bright grahame murray
CHARTERED ACCOUNTANTS

NEWS UPDATE - 12 JANUARY 2022

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New Covid-19 business support package

A new support package has been announced to assist businesses impacted by the Covid-19 Omicron variant. Applications are open to the end of February, but many have said the measures don't go far enough given the extensive losses suffered in the hospitality and leisure sectors over the festive period.

Although no businesses were legally required to close when the move to Plan B was announced in December, the use of face masks was extended, Covid-19 passes required for some venues and people encouraged to work from home. Combined with advice to limit socialising, these measures led to dramatic falls in the number of people going to pubs, restaurants and shows.

Business grants

Around 200,000 businesses in the hospitality and leisure sectors in England, such as restaurants, hotels and pubs, are eligible for one-off grants of up to £6,000 on a per-property basis. Businesses must be solvent to qualify. The amount of grant is dependent on the property's rateable value.

RATEABLE VALUE	AMOUNT OF GRANT
Up to £15,000	£2,700
£15,001 to £51,000	£4,000
Over £51,000	£6,000

The scheme will close for applications on 28 February, with payments made by 31 March at the latest.

Grants may well be paid automatically, but you should keep an eye on your local authority's website just in case you need to register to apply. The Chancellor has so far refused to bring back any form of furlough, and – based on previous experience – grants may not be paid to businesses for several weeks.

Extra funding has been made available to the devolved administrations so they can provide similar support.

Some £100 million of discretionary funding has also been provided for English local authorities to support other businesses, such as those who supply the hospitality and leisure sectors, so keep checking your local authority's website to see what may be on offer as some may allocate funding on a first-come-first-served basis. Additional funding is available to support theatres, museums and orchestras.

Guidance on the new local authority business grants can be found from the link below:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1044354/omicron-hospitality-and-leisure-grant-guidance.pdf

Don't forget to include Covid-19 payments on self-assessment returns

With the 2021 self-assessment tax return deadline on 31 January, HMRC has been busy reminding taxpayers to declare any Covid-19 grant payments they might have received. This is the first year they need to be included.

Most self-employed taxpayers will have received Self-Employment Income Support Scheme (SEISS) grants during the Covid-19 pandemic, and now must include the following related grants and payments in their tax returns:

- Business support grants (from local authorities or devolved administrations);
- Furlough payments;
- Eat Out to Help Out;
- Coronavirus statutory sick pay (SSP) rebates; and
- Test and trace/self-isolation payments.

All grants are taxable.

Reporting

There is a separate entry on the self-assessment tax return to report SEISS grants. All other grants and payments should be shown in the "any other business income" box.

The tax-return process is a bit more complicated for partnerships; other grants and payments go on to the partnership tax return, with each partner's respective SEISS grants included on their personal returns.

If you have already submitted your 2021 tax return and omitted any Covid-19 grants or payments, then amend the return as soon as possible.

Which SEISS grants?

The first three SEISS grants should be included in your tax return, with the fourth and fifth grants not due to be reported until next year. The payment windows for these three grants were:

GRANT	PAYMENT WINDOW
First	13 May to 13 July 2020
Second	17 August to 19 October 2020
Third	29 November 2020 to 29 January 2021

If you cannot pay

If you are unable to pay your self-assessment tax bill in full by 31 January, you can use HMRC's self-serve time to pay facility. This online payment plan lets a taxpayer create a bespoke monthly payment plan based on how much tax is owed and the length of time needed to pay.

The facility can only be used if the tax owed does not exceed £30,000, the 2021 tax return has already been filed, you are within 60 days of the 31 January payment deadline and the debt will be paid off within 12 months.

On owing tax that does not exceed £30,000, HMRC recently outlined that taxpayers will no longer be liable for late penalties if bills are paid in full, or set up a Time to Pay arrangement, by 1 April. In the same announcement, HMRC said taxpayers who cannot file their return by the 31 January deadline will not receive a late filing penalty if they file online by 28 February.

You will need to call the self-assessment helpline should you owe more than £30,000 or need longer to pay.

HMRC guidance on reporting Covid-19 grants and payments can be found from the link below:

https://www.gov.uk/guidance/reporting-coronavirus-covid-19-grants-and-support-payments

Debt-evading directors face new Insolvency Service powers

Directors who abuse the company dissolution process in order to evade debts, including the repayment of government-backed Covid-19 business loans, will be subject to stronger powers given to the Insolvency Service.

These new powers were included in the Rating (Coronavirus) and Directors Disqualification (Dissolved Companies) Act enacted on 15 December last year. Previously, the Insolvency Service could only investigate directors of companies entering insolvency but can now also look at directors of dissolved companies.

Phoenixism

Complaints regarding dissolved companies often relate to new companies that have taken over the business of the dissolved company. The new company will invariably have the same directors, take over assets – such as vehicles – but with creditors left unpaid. In some cases, this happens multiple times.

Sanctions

If misconduct is found, a director of a dissolved company can be disqualified as a company director for up to 15 years. In more serious cases, the director could be prosecuted.

It is also possible for a court order to be made requiring a former director of a dissolved company, who has been disqualified, to pay compensation to creditors who have lost out due to their fraudulent behaviour. This aspect applies retrospectively, so former directors can be held liable to creditors despite the fraudulent conduct taking place prior to the Act's commencement.

Business rates

Along with the changes aimed at former directors, the Act has a business rates aspect. The Act makes it clear that Covid-related changes cannot be used as grounds for a business rates appeal on the basis of "material change of circumstances".

Businesses that have seen their operations severely curtailed as a result of Covid-19 restrictions will likely be disapproving of this response; they are expected to keep paying business rates on the basis of rateable values set in a different world before the current Coronavirus pandemic.

The only consolation is the £1.5 billion provided for business rates relief to sectors that have suffered the most economically but are not eligible for existing support.

The government's original press release for the Bill and more detailed information can be found from the link below:

https://www.parliament.uk/business/news/2021/june/have-your-say-on-the-the-rating-coronavirus-and-directors-disqualification-dissolved-companies-bill/

Sick pay rebate returns to help relieve pressure on businesses

The Statutory Sick Pay Rebate Scheme (SSPRS), which ended on 30 September 2021, was reintroduced from 21 December 2021, with employers able to make retrospective claims from mid-January. The scheme's return is in response to heightened levels of staff sickness due to the Covid-19 Omicron variant.

Statutory sick pay is not normally recoverable, but the SSPRS means that small and medium-sized businesses can reclaim SSP paid to employees affected by Covid-19.

What is covered?

The SSPRS only covers Covid-related absences (someone who has symptoms, is self-isolating or is shielding) for up to two weeks of SSP for each employee. The rate of SSP is currently £96.35 a week.

The two-week limit has, however, been reset, so an employer can make a fresh claim of up to two weeks regardless of whether a claim was made under the previous scheme. More than one claim can be made for an employee, subject to the two-week maximum.

There are no details indicating when the SSPRS will end, although the government will keep the scheme under review.

Qualifying employers

The most important condition is that the SSPRS is only available to employers with fewer than 250 employees. This test must be met on 30 November 2021. The employer must also:

- Be UK based;
- Have a PAYE payroll system that started on or before 30 November 2021; and
- Have already paid the employee's Covid-related sick pay.

To make a claim, an employer will need the Government Gateway login used when they registered for PAYE Online.

Record-keeping

Employers must retain records of any SSP they have claimed back under the SSPRS for three years from the date repayment is received. The records should include the reason an employee said they were off work due to Covid-19. Employees are now able to temporarily self-certify absences for 28 days, rather than the usual first seven days only.

Further guidance and the starting point for making a claim under the SSPRS can be found here.

https://www.gov.uk/guidance/claim-back-statutory-sick-pay-paid-to-your-employees-due-to-coronavirus-covid-19

Focus on tax year-end planning

With Christmas and New Year behind us, tax year-end planning should now be on your radar.

The 2021/22 tax year will end on Tuesday 5 April. This year there is no Spring Budget and Easter arrives on 15 April, so no obstacles stand in the way of year-end tax planning. Nevertheless, the sooner you start the better, as some decisions cannot be made quickly. There are some key areas to consider.

Pensions

Making pension contributions is one of the few ways that you can receive full income tax relief and reduce your taxable income. The second benefit matters in a world where your level of taxable income can determine whether you suffer the High Income Child Benefit tax charge or retain entitlement to a full personal allowance. The end of the tax year is a good time to assess how much you can contribute as you should have a good idea of your income for the year.

Inheritance tax

Now that we know the Chancellor does not have any plans for major reform of inheritance tax (IHT), there is a stable framework on which to plan. As ever, first on the list to consider is use of your annual exemptions, such as the £3,000 annual gifts exemption. With the nil rate bands currently frozen until April 2026, it is more important than ever not to let these go to waste.

Capital gains tax

As with IHT, the Chancellor has recently clarified his plans for capital gains tax (CGT). The annual exemption, which currently allows you to realise CGT-free gains of up to £12,300 each tax year, will not be slashed, nor will the tax rates be raised to income tax levels. That has simplified the year-end planning process, as there is now no point in realising gains above your annual exemption in case there would be more tax to pay in the near future.

If you think your personal finances could benefit from year-end planning, do not wait until the last moment to seek advice. Calculations will often need data that can take time to collect, particularly on the pensions front.

Should you wish to discuss this News Update in further detail please contact BGM at: communications@bgm.co.uk