from the coronavirus (COVID-19) pandemic. They will have different customs rules to the rest of the country and the government wants them to become innovation hubs, attracting inward investment.

The aim is for these zones to create employment opportunities and boost regeneration in economically depressed areas, helping to meet the government's goal of levelling up the UK economy. Here, we take a look at freeports and how they may be of benefit to the UK.

The first freeports

The concept of a freeport dates back to Ancient Greece, when the Free Port of Delos provided a safe harbour in the Aegean Sea. This offered traders respite from import taxes and allowed them to attract the custom of local merchants who could take their goods on elsewhere for final sale.

That early freeport model has continued into the world of modern commerce. Today freeports exist around the globe, from California to China, Hamburg to Hong Kong and Turkey to Thailand. They are based around the seaports, riverports and airports that provide major points of entry to economies.

Trading under different rules

Freeports are designated zones where normal tax and customs rules do not apply. At a freeport, imports can enter with simplified customs documentation and without paying tariffs.

Businesses operating inside the designated areas in and around the freeport can

manufacture goods using the imports and add value, before exporting again without ever facing the full tariffs or procedures.

If the goods move out of the freeport into another part of the country they must go through the full import process, including paying any tariffs. However, if the duty on a finished product is lower than that on the component parts, a company could still benefit.

Potential UK freeports

There were five freeports in the UK until 2012. The current government is now consulting on its freeport plan before inviting towns and cities across the UK to bid for the right to create up to ten free trade zones. The locations will be announced by the end of this year, with the aim of having the first zones up and running in 2021.

The promise of transformation

The government sees the freeports being well integrated into the local economy with the private sector working alongside local partners to deliver:

- hotbeds of innovation for technological solutions for port logistics, operations and decarbonisation of businesses
- regeneration of deprived areas around the freeports
- creation of new, skilled jobs driving growth and prosperity

- national hubs for global trade and investment across the UK.

The government is consulting on tax incentives to stimulate the creation of new jobs and economic activity in the freeport areas, which will include changes to VAT and excise duties for goods within freeports, Research and Development (R&D) tax credits, employers' national insurance changes and changes to devolved stamp taxes and business rates.



For further information and advice on tax or import and export matters, please get in touch with us.



Business Round-up

Chancellor increases financial support for businesses affected by COVID restrictions

On 22 October Chancellor Rishi Sunak announced increases to the coronavirus (COVID-19) financial support measures first outlined in the Winter Economy Plan.

The Chancellor made amendments to the Job Support Scheme (JSS), which is set to take effect from 1 November. When originally announced, the scheme saw employers paying a third of their employees' wages for hours not worked, and required employers to be working 33% of their normal hours.

Under the new rules, employees must work a minimum of 20% of usual hours, for which the employer pays them as usual. For every hour not worked, the employer pays 5% of the usual hourly wage, up to a cap of £125; the government pays 61.67%, capped at £1,541.75 per month. Caps are based on a monthly reference salary of £3,125.

In addition, the new JSS Closed will be available to employers who have been legally required to close their premises as a direct result of COVID-19 restrictions set by one or more of the four UK governments. Each employee who cannot work due to these restrictions will receive two thirds of their normal pay, paid by their employer and fully funded by the government, up to a cap of £2,083.33 per month.

For the self-employed, the government will provide two taxable Self-employment Income Support Scheme (SEISS) grants to support those experiencing reduced demand due to COVID-19 but are continuing to trade, or temporarily cannot trade. The first grant covers the three months from 1 November 2020 to 31 January 2021. The grant will be based on 40% of average monthly trading profits, paid in one single instalment, covering three months profits, and capped at £3,750. The second will cover the three months from 1 February 2021 to 30 April 2021. The level of this grant is yet to be announced.

In regard to business grants, the Chancellor also announced approved additional funding to support cash grants of up to £2,100 per month, primarily for businesses in the hospitality, accommodation and leisure sector who may be adversely impacted by the COVID-19 restrictions in high-alert level areas.

Commenting on the changes, Mr Sunak said: 'I've always said that we must be ready to adapt our financial support as the situation evolves. These changes mean that our support will reach many more people and protect many more jobs.'

Further details on the announcement and details of the scheme can be found here: <https://bit.ly/3dW2RFX> and <https://bit.ly/2TuMh6>.

Tax Tip

Annual Investment Allowance reduction from January 2021

The Annual Investment Allowance (AIA) provides a tax write-off against profits for expenditure incurred on plant and machinery by businesses and owners of commercial property.

The AIA is reduced from £1,000,000 to £200,000 from 1 January 2021 and the AIA will be reduced for expenditure incurred after this date.

For accounting periods that straddle the change a pro rata calculation of the maximum entitlement is required. So for an accounting period for the year ended 31 March 2021 the AIA will be £800,000 ($9/12 \times £1,000,000$ plus $3/12 \times £200,000$). The available AIA spend for the period 1 January to 31 March is restricted to a maximum of £50,000, so the timing of the expenditure around 1 January 2021 is critical.

If you are unsure what this change will mean for your business, please get in touch with us as soon as possible.

Reminders for your diary

November 2020

- 2 Deadline for submitting P46(Car) for employees whose car/fuel benefits changed during the quarter to 5 October 2020.
- 19 PAYE, Student loan and CIS deductions are due for the month to 5 November 2020.

December 2020

- 1 New Advisory Fuel Rates (AFR) for company car users apply from today.
- 19 PAYE, Student loan and CIS deductions are due for the month to 5 December 2020.

- 30 Online filing deadline for submitting 2019/20 self assessment return if you require HMRC to collect any underpaid tax by making an adjustment to your 2021/22 tax code.
- 31 End of CT61 quarterly period.
Filing date for Company Tax Return Form CT600 for period ended 31 December 2019.

January 2021

- 1 Due date for payment of corporation tax for period ended 31 March 2020.
- 14 Due date for income tax for the CT61 quarter to 31 December 2020.

- 19 PAYE, Student loan and CIS deductions are due for the month to 5 January 2021.
PAYE quarterly payments are due for small employers for the pay periods 6 October 2020 to 5 January 2021.
- 31 Deadline for submitting your 2019/20 self assessment return (£100 automatic penalty if your return is late) and the balance of your 2019/20 liability together with the first payment on account for 2020/21 are also due.
Capital gains tax payment for 2019/20.
Balancing payment – 2019/20 income tax and Class 4 NICs. Class 2 NICs also due.