bgm bright grahame murray
CHARTERED ACCOUNTANTS

NEWS UPDATE - 15 JANUARY 2021

Contents

Taxing wealth – a viable option?

An independent body of tax experts has set out the framework for a one-off wealth tax. Will the Chancellor be tempted?.

"We have a responsibility, once the economy recovers, to return to a sustainable fiscal position."

So said the Chancellor Rishi Sunak in his November statement, during which he also highlighted that the government was spending £280 billion this financial year on coping with the Covid-19 pandemic.

A wealth tax is one way that has been suggested to repay at least part of the massive debt that has accumulated. The idea was given a boost in December when a 125-page report detailing how a wealth tax could operate was published by the Wealth Tax Commission, which is independent of government. Its main proposals were:

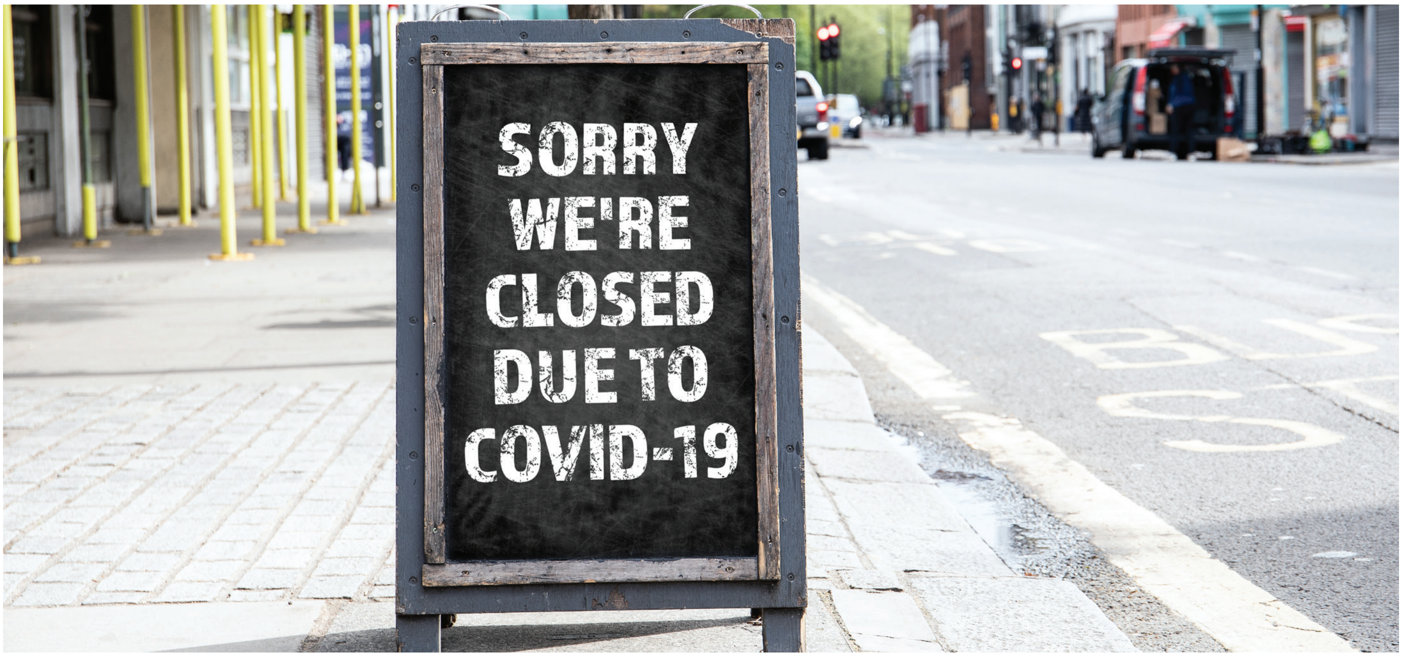
- The tax should be a one-off, levied at the rate of 5% on individual wealth above £500,000.
- The definition of wealth would include all assets. So, for example, there would be none of the special reliefs for pensions, farmland or business assets that currently apply under inheritance tax.
- The valuation date would be on or shortly before the first formal announcement of the tax, to prevent post-announcement forestalling actions. The value of housing and land would in the first instance be calculated by HMRC's Valuation Office Agency (VOA).
- In practice the tax payment would normally be at the rate of 1% (plus nominal interest) for five years.
- Deferred payments could be made by asset-rich, cash-poor individuals. For pensions, payment would be drawn from the tax-free lump sum, when benefits are drawn.

The Commission estimated that such a tax would raise a net £260 billion. It would be payable by 8.25 million people, meaning it would reach many who pay income tax at no more than basic rate.

Rishi Sunak said in July, "I do not believe that now is the time, or ever would be the time, for a wealth tax". However, as several commentators have noted, the Commission's report has given the Chancellor cover to increase revenue from two related taxes he currently has under review – capital gains tax and inheritance tax.

New Covid business support measures

With a new national lockdown from 5 January, the Treasury announced another round of one-off cash grants for retail, hospitality and leisure businesses to help them through to the spring. There is also further discretionary funding to support other impacted businesses.



The new grants are only for businesses situated in England, with the devolved administrations of Scotland, Wales and Northern Ireland providing their own support.

Grants will be paid on a per-property basis, with the amount dependent on the property's rateable value:

RATEABLE VALUE	AMOUNT OF GRANT
£15,000 or under	£4,000
Between £15,000 and £51,000	£6,000
Over £51,000	£9,000

To qualify, a business needs to be legally required to close and not able to operate effectively remotely. The new grants are in addition to any previous business support, such as the recent local restrictions support grant. Grants may well be paid automatically but keep an eye on your local authority's website in case you need to register or apply.

Discretionary grants

Businesses not eligible for a cash grant can apply to their local authority for financial help if they are affected by the restrictions. Help is aimed at smaller businesses which do not pay business rates but have relatively high ongoing fixed property-related costs. This might include:

- those in shared offices or other flexible work spaces;
- market traders;
- bed and breakfast businesses paying council tax instead of business rates.

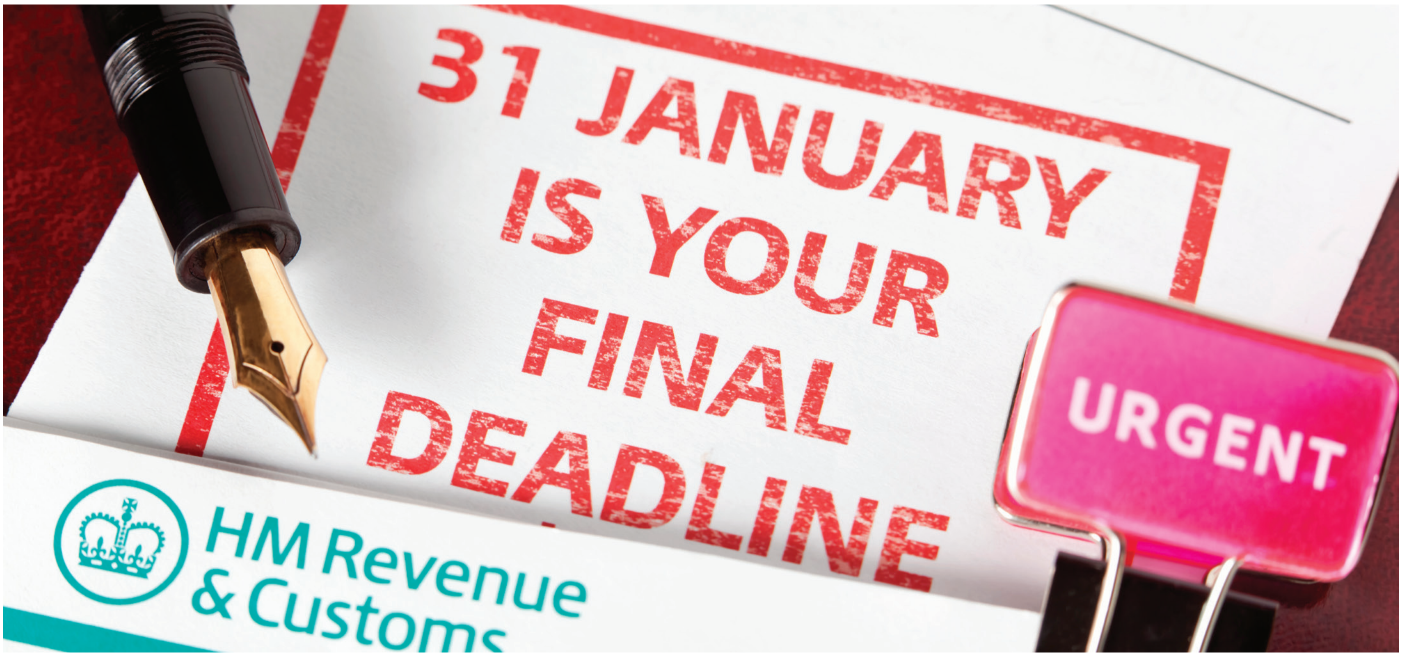
Other recent announcements

Just before parliament broke for Christmas, the Chancellor extended the employee furlough scheme by another month to the end of April, with the government-backed bounce back loan scheme now available up to 31 March – it was due to end on 31 January. The business interruption loan schemes have been similarly extended.

You can find out what Covid-19 financial support is available for your business by working through the government's business support finder.

Self-assessment: last minute filing

Some 2,700 taxpayers took time out from their Christmas day festivities to go online and file their self-assessment tax return for 2019/20. Despite such diligence, 45% of taxpayers (some 5.4 million) had still to file by the start of January, and it is very easy to make mistakes when left to the last moment.



Online help

If you received any casual income, new interactive guidance is available to check whether the income has to be declared. This might include:

- selling things, maybe online, or at car boot sales and auctions;
- doing casual work, such as gardening, food delivery or babysitting;
- charging for the use of equipment and tools; and
- renting out property or part of your home.

Don't forget expenses

For employees and directors, make sure you claim tax relief for any job-related expenses which your employer has not reimbursed. With professional fees or subscriptions, remember to include the amount paid during 2019/20, as these usually increase annually.

Where your own car, motorcycle or bicycle is used for work, a deduction can be claimed based on HMRC approved mileage rates. Remember that travel to and from work only counts if it's to temporary workplaces.

If you have been required to work from home due to Covid-19 or otherwise, you can claim £4 a week for 2019/20 to cover the additional cost.

Don't forget income

For employees and directors, don't forget to include any taxable benefits listed on your P11D if not automatically included by HMRC. Include interest and dividends received, although you can ignore ISA income.

However, for the self-employed, none of the Covid-19 grants paid so far are to be included for 2019/20. It's now too late to have any tax due collected via your PAYE coding, so make sure you are set up ready to pay HMRC by 31 January.

At the time of writing, it has been reported that HMRC are going to waive fines for anyone who files late this year if the delay is due to Covid-19. Any fines may be waived if you explain how you were affected in your appeal. You must still make the return or payment as soon as you can. The Chancellor is also apparently considering extending the filing deadline for everybody, moving it from 31 January to 31 March, although this has not yet been confirmed.

HMRC provides live webinars on how to complete your tax return, although the sessions covering employment and self-employment are only available just before the filing deadline. Registration details can be found on their website.

Recruitment impact of new immigration rules

With the end of freedom of movement between the UK and EU from 1 January 2021, the UK has introduced an immigration system that treats all applicants equally. Anyone recruited to work in the UK from outside the UK, excluding Irish citizens, must meet certain requirements and apply for permission. Employers will need a sponsor licence.

The new system does not apply to EEA or Swiss citizens already employed in the UK, although they will have to apply under the EU Settlement Scheme to continue living in the UK.

Sponsor licences

A sponsor licence will normally be required to employ someone from outside the UK, with the application process typically taking six to eight weeks. Once obtained, the licence is valid for four years.

The licence can cover those with long-term job offers and temporary workers. You can apply for a licence covering one or both types of worker. Before applying to be a sponsor, you should check that the people you want to hire will meet the requirements for coming to the UK for work.

Skilled worker route

This will be the route for most workers employed from outside the UK. Visas are only awarded to those who gain sufficient points, with key requirements including:

- job offer at the required skill level (A Level and equivalent);
- English spoken to the required standard; and
- minimum salary threshold.

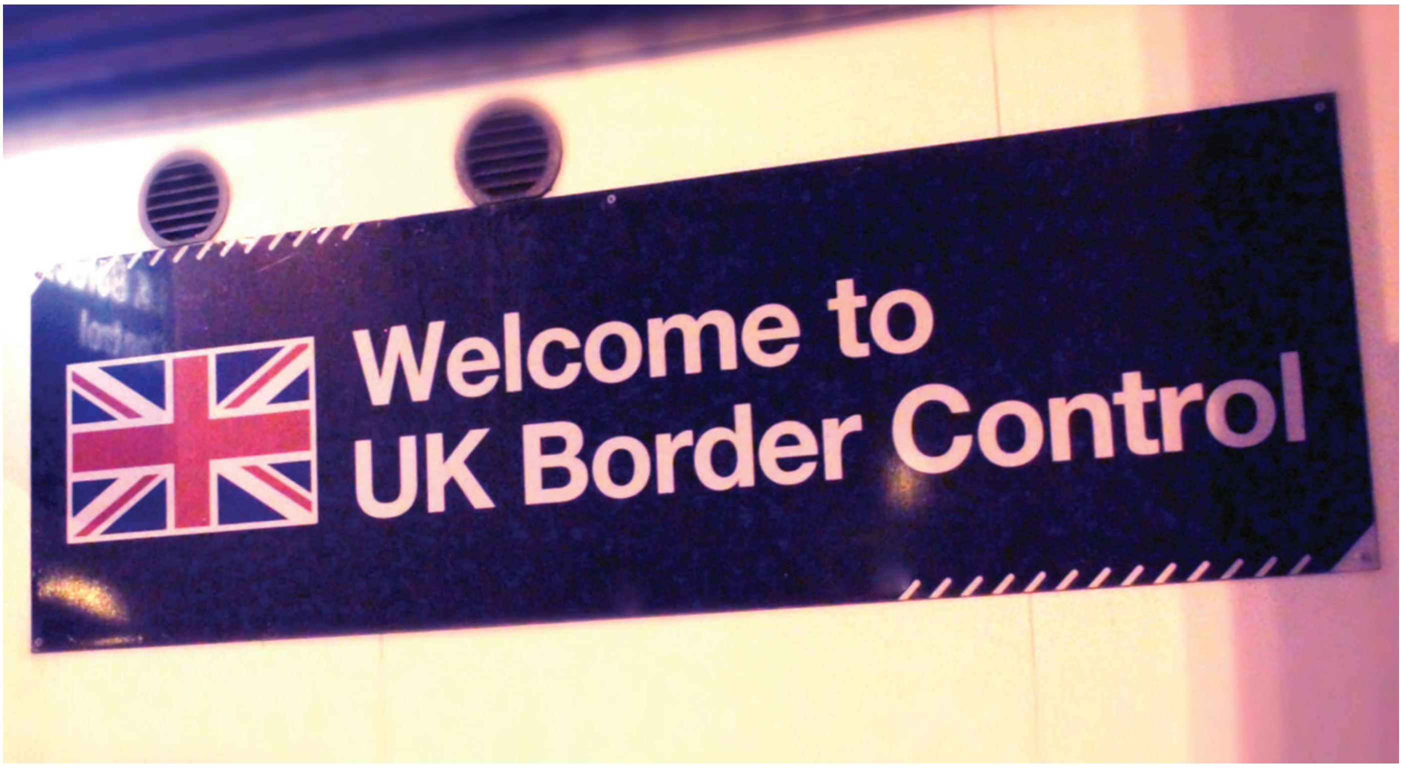
Applicants can trade characteristics, such as their qualifications, against a lower salary to get the required number of points.

Impact on recruitment

As expected, the impact on employers and their workforces will be varied. You can no longer rely on EU recruitment to fill low-skilled and mid-level occupations, while those recruiting skilled workers face more onerous requirements and greater expense.

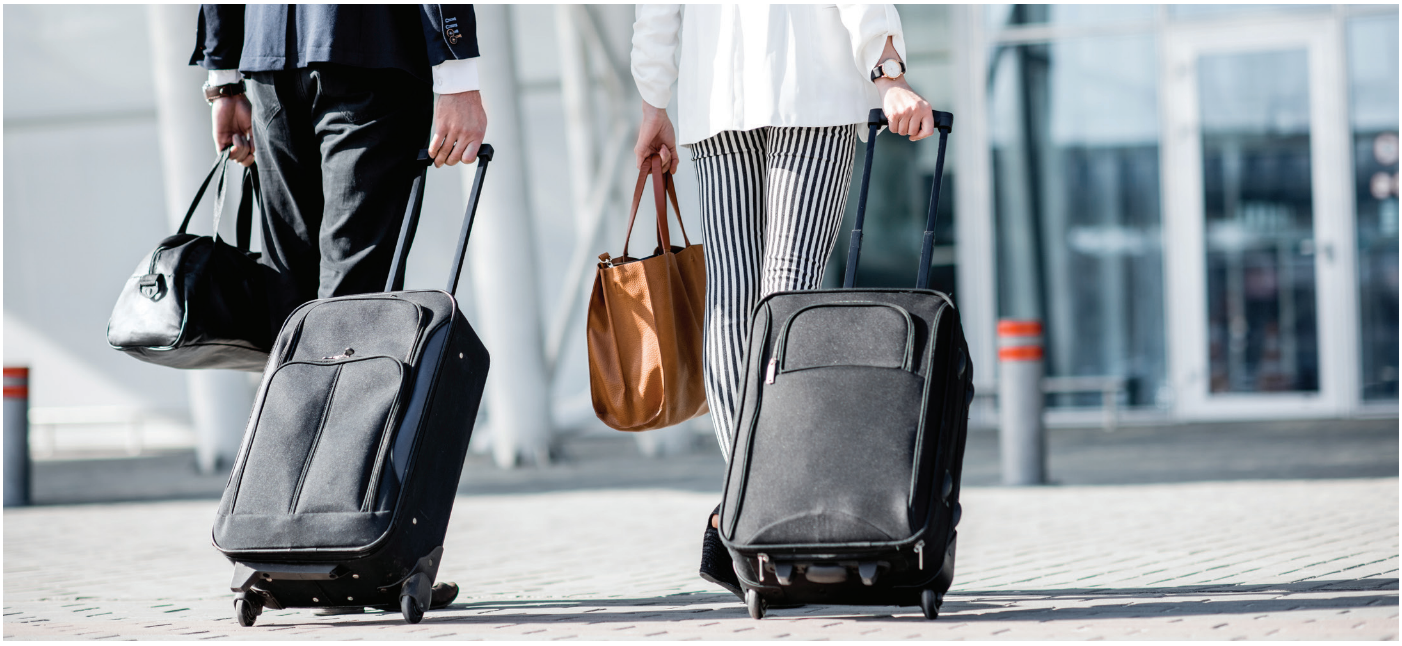
The retention of existing workers is more important than ever, and you will need to plan over the longer term how vacancies are to be filled. For some companies, remote working may offer a solution.

A good starting point for anyone looking to employ from outside the UK is the introduction to new recruitment rules for employers found here - www.gov.uk/guidance/recruiting-people-from-outside-the-uk



Post-Brexit EU business travel

Business travel to the EU has become significantly more complicated since 1 January, with many activities carried out by short-term business visitors now requiring a work permit. Business travel includes activities such as travelling for meetings and conferences, providing services, and touring art or music.



The 90-day rule

If you travel to Schengen area countries (including Switzerland, Norway, Iceland and Liechtenstein) for less than 90 days in a 180-day period, certain activities, such as attending a business meeting or conference, conducting market research or a sales trip, are permitted without the need for a visa or work permit.

Bulgaria, Croatia, Cyprus and Romania, who are not yet Schengen area countries, form a separate bloc, with another combined limit of 90 days' entry. You can spend 30 days each in France, Germany and Spain, but 30 days in France and Germany, followed by 31 days in Spain would breach the 90-day limit. However, there would be no problem if the second, 31-day trip was instead to, say, Romania.

Business travellers will need to track how many days they spend in the EU, although this should be fairly straightforward given your passport will be stamped on entry to and exit from each EU country you visit.

When the 90-day rule does not apply

A visa, work permit or other documentation may be required if you are planning to stay for longer than 90 days in a 180-day period, or if you'll be doing any of the following:

- carrying out a contract to provide a service to a client in an EU country in which your employer has no presence;
- providing services in an EU country as a self-employed person; or
- transferring from the UK branch of a company to a branch in an EU country, even if just for a short period of time.

Advice about travelling abroad, including the latest information on Covid-19, safety and security, entry requirements and travel warnings, can be found on the government's travel advice website.

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