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Chartered Accountants & Registered Auditors
Clifford Fry & Co.

BUSINESS

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Last self-employed grant opens

The fifth, and probably final, SEISS support grant (for self-employed workers) will be available from late July. This time, the amount of grant paid is dependent on the reduction in your turnover.

Turnover reduction

The four previous SEISS grants were paid if there was a significant reduction in trading profits. For the fifth grant, the full amount will only be paid if your turnover for the 12 month period of April 2020 to April 2021 has reduced by 30% or more. If so, you will receive 80% of three months' average trading profits, subject to a maximum grant of £7,500. If the reduction is less than 30%, the grant will only be 30% of three months' average trading profits, with a £2,850 maximum.

> *The fifth grant will only be paid in full if your turnover for April 2020 to April 2021 has reduced by 30% or more.*

The turnover period can start on any day from 1 April to 6 April 2020, although it will normally be turnover reported on your 2020 tax return that will be used to establish the amount of reduction. This could create a tricky mismatch. Any Covid support payments should be excluded from turnover.

Eligibility

As for previous SEISS grants, your trading profits must not exceed £50,000, and your non-trading income, such as employment, pensions or rentals, shouldn't exceed your profits. HMRC will initially run a test for 2019/20, but, if this fails, they will look at an average for the four years 2016/17 to 2019/20.

Trading

You must have traded in the tax years 2019/20 and 2020/21, with the tax return for 2019/20 submitted by 2 March 2021. Moreover, you must either be currently trading, but suffering reduced demand due to Covid-19, or have been trading but are temporarily unable to do so due to Covid-19. There must also be a significant reduction in your trading profits for the period May to September 2021 due to reduced business activity, capacity or demand.

You must make your claim on or before 30 September, so if you need any assistance please let us know.

TAX

Super-deduction U-turn for landlords

The 130% super-deduction scheme has been amended. Landlord lessors are now included after the government changed its mind and amended the Finance Bill.

The reliefs

Companies investing in qualifying main pool plant and machinery benefit from a 130% super-deduction for the next two years, which allows £130 of relief against profits for every £100 spent.

This scheme improves on the 100% annual investment allowance (AIA), especially as there is no upper qualifying limit. This will be particularly relevant once the increased AIA limit drops back down from £1 million to £200,000.

There is also a 50% first-year allowance for expenditure that falls into the special rate pool.

Landlords

Leased assets were initially excluded from both the super-deduction and the 50% first-year allowance, much to the annoyance of landlords leasing property to tenants. However, the amendment to the Finance Bill now allows plant and machinery in leased buildings to qualify for both enhanced reliefs.

Value of the super-deduction

Suppose a property company carries out a building project and spends £100,000 fitting out the property, with this expenditure qualifying as main pool plant and machinery.

The super-deduction of £130,000 can be claimed against profits, generating a corporation tax saving of £24,700. This falls to £19,000 if only the AIA is available, and £3,420 for the year of expenditure if no AIA is available (and just £1,140 if the expenditure falls into the special rate pool).

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BUSINESS

New VAT rules for EU retail sales

The EU has extended its mini one stop shop (MOSS) to become a one stop shop (OSS) from 1 July 2021 covering a wider range of supplies.

UK retailers can still register

The OSS simplifies and minimises VAT registration requirements for distance sales of goods to consumers. Only one VAT return is required for all sales within the EU, but the seller should apply the VAT rate for each state where goods are sold. A UK business can make use of the OSS system by registering as a non-Union VAT payer in one EU member state.

However for businesses that sell only a small amount of goods to the EU, the new arrangement may prove more burdensome. The previous simplified scheme allowed retailers to include sales to the EU on their UK VAT return.

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VAT e-commerce package

The new rules are commonly described as the EU VAT e-commerce package. It consists of two key components: the OSS and the import one stop shop (IOSS). Both are optional and are restricted to online sales of goods and services to consumers in the EU.

- **OSS:** UK businesses that sign up to OSS must charge the VAT rate of the destination country at the point of sale and report and pay quarterly through an online portal.
- **IOSS:** The IOSS is used for online sales of goods imported into the EU from a third country. It can only be used for consignments worth up to €150 (£130). As with the OSS, the seller charges the VAT rate of the destination country at the point of sale but reports and pays it monthly. Using IOSS means goods travel through customs faster, and the customer does not face additional costs after sale.

Businesses that sell to EU consumers through an online marketplace, such as Amazon or eBay, may no longer need to account for VAT themselves because the marketplace will in certain cases become the deemed supplier and deal with the VAT itself. You should consult the marketplace about how to proceed.

BUSINESS

Back in business with the Recovery Loan Scheme

If your business needs financial support as you recover from the pandemic and grow, the government's Recovery Loan Scheme (RLS) is still available to help.

Credit: SpeedKingz/Shutterstock.com

The scheme aims to improve the terms offered to businesses by providing a government-backed guarantee against the outstanding balance of the loan. Nearly 50 banks and other lenders are accredited by the British Business Bank so far to participate in the scheme.

Lenders can provide up to £10 million to a business as one of:

- a term loan;
- an overdraft;
- invoice finance;
- asset finance.

The RLS guarantee depends on the amount borrowed. If that is £250,000 or less, the lender will not take any personal guarantee. Above that figure, the maximum that can be covered is capped at 20% of the outstanding balance of the RLS facility after applying the proceeds of business assets. The lender may also require a personal guarantee, which cannot include a borrower's only or main home.

To qualify under the RLS your business must:

- have been impacted by the Covid-19 pandemic – you will have to confirm this to the lender;
- be trading in the UK;
- have a viable business proposition.

A lender may disregard any concerns over short- to medium-term business performance resulting from the impact of Covid-19.

There is no turnover restriction for businesses accessing the scheme. Approved finance applications are within the discretion of the lender, which will make all the usual checks. The lender will require evidence that you can afford to repay the loan and is likely to ask for management accounts, a business plan, annual accounts and details of assets.

The RLS is available until 31 December 2021. Approach lenders directly to make an application.

TAX

Advisory fuel rates rise

HMRC has increased the advisory fuel rates by 1p from 1 June 2021 for all petrol vehicles.

Most diesel rates remain static

Diesel rates have not changed this time except for vehicles over 2,000cc, which have also increased by 1p. The current rates are shown in the table.

Petrol vehicle advisory fuel rates		Diesel vehicle advisory fuel rates	
1,400cc or less	11p	1,600cc or less	9p
1,401 – 2,000cc	13p	1,601 – 2,000cc	11p
Over 2,000cc	19p	Over 2,000cc	13p

These rates apply to employees using a company car. They can only be used when the employer reimburses employees for business travel or needs employees to repay the cost of fuel used for private travel. The advisory rate for fully electric cars is unchanged at 4p.

Using rates avoids admin

Hybrid cars are treated as either petrol or diesel cars for advisory fuel rates. If the rates are used, the employer need not apply for a dispensation to cover the payments made.