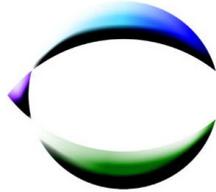




# TAX BRIEFING

JUNE 2021



CLARITY TAXATION

## BUSINESS RATES ON EMPTY PROPERTIES

**A**s a landlord you may have lost income during the pandemic as tenants have left or gone into liquidation.

Council tax (for residential properties) and business rates (for commercial premises) remain payable when a building is empty but there may be reliefs available.

community amateur sports clubs also qualify for some business rates relief.

Some local authorities allow landlords to claim a discount on council tax for empty residential properties but this varies across the country. It is always worth asking your local council whether they offer such relief.

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Where the owner is a company in liquidation or administration and is not occupying the property, business rates will not be due.

Some local authorities have challenged business rates avoidance schemes that use special companies to hold vacant properties. Be aware that use of a business rates avoidance scheme almost certainly will not work.

No business rates are due on an empty commercial property for the first three months it is vacant. This is extended to six months for industrial or warehouse properties. After that period the landlord can claim an extension to this empty-property relief for listed buildings or those with a rateable value under £2,900. Charities and

If you are facing a business rates bill on an empty property you can also contact your local council and claim hardship relief or a discount on those rates.

## BEWARE OF MINI UMBRELLA COMPANIES

**U**mbrella companies employ temporary workers such as contractors on behalf of employment agencies or very large companies.

**If your business uses temporary workers be sure to carry out due diligence checks on your supply chain**

The umbrella company will operate the payroll and makes money by taking a cut of the fees earned by the individual.

Each MUC then claims the employment allowance which is worth up to £4,000 per year and may also use the VAT flat rate scheme to save some VAT.

An umbrella company should provide each worker with an employment contract and payslips. It should also provide a breakdown of the worker's assignment rate received and list its costs including employer's national insurance contributions (NIC). The employer's NIC should not be deducted from the worker's contract rate.

If you are a contractor caught up in a mini umbrella scam you should speak to your ultimate customer immediately and warn them about potential fraud in their supply chain.

Some umbrella companies try to boost their profits by bending the law to take advantage of tax breaks designed for small companies. One method is to form multiple 'mini umbrella' companies (MUCs) each of which employs only one or two people.

If your business uses temporary workers be sure to carry out due diligence checks on your supply chain and be clear about who pays those workers and how. Alarm bells should ring if your workers have been promised non-taxable pay, higher take-home pay or have been asked to sign a loan or annuity agreement.





## PROBLEMS WITH HOLIDAY LETS

**L**andlords of furnished holiday accommodation qualify for tax breaks if their property is available for short term lettings for at least 210 days a year and is actually let for 105 days in the year.

**We can help you calculate the tax due on the sale and discuss the timing of the disposal to maximise the reliefs available** Longer lets out of season are permitted but these must not exceed 155 days in total.  
Due to the Covid-19 pandemic Easter holiday lettings were prohibited in many parts of the country and the 2020 summer season was heavily restricted. This is likely to mean that the 105-day minimum holiday letting was not achieved for many properties in the tax year 2020-21.

All is not lost as you can retain the favourable tax treatment for your holiday letting business by claiming a 'grace period' for the 2020-21 tax year. To qualify you must have let the property as short lets for at least 105 days in either 2019-20 or 2018-19 and be intending to let it again in 2021-22 as a holiday rental.

If you have more than one holiday property, the number of days let can be averaged over all properties in a single tax year to achieve the minimum 105-day requirement.

If you plan to sell one or more of your holiday properties, any profit will be subject to capital gains tax (CGT) which is normally charged at 28% for residential property. The business asset CGT rate of 10% may be available if the property qualified as a furnished holiday let within three years of the sale.

We can help you calculate the tax due on the sale and discuss the timing of the disposal to maximise the reliefs available so please discuss your plans with us before you agree to sell.

## HOW TO REPORT EMPLOYEE BENEFITS

**E**mployee expenses and benefits provided in the year to 5 April 2021 must be reported to HMRC by way of the P11D process by 6 July 2021.

Every employee who received benefits or expenses in the year should be included in that process even if they have already left the company.

Employers who have already accounted for the value of the benefits during the payroll process do not have to complete a P11D for those employees but must submit a P11D(b) to HMRC to report the class 1A NIC which is due.

**We are able to help deal with P11D and P11D(b) filing and advise on what costs should and should not be included**

- broadband internet connection if it was not already available;
- computer tablet, laptops and office supplies;
- reimbursing employee for the cost of home office equipment; and
- working at home allowance up to £6 per week.

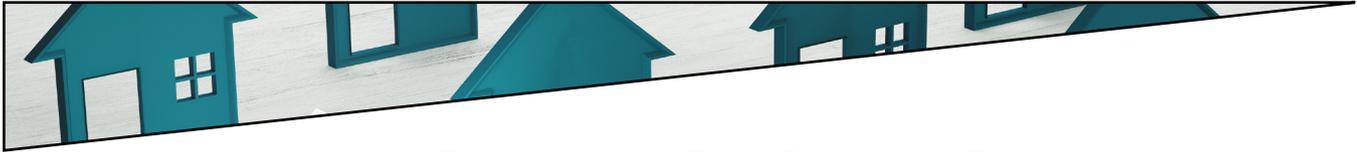
Many employees were provided with extra support from employers in 2020-21 to enable them to work in a covid-secure way. HMRC introduced some concessions to ensure that employees are not taxed on the benefit of this necessary support.

Where the employee was required to work at home as the workplace was closed or they had to self-isolate, the following costs are not treated as taxable benefits if met by the employer:

Strictly there should be no significant private use of the broadband and equipment to allow the provision to be tax free but HMRC says that the private use measure should be based on the employee's duties and the need for them to have the equipment or services provided to do their job.

We are able to help deal with P11D and P11D(b) filing and advise on what costs should and should not be included.





## CGT ON SALE OF HOMES

Capital gains tax (CGT) may be due when you sell a second home or a property that has not been occupied as your main home for the entire period of ownership.

**For sales of UK homes completed since 6 April 2020 any CGT due must be declared and paid within 30 days**

For sales of UK homes completed since 6 April 2020 any CGT due must be declared and paid within 30 days of the completion date of the deal. Some conveyancing solicitors and estate agents are still

unaware of this requirement or do not inform their clients about the shorter reporting period so particular care is required.

Non-resident sellers must also declare the disposal of all UK properties within 30 days.

The declaration must be made through an online UK property account which is a separate system from annual self assessment tax returns. HMRC will issue

you with a reference number when you report the gain, which you must use when paying the tax due. The HMRC computer will issue penalties automatically if the reporting or tax payment is late.

Taxpayers must also report the same gain on their tax return for the year and declare how much CGT they have already paid through the UK property account. If you have paid too much CGT that overpayment must be reclaimed by amending your UK property account. The overpayment cannot be offset against your income tax liability for 2020-21 which is payable on 31 July 2021 with any balance due by 31 January 2022.

If you have disposed of a UK residential property in the last 14 months and this has not already been reported to HMRC please speak to us without delay.

## AVOID CHILD BENEFIT CLAWBACK

Couples who receive child benefit are in danger of having some of that benefit clawed back as a tax charge if the higher earner has annual income of over £50,000.

When the higher earner has income exceeding £60,000 all of the family's child benefit is clawed back.

If your annual income is around £50,000 and you or your partner receive child benefit you must declare the amount of child benefit received on your tax return. If you do not receive an annual tax return to complete, it is essential that we contact HMRC to register for a self assessment tax return.

With planning it may be possible to avoid the child benefit clawback by making Gift Aid donations or personal pension contributions during the tax year. We can help structure this planning where possible.

If you run a business with your partner, planning may also be possible to equalise your income levels so that neither of you has annual income of more than £50,000. This adjustment of income needs to be done in advance so please talk to us as soon as possible.

## TAX CREDIT RENEWALS

All tax credit claimants should have received their renewal pack by 4 June 2021. If you have not received your renewal pack you should contact HMRC on 0345 300 3900.

**If you have not received your renewal pack you should contact HMRC on 0345 300 3900**

If your income has fallen temporarily as a result of Covid-19, perhaps because you were furloughed, you do not have to report this. HMRC will treat your tax credit claim as if you have been working your normal hours while on furlough.

You can renew your claim online at [www.gov.uk/renewing-your-tax-credits-claim](http://www.gov.uk/renewing-your-tax-credits-claim). If you need any assistance contact us and we will guide you through the process.

Other changes in your personal life should be reported as they may affect your tax credit claim. For example a change in your living arrangements or a change in your

If your income has reduced permanently due to the Covid-19 pandemic, check that your income details in the tax credit pack are correct.





childcare costs will generally need to be included.

Self-employed individuals who claim tax credits should include in their claim any grants received from the Government under the Eat Out to Help Out scheme; Self-Employed Income Support Scheme; retail, leisure or hospitality grants; and small business rates grants. You do not have to include a Test and Trace Support

payment (which came in the form of a one-off lump sum of £500).

Your tax credits claim must be renewed by 31 July 2021 so you may need to include some estimated figures. If you need any guidance or figures get in touch with us as soon as possible.

## MTD FOR VAT: CRUNCH TIME

**M**ost VAT registered businesses were required to comply with the making tax digital (MTD) regulations for VAT periods beginning on or after 1 April 2019.

**HMRC is starting to take a tougher approach with traders who have not signed up to MTD**

HMRC has not been imposing penalties for non-compliance with those rules, preferring to nudge businesses with letters and advertising campaigns instead.

However HMRC is starting to take a tougher approach with traders who have not signed up to MTD. Around 800 businesses have been told that they can file their current VAT return using the old HMRC portal (online form) but from 8 July 2021 they will have to file using MTD software as the old portal will be closed to them. If the response to this test-run is positive HMRC will roll it out to others in a similar position.

registration threshold of £85,000 are not required to file using MTD until their first VAT period starting on or after 1 April 2022 but should prepare for their move to MTD sooner rather than later.

The MTD regulations require that the VAT data flows through the accounting system without manual intervention such as re-typing or copying and pasting figures. If your system still contains these manual breaks they need to be replaced by digital links without delay. We can advise on the best options available to you.

All businesses using MTD for VAT need to have digital links in place in their accounting systems from the first accounting period that starts on or after 1 April 2021.

Businesses whose annual turnover is less than the VAT

## POSTPONED IMPORT VAT ACCOUNTING

**Remember to download the PIVA statements regularly as they are only available online for six months**

As the UK is no longer a member of the EU, import VAT applies to all goods imported from the rest of the world into Great Britain (different rules apply for Northern Ireland) which do not qualify as small parcels (worth under £135).

That import VAT will commonly be accounted for as a reverse charge entry on the importer's next VAT return using postponed import VAT accounting (PIVA). This is a permanent change to the VAT system in the UK.

The reverse charge means that there are two entries on the VAT return which normally cancel each other out. However this will not be the case if there is any non-business use of the goods or where the importer is partially exempt so not permitted to reclaim all VAT on purchases.

There is a separate process for deferring payment of customs duty on imported goods. Both VAT and customs duties are included on customs declaration forms.

The monthly PIVA statements are an essential part of your VAT records and are needed to give the correct figures to include on your VAT return. Remember to download the PIVA statements regularly as they are only available online for six months.

Where the PIVA statement is not available HMRC will allow you to estimate the amount of VAT paid but the figure should be corrected on the following quarter's VAT return.

If the import VAT is paid on arrival of the goods in the UK the amount will be shown on a C79 certificate which you should retain as evidence.