## Welcome...

To June's Tax Tips & News, our newsletter designed to bring you tax tips and news to keep you one step ahead.

We are committed to ensuring none of our clients pay a penny more in tax than is necessary and they receive useful tax and business advice and support throughout the year.

Please contact us for advice in your own specific circumstances. **We're here to help!**



## Second Self Employed Income Support Grant to be paid in (late) August

On 29 May the Chancellor announced that the grant scheme to support the self-employed would also be extended with a further payment based on 70% of average profits for the 3 years ended 2018/19, limited to £6,570 rather than £7,500.

The eligibility criteria remain broadly the same as the first grant claim. Self-employed profits in 2018/19 must not exceed £50,000 and must be more than 50% of your total income.

One very important note. When making the claim in late August the claimant must certify the business has **been affected by Coronavirus after 14 July 2020**.

Our understanding is “affected in any way” might be a working interpretation.

For example; less work available, more costly materials, extra costs of protective clothing, more expensive staffing and travelling arrangements due to social distancing, not able to work due to shielding, self-isolating, caring responsibilities caused by coronavirus etc.

We will provide more guidelines before the claim window opens on 17 August 2020. HMRC announced this date on Martin Lewis’s show last week! All claims submitted during the initial claims window should be received before the end of August.

**Whilst we expect the vast majority of self-employed clients to make the second claim our advice will certainly be to make a note at some time after 14 July 2020 of how your business is still affected by Coronavirus.**

## Self-assessment payment deferrals

To help ease the financial impact of the coronavirus (COVID-19), the Government has announced that self-employed taxpayers may be able to defer some tax payments without paying a penalty. At present it is possible to:

**Taxpayers have the option to defer their second payment on account for the 2019/20 tax year** if they are registered in the UK for self-assessment and finding it difficult to make a second payment by 31 July 2020, due to the impact of coronavirus.

HMRC will not charge interest or penalties on any amount of the deferred payment on account, provided it is paid on or before 31 January 2021.

Taxpayers do not need to tell HMRC that they are deferring the payment on account, and choosing to defer will not prevent them from being entitled to other coronavirus support that HMRC provide, such as grants under the Self-Employment Income Support Scheme (SEISS).

The second payment on account must be made on or before 31 January 2021 if people choose to defer and there is concern around the tax and accountancy professions that deferment may have a knock-on 'snowball effect'. Whilst deferral will give an element of 'breathing space' in the short term, it may store up bigger problems in the future if liabilities continue to remain unpaid. HMRC confirm that the usual interest, penalties and debt collection procedures will apply to missed payments.

Taxpayers should note that other payments which may need to be paid by 31 January 2021 include any balancing payment due for the 2019/20 tax year, and first payment on account due for the 2020/21 tax year. For further information on payments, taxpayers can sign in to their HMRC online account.

## Flexible furlough scheme from 1 July 202

On 1 July the new CJRS “Flexible furlough” grant scheme started, which allows employers to gradually bring their furloughed employees back to work part-time. The new scheme will be in place until the end of October and the Government will gradually reduce the amount of grant towards employees’ furlough pay to 70% in September and 60% in October.

The grant paid by the Government via HMRC will remain at 80% of the employee’s normal pay for July and August but they will stop reimbursing NICs and pension contributions from 1 August 2020.

Further details on the operation of the new scheme were announced on 12 June 2020 which are summarised below.

**KEY CONDITIONS FOR NEW “FLEXIBLE FURLOUGH”**

Only those employees who have been furloughed and included in a claim under the original CJRS scheme may be included in a claim for the new flexible furlough.

**That means they must have been furloughed on or before 10 June to allow a full 21 days prior to the end of the original scheme.**

A further restriction is that the maximum number of employees that can be included in a flexible furlough claim cannot exceed the maximum number included in a claim under the original scheme. Thus, if the employer has 8 employees split into teams of 4 and furloughed team A for three weeks and then team B for 3 weeks the maximum number of employees that can be included in a flexible furlough claim will be limited to 4.

Unlike the original CJRS furlough scheme there is no minimum furlough period as the intention is to allow employers the flexibility to gradually bring employees back to work. The hours/days worked will need to be agreed between employee and employer which is likely to involve amending the employees’ contracts.

Employees will be entitled to their normal contractual pay for the hours that they work and must be paid at least 80% of their normal pay for the hours that they are furloughed, even when HMRC are only reimbursing 70% or 60%.

Employers will need to notify HMRC of the employee’s usual hours and the hours worked in the claim period. The furloughed hours will be the difference. This will be complicated where the employee’s hours vary. There is currently a lack of clarity in the HMRC guidance on the calculation of “usual hours” and we will of course be available to assist you in making your claim. We will also be able to make the claims on your behalf.

Each claim made by an employer must be for a week or more and no claim period can straddle a calendar month end.

Like the original furlough scheme claims cannot be made more than 14 days in advance.

The first claims under flexible furlough can be made from 1 July and **the deadline for claims under the original CJRS for the period to 30 June is 31 July 2020.**

## Correcting errors in earlier furlough claims

You can now tell HMRC about an overclaimed amount 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 error. Your new claim amount will be reduced to reflect this. You should keep a record of this adjustment for 6 years.

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.

If we have made the furlough claims on you behalf please contact Gina if you have any queries.

## Opening your first Amazon Seller account

During lockdown we have continued to attract an increasing number of new clients in eCommerce businesses from across the UK and overseas.

Many clients are established Amazon FBA sellers (with a growing trend towards PanEU and Amazon.com). We also look after some substantial Ebay Sellers, Shopify traders etc.

We have helped many new Amazon businesses setting up their limited company, providing a registered office address, opening their bank accounts (normally very quickly) and then ultimately opening their Seller Central account.

One very experienced business client recently described this process **"the stress of setting up my Amazon account seemed worse than anything I had done in business before! If you get it wrong, that's it. There is no second chance with them".**

Thankfully, this client and others have helped us in the production of a draft guide 'How to open your Amazon Seller Central Account."

Frankly there is so much varied information available online it is nice to have a proven system. We are testing this guide with several new clients in the Amazon setting up pipeline and will then make the guide available to all new clients. If you are struggling now please contact us!

**The next guide?**

The even longer winded process of converting your Amazon Seller Central account from sole trader to your new limited company!

## Protecting your business against fraud

Throughout recent months, there have been widespread reports of an uptick in fraudulent websites, charity scams and fake emails purporting to be from banks, etc. This increase in fraudulent activity is being driven by opportunists who are attempting to take advantage of the confusion and change of circumstances resulting from the current global pandemic.

In order to protect against fraud, businesses should carry out a risk assessment. This should include an assessment of any IT risk that could arise through remote working. Cyber security measures should be put in place including firewalls, anti-malware and anti-virus software. This software should be kept up to date.

All staff should be trained on how to spot fraudulent emails and should be provided with clear guidelines on what to do if they spot a fraudulent email. For example – check email addresses to see if they look suspicious, report the suspicious email to the IT manager, delete the email, etc.

On the financial side of things, regular internal and external audits should be undertaken. Two signatures / authorisations should be required to sign off on payments from the business. Access to the firm's bank accounts, online banking facilities and payment systems should be restricted to a limited number of people. An authorisation / approval process should be put in place for all payments over a certain amount.

Computers, company mobiles, phones and devices should all be password protected. All staff should be trained on how to create a secure password and a process should be put in place which means that all passwords are updated on a regular basis.

Even if you implement these measures, your business could still be the victim of fraud or cyber-crime. Make sure that you have appropriate insurance policies in place so that your business is protected against any losses incurred from crimes such as fraud.

## Helping your employees feel safe when they go back to the workplace

Over the coming weeks and months, many businesses will return to some form of normal operations. This means that staff will begin to return to offices, factories and other places of work. Business owners will need to help their people back into their work routine.

It's only natural that employees will feel uneasy about going back to their place of work. Employers can help by keeping up to date with the latest government guidelines. These guidelines should be communicated to all staff on a regular basis so that everyone is aware of the relevant policies and procedures. This in itself can help to calm people's nerves as it demonstrates that the firm is implementing the latest health and safety recommendations and is taking their wellbeing seriously.

**As ever, communication is key**. Managers and owners should have open conversations about personal protective equipment (PPE), respecting social distancing guidelines, etc. Some employees may have different views on what safety precautions are necessary in the workplace. As such, the management team should create appropriate training materials and deliver training to all staff so that everyone knows what is required of them. It is important to remind everyone that they have a responsibility to others and that if everyone follows the guidelines, then risks to staff and customers will be minimised.

Business premises should be set up to comply with social distancing guidelines. This may include setting out floor markings to encourage social distancing, setting up workstations that are a good distance apart and putting screens in place where customer interactions take place. Businesses will also need to put an appropriate cleaning regime in place in order to prevent the spread of COVID-19.

The UK Government has issued a number of guides to help business to return to work safely. These are freely available online.

## Will Covid-19 accelerate remote working practices?

In the past 10 years or so, the number of people working remotely has increased significantly.

Major contributors to this shift include technology related advancements, cultural changes to work-life integration and family commitments.

The Covid-19 lockdown has forced firms to rethink the way they do business. Most firms have rolled out new approaches to business continuity, cyber security and, of course, remote working.

It will not come as a surprise that the future of work was always going to involve a shift towards remote working. Forward thinking businesses such as Google, Apple, Facebook and Netflix were among the first businesses to adopt remote working practices. Global trends were heading that way before the lockdown.

Regardless of what happens next, it is unlikely that working practices will return to the way they were. Commuting from home to a central office where you have face-to-face interactions with colleagues could become a thing of the past.

Firms that do not have flexible or work-from-home policies will struggle to retain employees and attract the best people. Now that those working in industries such as technology, finance or service-based roles that can be performed online have shown that they can perform their role from home, they are less likely to see the need to go to the office. If businesses ask millennials and generation-Z workers to return to the office, they are likely to be asked "Why?"

The most successful businesses will be those who encourage their people to develop their communication skills, focus on collaboration and roll out the technology that enables their people to perform their job online. However, not everyone will be able to work from home, all the time and some people may prefer to work in the office.

In addition, those working in front line public services, retail, healthcare and the hospitality industry will still have to go to their place of work.

That said, cities are likely to be much quieter places going forward and businesses will have to adapt in order to provide their services to an increasingly remote working population. It seems likely that Covid-19 will indeed accelerate remote working practices and businesses will need to become comfortable with that.

## Business asset disposal relief update

The Spring Budget 2020 announced a significant restriction on future availability of entrepreneur's relief (ER) for individuals who dispose of all or part of their business, individuals who dispose of shares in their personal company, and trustees who dispose of business assets.

Broadly, the changes will **increase the amount of tax payable by a business sold at a profit of over £1m**. For potential sale profits at or around this limit, careful planning may be needed to extract value from the business prior to sale, for example through increased employer pension provision, to bring the chargeable gain within the revised limit.

The Spring Budget also announced that ER is to change its name to business asset disposal relief (BADR).

When an individual disposes of an asset at a gain, capital gains tax may be due. Ordinarily, for gains falling above the higher-rate threshold (£50,000 in 2020/21), this will be charged at a rate of 20%. However, if certain conditions are met, BADR may be available and the chargeable rate be reduced to 10%. Broadly, **the lifetime limit of £10m is reduced to £1m for disposals** on or after 11 March 2020. The measure also provides that the lifetime limit must take into account the value of ER claimed in respect of qualifying gains in the past. For disposals between 6 April 2011 and 10 March 2020, the lifetime limit on gains qualifying for ER is £10 million.

The £10 million limit is a lifetime threshold and claims may be made against it on more than one occasion.

**Selling all or part of a business**

To qualify for BADR, both of the following conditions must apply:

- the individual must be a sole trader or business partner; and
- the individual must have owned the business for at least two years before the date they sell it.

The same conditions apply if the business is closing rather than being sold. The business assets must be disposed of within three years to qualify for relief.

**Selling shares or securities**

To qualify, both of the following conditions must apply for at least two years before the shares are sold:

- the individual is an employee or office holder of the company (or one in the same group); and
- the company's main activities are in trading (rather than non-trading activities like investment) or it's the holding company of a trading group.

There are other rules depending on whether or not the shares are from an Enterprise Management Incentive scheme (EMI).

**Selling assets previously lent to the business**

To qualify, both of the following must apply:

- the investor sold at least 5% of their part of a business partnership or their shares in a personal company and
- they owned the assets but let their business partnership or personal company use them for at least one year up to the date they sold the business or shares - or the date that the business closed.

## Creating a resilient supply chain in uncertain times

Before the current Covid-19 crisis, for most businesses, sourcing supplies was all about pricing, timing and making savings where possible. Now that supply chains have become disrupted, the priority is to keep operations online by making sure those supply chains keep flowing.

Volatility wreaks havoc on traditional supply chain planning. Production levels, raw material purchases, logistics and order fulfilment become almost impossible to forecast.

In the current environment, orders of raw materials and supplies are more likely to be delayed. You should build in some extra time in order to ensure you don't run out of stock before your next order is delivered.

Having a safety stock is a common approach to managing supplies during times of uncertainty. You don't want to have too much cash tied up in extra stock but having a sensible buffer can be helpful in smoothing out procurement issues.

Working with a single supplier is risky. If you are dependent on one single supplier, it makes sense to do some research and identify a second supplier that you can use if your supply chain is cut off due to delivery issues, disruption, etc.

On the sales side, it may be necessary to manage your customer's expectations regarding delivery timelines. For example, if you are an online retailer, it may take longer for goods to be delivered to customers through the mail. Up front communication with your customers is always best. If they know that there is a chance of a delivery being delayed, they are less likely to complain if it actually happens.

Managing cashflow is particularly important in uncertain times. You may find that your suppliers are less willing to give your firm 30 days credit. If possible, you could try to negotiate a discount for settling invoices within 14 days. After all, **cash is king.**

## Top tips for hosting an effective webinar

Webinars have quickly become a key marketing and customer communication tool for many businesses. Whether you want to update your clients on new industry developments or host online tutorials on how to get the most out of your products / services, more people than ever before are choosing to dial into webinars.

**Topic**

If you choose a topic that doesn't interest your audience, your webinar is doomed to failure. Do your research and identify a topic that will resonate with your audience. Check out what your competitors are up to – are they covering an interesting topic that seems to get the attention of customers? Take the time to check out what other firms in other industries are doing too – you might be able to take a theme or idea and repurpose it in a way that works for your audience.

**Promote your webinar**

There is no point creating a webinar if nobody knows about it. Email a link to your customers inviting them to join in. Give them a couple of weeks'notice and follow up with a reminder a few days before the webinar.

If you want to attract some potential new customers, post an invitation to your upcoming webinar on your company website, LinkedIn page, on Twitter, etc. On the day of the webinar, send a final email reminder that includes a direct link to attend.

**Practice**

Practice makes perfect. Have a few rehearsals in order to ensure you iron out any potential glitches. A good practice session can help you to get your timing right, ensure your technology is working correctly and will also help you to deliver your content in an engaging and effective manner.

**Timing**

It may seem obvious, but ensure you choose the right time and day for your webinar. If some of your customers are in different time-zones, you can also record the webinar and make it available to them after the event.

**Choose the right platform**

It’s important to use a reputable webinar platform that makes it easy for people to register and supports multiple ways for people to join. For example, some people may join from a computer whereas others might want to join via a smartphone app. The large, well-known webinar platforms such as GoToWebinar, Zoom, Webex or ClickMeeting offer the functionality that most business users will need.

Think about the number of attendees that you are likely to have as most webinar platforms offer different packages for say 100, 250 or 500+ attendees.

**Follow up**

As with any marketing activity, follow up is key. After the webinar, send an email to attendees thanking them for joining. If possible, include a copy of the slides or a summary of the topic covered. You could ask participants to suggest potential topics that they would like you to cover in the future - if you are going to provide webinars, it makes sense to tailor the topics that are of most interest to your clients.

## Update on tax efficient savings options

As the new tax year progresses, now is a good time review some of the tax-efficient savings incentives available which may help maximise potential returns.

**Help-to-save**

The Help-to-Save scheme offers working people on low incomes a 50% bonus, rewarding savers with 50p for every £1 saved. **Over four years, a maximum bonus of £1,200 is available on savings of up to £2,400.** Savings limits are flexible and it is not necessary to pay in every month to get a bonus.

How much is saved and when is up to the account holder - the rules stipulate that investors can save between £1 and £50 every calendar month, up to a maximum of £2,400 over a four-year period.

Accounts last for forty eight months from the date the account is opened and the government bonuses are added at the halfway point, i.e. after two years, and at the end of the four year lifespan of the account, or on the date that the individual becomes terminally ill or dies, if earlier.

Accounts will be available to open up until September 2023.

The investment limits mean that £2,400 is the maximum an individual can save, with a maximum government bonus payable of £1,200. In comparison, high street banks are currently offering a typical interest rate of between 1 and 2% on savings bonds, which does appear to make the Help-to-Save account a particularly attractive option for someone looking to save.

**ISAs and Junior ISAs**

The maximum annual investment limit for Individual Savings Accounts (SAs) remains at £20,000 for 2020/21. The limit effectively allows a couple to save a not-insignificant £40,000 a year and receive interest on the investment tax free. There will also be no capital gains tax to pay when the account is closed.

Junior ISAs are available to UK-resident children under-18 and run on similar lines to 'adult' ISAs. The maximum investment limit has been significantly increased for 2020/21 to £9,000 (from £4,368 in 2019/20). This increase provides adequate scope for parents and grandparents to make tax-free savings investments on behalf of their children/grandchildren.

**Lifetime ISAs**

Most individuals aged between 18 and 40 are eligible to open a Lifetime ISA (LISA) and contribute up to £4,000 each year, with the government providing a 25% bonus on contributions at the end of each tax year up to the age of 50. The funds in the account, including the government bonus, may be used to buy a first home worth up to £450,000 at any time from 12 months of opening the account and can be withdrawn from age 60 for any other purpose. Savers are also able to access the funds in their account if they become terminally ill. Under the normal rules, any other withdrawals that are made will be subject to a 25% charge. However, to help with the impact of the coronavirus (COVID-19) outbreak, the Government has confirmed that the charge for unauthorised withdrawals from a LISA during the period 6 March 2020 to 5 April 2021 inclusive has been reduced from 25% to 20%.

**Premium Bonds**

With a return rate comparable with regular savings accounts (currently 1.40%), Premium Bonds (PBs) remain one of Britain's most popular ways to save. Currently the minimum amount of PBs that can be purchased is £25 and the maximum that may be held is £50,000. It is now permissible for anyone over the age of 16 to buy PBs on behalf of children. The odds on winning a prize in any one month are currently 24,500 to one. There are currently two £1m prizes, five £100,000 prizes and ten £50,000 prizes each month.

Although Premium Bonds are not strictly an 'investment', they can be encashed at any time with the full amount of invested capital being returned - and in the meantime, any returns by way of 'winnings' will be tax-free. ISAs

## Advisory fuel rates update

HMRC publish rates that can be used by employers wishing to pay their employees the cost of fuel for business journeys in company cars (or, where the employer initially pays for all fuel, for reimbursement of private mileage by company car drivers to their employers). Hybrid cars are treated as petrol or diesel cars for this purpose.

HMRC's guidance on fuel-only mileage rates for company cars **confirms that employers are not obliged to use advisory fuel rates.** Where an employer wishes to use them, they only apply where the employer:

- reimburses employees for business travel in their company cars; or
- requires employees to repay the cost of fuel used for private travel in those company cars.

If the employer pays more than the relevant advisory fuels rates and the payments are not an actual reimbursement, the excess is taxed (and subject to employees' and employers' National Insurance Contributions).

Rates applying from 1 June 2020 are as follows:

| **Engine size** | **Petrol** | **Diesel** | **LPG** |
|---|---|---|---|
| 1400cc or less | 10p | - | 6p |
| 1600cc or less | - | 8p | - |
| 1401cc to 2000cc | 12p | - | 8p |
| 1601cc to 2000cc | - | 9p | - |
| Over 2000cc | 17p | 12p | 11p |

**Electric cars**

An Advisory Electricity Rate has been introduced for electric cars. The current rate is 4p per mile, though it should be noted that electricity is not a fuel for car fuel benefit purposes.

**Coronavirus measures**

For employees using company cars, an employer may agree to refund the fuel costs using the advisory fuel rates, of employees carrying out volunteer work related to coronavirus, for example, delivering medical supplies including PPE. These refunds are a benefit and the employer may settle any tax and National Insurance contributions on the employee's behalf by reporting through a PAYE Settlement Agreement.

The employer may also agree to fund the cost of fuel for volunteer mileage related to coronavirus. HMRC have advised that volunteer mileage should not be taken into account for the purposes of the car fuel benefit charge for company cars.

Any tax and National Insurance contributions due should be reported through a PAYE Settlement Agreement as a coronavirus related benefit based on the appropriate advisory fuel rate for the volunteer mileage.

## Questions and answers

**Q. I have been contacted by coronavirus (COVID-19) Test and Trace. Am I eligible for statutory sick pay (SSP) from my employer?**

**A.** Under the test and trace system that launched on 28 May, a person who has been notified that they have had contact with a person with coronavirus is requested to self-isolate for 14 days. The rules relating to SSP have been amended to include employees who are self-isolating in these circumstances.

If you have been working from home and are not furloughed, you may be able to continue working and should receive full pay, as normal. If this does not apply and your employer does not have a company sick pay scheme, then under new laws from 28 May 2020, you may be entitled to receive SSP for every day you are in isolation - from the first day - as long as you meet the eligibility conditions. This is the case whether or not you go on to develop symptoms.

If you were already on furlough when you were contacted by the test and trace service, you should discuss with your employer whether it is best for you to be kept on furlough or moved over to SSP - although there seems to be some flexibility, you cannot receive both at the same time. One consideration is that employers are required to pay SSP themselves, although may qualify for a rebate for up to two weeks of SSP. If employers keep a 'sick' furloughed employee on furlough, they remain eligible to claim at least a proportion for these costs through the furlough scheme.

**Q. I have owned and rented out a residential property for the last ten years, which I am now considering selling. I will use the proceeds to purchase another rental property. Will I have to pay capital gains tax on the proceeds from the sale even if all the money is reinvested in another property that is also let?**

**A.** Yes, you will be liable to capital gains tax on the gain arising on the sale, even though you will be reinvesting the money in another property that is also let. Rollover relief is available for residential investment property only in relation to qualifying furnished holiday lettings, and for compulsory purchases.

**Q. My business is struggling financially due to the impact of the coronavirus (COVID-19) and I am considering applying for a grant being made available by the government via local authorities. Would this income be subject to VAT?**

**A.** Whilst HMRC have not confirmed the VAT implications in any of their announcements, the basic principles of supply and consideration can be expected to apply. VAT is a tax on supplies for consideration, so where a grant is made, and nothing is expected to be done in return it will not be subject to VAT.

Grant funding can be a complex area in some circumstances as it is common for funding bodies to use the term 'grant' when, in reality, it is payment for a contractual obligation. However, the business support funding being made available to mitigate the impact of Covid-19 does not fall into this category and will be outside the scope of VAT.

Details of various Government support measures available for business can be found online.

## Need Help?

Please contact us if we can help you with these or any other tax or accounts matters.

We are committed to ensuring that all clients receive useful tax and business advice and ongoing support throughout the year. If you have a business problem (or opportunity) to discuss please call us.

In addition, if there's anyone else who you think would benefit from the newsletter, please forward the email to them or ask them to contact us to be added to the newsletter list.

## New Clients Welcome

If you are not already a client of Hanley & Co we would be delighted to hear from you. You may be setting up in business or considering changing your accountants.

We offer all potential new clients a Free Unlimited Initial Consultation - with Absolutely No Commitment. We feel sure you will also benefit from receiving our free 'New Business Kit'. Please contact us to request your copies now.

## About Us

Hanley & Co provide personal advice to all clients based on over twenty years' experience as practising accountants. We have clients across the North West of England and some even further a-field.

Visit our website http://www.hanleyandco.co.uk for more information. ICAEW CHARTERED ACCOUNTANTS HANLEY & CO - ACCOUNTANTS YOU CAN TALK TO

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