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S R Lynn & Co

Chartered Certified Accountants

FRAUD

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Increased online spending during the pandemic has brought with it a corresponding rise in the number of people falling victim to financial scams. Many scams are designed to fool people making online payments, but incidences of tax-related frauds are also rising.

Push payment scams

The Financial Ombudsman has reported a substantial increase in the number of complaints concerning authorised push payment scams. These are scams where a person is tricked into making a bank transfer into the account of someone posing as a genuine payee.

> *A worrying new development involves the use of taxpayers' Government Gateway credentials by companies offering to make tax relief claims on the taxpayers' behalf.*

You need to be particularly careful when it comes to property transactions, because these are an obvious target given the high sums involved. It is always a good idea to make a small test transaction first.

Other push payment scams might induce you to set up a safe account because your bank account has been 'compromised'; ask you to pay for goods and services that don't exist (be particularly wary of adverts on fake, but legitimate looking, websites); or offer an investment opportunity that is too good to be true (the company name will often be similar to that of a genuine investment organisation).

Tax-related scams

Tax-related scams evolve. A worrying new development involves the use of taxpayers' Government Gateway credentials by companies offering to make tax relief claims on the taxpayers' behalf.

In one example, the refund company said they would claim employment expenses, but then used log-in details to obtain relief under the enterprise investment scheme (EIS). This generated a large tax refund from which the company took their commission. On discovery of the illegitimate EIS claim, HMRC demanded the full amount be repaid.

Legitimate tax advisers can file returns as your agent, so any request for your Government Gateway username and password should set alarm bells ringing.

TAX

The promise of freeports?

England's first three freeports officially opened in November. Freeports and their designated tax sites benefit from various incentives and tax cuts worth millions, but it remains uncertain whether they will deliver the promised boost to the UK economy.

Freeports and designated tax sites

The Humber, Teesside and Thames freeports are now open for business. Designated tax sites are quite small areas within each freeport, with three separate sites located within each of these three freeports. Individual freeport websites include maps showing each freeport boundary, with tax sites highlighted. Future freeports will be situated in East Midlands Airport (the only inland freeport), Felixstowe and Harwich, Liverpool City Region, Plymouth and South Devon, and the Solent.

The suite of tax advantages available cover:

- **NICs:** New hires working at least 60% of the time at a single tax site qualify for relief from April 2022. There is a 0% rate of employer NICs on annual earnings up to £25,000.
- **Capital allowances:** New plant and machinery used primarily in a tax site qualifies for a 100% deduction. This is only worthwhile if either the 130% superdeduction or the 100% annual investment allowance is not available.
- **Structures and buildings allowance:** Qualifying buildings situated within a tax site can be written off over ten years rather than the usual 33⅓-year period.
- **Stamp duty land tax:** The purchase of land and buildings within a tax site attracts full relief. They must be used for a qualifying commercial purpose, with residential property excluded.
- **Business rates:** Full relief will be available for all new and certain existing businesses where they expand. Relief will apply for five years from the point at which relief is first given.

The government published guidance at the end of October 2021 regarding when goods can be moved into, or stored in, a freeport.

TAX

Year-end planning for tax changes

The new tax year, which starts on 6 April 2022, sees the start of the 1.25% rise in national insurance contribution (NIC) rates and income tax on dividends. It will apply to all earnings over £9,880 a year from employment or self-employment, and to dividend income above the £2,000 annual dividend allowance.

The end of a tax year is generally a good time to consider any measures to reduce your tax and these forthcoming increases add to the potential benefits of year-end tax planning. If you have control over the timing of your income, you should be in a good position. If you are likely to pay tax at a lower rate this year than next, you could try to bring forward income by ensuring a bonus or dividend is paid before 6 April 2022. You could likewise bring forward income to avoid the 1.25% NIC or dividend tax increase. If you are in the opposite situation, you could similarly delay income.


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Couples who are married or in a civil partnership may be able to reorganise their financial affairs between them to ensure both can use their personal tax allowances plus tax-free dividend and savings limits, and avoid or minimise the amount of income taxed at the highest rates. A person who is in business may be able to transfer income to a spouse or partner by employing them on a salary, or taking them into partnership and sharing income. If you employ your spouse or civil partner you could also make a contribution to their pension scheme.

Company directors who are also shareholders may wonder whether the 1.25% NIC and dividend tax increase makes a difference to the question of whether to withdraw income as a bonus or a dividend. The 1.25% rise also applies to employer's NICs, which will go up from 13.8% to 15.05% – a double hit for director/shareholders. This adds to the advantage of paying dividends instead of bonuses, provided you are not caught by the personal service company rules.

VAT


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MTD extends on VAT and penalties regime changes

Making tax digital (MTD) – the requirement for digital VAT returns and record keeping – will be extended to businesses below the VAT registration threshold from 1 April 2022.

About 1.1 million businesses with taxable turnover below the £85,000 VAT registration threshold are voluntarily registered, generally to enable them to reclaim VAT on expenditure. Businesses with taxable turnover above £85,000 have had to comply with the MTD rules since April 2019.

From their first VAT period starting after 31 March 2022, voluntarily registered businesses and landlords will have to use third-party software to submit VAT returns directly to HMRC's MTD system using digital links. An important benefit – for businesses and HMRC – is that digital record keeping reduces the scope for errors. Businesses that cannot go digital can apply to continue using non-digital means to submit VAT returns.

Penalty regime changes

The introduction of a new penalty regime for VAT late returns and payments, which was due to start in April 2022, has been postponed to January 2023. At present a default surcharge of between 2% and 15% is charged regardless of how late the payment or return is. From the first VAT period starting after 31 December 2022, there will be separate penalties for late returns and late payments. The late returns penalties will be points based. A fixed penalty of £200 will be charged only after a business has reached the points threshold. The new late payment penalties will be proportionate to the amount of tax owed and how late the payment is. Late payments will also incur interest.

The same penalty regime will apply to income tax self-assessment taxpayers with business or property income over £10,000 a year, who will have to submit digital quarterly updates through MTD from the 2024/25 tax year, and to all other self-assessment taxpayers from 2025/26.

Basis period due to end

Another change for self-employed individuals and partners is the forthcoming abolition of the basis period rules. A business's profit or loss for a tax year is currently the profit or loss for the year up to the business's accounting date in the tax year. From 2024/25 they will be taxed on the profit or loss arising in the tax year itself, regardless of the accounting date, with transitional arrangements in 2023/24.

BUSINESSES

New Covid-19 business support package

A new support package has been announced to assist businesses impacted by the Covid-19 Omicron variant.

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. The scheme will close for applications on 28 February, with payments made by 31 March at the latest. Grants may be paid automatically, but check your local authority website in case you need to register to apply.

UK-wide funding available

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

Further resources

English local authorities have received £100 million of discretionary funding to support other businesses, such as those who supply the hospitality and leisure sectors. Additional funding is available to support theatres, museums and orchestras.