MNA News Wire

MARSLAND NASH ASSOCIATES

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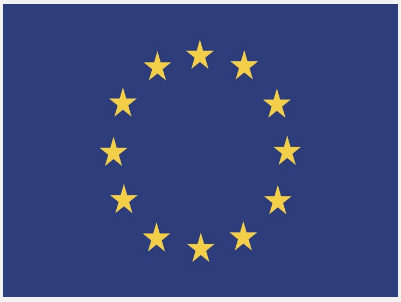
GET READY FOR LEAVING THE EU ON 1 JAN 2021



The United Kingdom leaves the European Union at 11pm on 31 December 2020 when the transitional period ends. It is still unclear whether a trade deal will have been agreed with the EU by that date, and such an agreement is looking increasingly unlikely. HMRC have started writing to businesses alerting them to important changes from 1 January 2021 and suggesting that they have new procedures in place if they wish to trade with the EU from that date.

In particular, businesses will need to submit declarations when importing and exporting goods that are categorised as 'controlled'. Import processes for non-controlled goods will be phased in over a 6 month period. 'Controlled' goods include alcohol, explosives and certain drugs.

OBTAIN AN EORI NUMBER

If you have been trading internationally you should already have an Economic Operator Registration and Identification (EORI) number. You will need this to complete customs declarations. If you do not yet have one, you can register for free by going to www.gov.uk/eori

Businesses need to decide how they are going to make customs declarations. Customs agents, freight forwarders and express operators can help with declarations and ensure the business is providing the necessary information.

IMPORTS OF GOODS SUBJECT TO STAGED CONTROLS

Most traders with a good compliance record will be able to defer import declarations on most goods for up to 6 months after 1 January 2021 depending on the nature of the goods.

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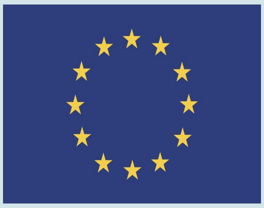

KEY VAT ISSUES AT THE BORDER

Businesses will need to decide how they will account for import VAT when they make a customs declaration. From 1 January 2021, businesses will be able to use postponed VAT accounting to account for import VAT on their VAT Return for goods imported from anywhere in the world.

They will also need to check if Import VAT is due at the border. Import VAT will not be due at the border if goods in a consignment do not exceed £135 in value. The only exceptions will be excise goods and gifts.

WHAT TARIFFS APPLY FROM 1 JANUARY?

From 1 January 2021, there will be new rates of Customs Duty for imports - called the UK Global Tariff.

The Tariff rates for transactions with the EU will depend upon whether or not a deal is reached. For example, if there is no deal with the EU the Tariff on motor cars will be 10% so many car dealers are suggesting that business should consider acquiring a new vehicle before 1 January. To check the tariffs that will apply to goods you import, go to www.gov.uk/guidance/uk-tariffs-from-1-january-2021

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NOTIFY HMRC OF OVERCLAIMED CJRS "FURLOUGH" GRANTS WITHIN 90 DAYS

The calculation of Coronavirus Job Retention Scheme grants has proven to be complex, particularly as HMRC frequently changed the rules and the method of computation. Consequently, many errors have arisen and need to be corrected. The latest Finance Act requires employers to notify HMRC within 90 days where it turns out that they were not entitled to receive the furlough grants and there is a penalty for failure to notify them.

HMRC has said that it will be lenient in relation to genuine mistakes, and that penalties will be charged only in cases of deliberate non-compliance.

NUMEROUS FRAUDULENT CJRS CLAIMS IDENTIFIED

HMRC's CJRS fraud reporting portal had received over 2,000 reports of wrongful claims.
Examples of such wrongful claims include;

- Claiming furlough payments for staff who are continuing to work
- Furloughing staff but asking them to work "voluntarily" on an unpaid basis.
- Claiming furlough payments for "ghost" employees, and those who left employment before 19 March 2020.
- Not passing on the full amount of furlough pay to staff.
- Failing to account for PAYE tax and NIC in relation to furlough payments

HMRC also have the power to transfer CJRS penalties to the directors of an insolvent company if their company does not pay them. We therefore suggest that employers should check the accuracy and validity of their CRJS claims as a matter of priority, and ensure that any inaccuracies or errors are disclosed to HMRC as quickly as possible. We can of course assist you in checking claims.

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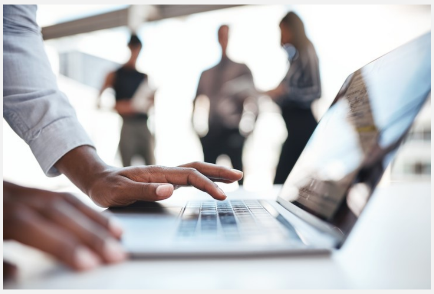
MTD FOR VAT TO BE EXTENDED TO ALL VAT REGISTERED BUSINESSES

Since 2019, the vast majority of VAT-registered businesses with a taxable turnover above the VAT threshold (£85,000) have been mandated to keep digital VAT records and send returns using Making Tax Digital (MTD)-compatible software.

From April 2022 these requirements will apply to all VAT-registered businesses.



It has also been announced that MTD for Income Tax Self-Assessment (ITSA), which was originally intended to start in 2018, will finally be introduced from April 2023 for unincorporated businesses and landlords with total business or property income above £10,000 per year.

Most businesses will have 2 years to prepare and test the service voluntarily prior to its introduction.

CERTAIN PROPERTY BUSINESS OWNERS ARE LIABLE TO CLASS 2 NICs

Class 2 National Insurance Contributions (NICs) are currently paid at the rate of £3.05 per week by self-employed earners. A person who is liable to Income Tax on the profits arising from the receipt of property rental income will only be a self-employed earner for NICs purposes if the level of activities carried out amounts to **running a business.**

HMRC have recently issued clarification which states that in order for a property owner to be a self-employed earner, their property management activities must extend beyond those generally associated with being a landlord which include, but are not limited to, the following:-

- undertaking or arranging for external and internal repairs
- preparing the property between lets
- advertising for tenants and arranging tenancy agreements
- generally maintaining common areas in multi-occupancy properties; or
- collecting rents.

The HMRC guidance suggests that the ownership of multiple properties, actively looking to acquire further properties to let, and the letting of property being the property owner's main occupation could be pointers towards there being a business for NICs purposes.

A landlord will also be a self-employed earner if any of their activities amount to a trade for Income Tax purposes. This could include, for example, receiving income from other services provided to tenants.

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HIGH INCOME CHILD BENEFIT CHARGES NOT VALID

A recent tax tribunal has ruled against HMRC who were seeking to raise tax assessments for the High Income Child Benefit Charge (HICBC) for earlier years that had not been reported to HMRC.

HICBC is a special tax charge that applies where one member of a couple in receipt of child benefit receives income in excess of £50,000 a year. The charge is 1% of the child benefit received for every £100 of income in excess of £50,000 such that where income exceeds £60,000 the child benefit is fully taxed.

The problem is that many taxpayers whose income is taxed under PAYE do not receive a self-assessment tax return and may not be aware of the tax charge.

The taxpayer in this particular case fell into that category but reported and paid the tax when prompted by HMRC. He was then assessed to tax on the child benefit for the three previous years but the court found that HMRC did not have the power to issue those assessments.

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STILL CONSIDERING AN ELECTRIC COMPANY CAR?

There is currently a zero P11d benefit for the drivers of electric cars in 2020/21. The legislation for this change is included in Finance Act 2020 which also states that the benefit will be 1% of list price in 2021/22 and then 2% in 2022/23.

The zero taxable benefit also applies to hybrid cars emitting no more than 50 grams of CO2 per kilometre with a range using its electric motor of at least 130 miles, but only for cars first registered on or after 6 April 2020. Unfortunately, the range of most plug in hybrids is considerably less than 130 miles. For example, the Mercedes A 250e costing £32,980 emits 26g CO2 but has a PEV range of only 45 miles.

An additional benefit for the business is that motor cars that emit no more than 50g CO2 per kilometre currently also qualify for a 100% first year allowance which means that the full cost can potentially be set off against business profits.

The Mercedes A 250e would currently qualify for a 100% first year allowance but the P11d benefit would be 6% for the employee in 2020/21.

Note however that the 50g CO2 threshold reduces to zero from April 2021 which means that hybrids will cease being eligible for the 100% write off. If the business can afford to do so it's a good time to buy a plug in hybrid.

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COMPANY VANS WERE MOTOR CARS

The Court of Appeal has now ruled on the tax status of certain vehicles provided to employees of Coca Cola. The court has upheld the HMRC view that vans with windows and a second row of seats behind the driver are not goods vehicles but motor cars for benefit in kind purposes.

Consequently, the income tax and national insurance payable by employee and employer is significantly higher than if the vehicles had been classified as goods vehicles.

The income tax legislation defines a "goods vehicle" as *"a vehicle of a construction **primarily suited** for the conveyance of goods or burden of any description…"*

At the Tax Tribunal it was decided that modified VW Kombi vans failed this test whereas modified Vauxhall Vivaro vans did fall within the definition of goods vehicles.

It has now been determined that the Vauxhalls should also be taxed as motor cars for P11d benefit in kind purposes. This means that where the vehicle is available for private use the taxable benefit will be based on the original list price multiplied by a percentage based on the vehicle's CO2 emissions.

The decision means that employers may need to reconsider providing such vehicles. They may also need to rectify the P11d reporting in respect of earlier years and we await further guidance from HMRC.

What is also particularly confusing, and thus difficult for businesses to deal with, is that the benefit in kind rules are not the same as the rules for recovery of input VAT and it would be useful if there was a common definition for tax purposes.

VAT DEFINITION OF "MOTOR CAR"

For VAT purposes the definition of a motor car has been amended several times over the years.

The current definition states: "Motor car" means any motor vehicle of a kind normally used on public roads which has three or more wheels and either

a) is constructed or adapted solely or mainly for the carriage of passengers; or

b) has to the rear of the driver's seat roofed accommodation which is fitted with side windows or which is constructed or adapted for the fitting of side windows;

There are a number of exceptions to this rule: notably vehicles constructed to carry a payload of one tonne or more, i.e. double cab pick-ups such as a Toyota Hilux.

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KEEPING YOUR DATA SECURE WHEN WORKING REMOTELY

With many of us now working from home, making video conference calls, uploading documents and conducting business online, how can firms ensure that their data and systems are secure?

Update your network security

While you should really do this on a regular, ongoing basis, making sure your devices are completely up to date with the most recent security patches and upgrades can make a huge difference in securing your data.

Things like your operating system, antivirus and antimalware programs, and your router are just some of the things you should immediately shore up and protect since those are generally your first and last defense against external threats. If some of your staff are using their own, personal devices when working remotely, your firm can roll out secure platforms such as Mobile Iron, which can be installed on those devices, in order to keep company data secure.

Encrypt home WiFi

If your team is working from home, ensure that their WiFi network is encrypted. A good start is to change the router's default password as it's susceptible to attack from a hacker.

The default passwords tend to be weaker. 'Admin', for example. Note that this is not the password you use to access the network; it's the one you use to protect your settings and configuration.

Two-factor authentication (2FA)

2FA requires two forms of identification to gain access, such as a password and a PIN code. This makes it harder for hackers to guess user login details. If you don't want to rely on set numbers and codes, you can also use apps like Microsoft/Google Authenticator - this will send an approval notification to your phone which you can either approve or deny.

Training

Having the right training in place is central to working remotely. Assign appropriate training courses to your team and ensure that they all complete it. Reinforce staff responsibilities, including when to report cyber security issues.

Remind employees that while they work remotely, they have to maintain the same level of professionalism when it comes to secure and sensitive data as they do in the office. That includes reminding people that personal email is not to be used in an official capacity and that any physical documents kept at home must either be disposed of properly with a shredder or set aside securely (in a locked cabinet) to be shredded or securely filed at a later date.

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LIVE STREAMING AS A MARKETING TOOL

Live Streaming is a great way to market to your target audience, in real time.

During lockdown, many businesses have turned to webinars and online talks as a way to market themselves. Livestreaming is a development of this - but delivery is in real time.

Live streaming is transmitting live video footage over the internet to an active target audience. In the past, livestreaming was typically done on a dedicated platform such as YouTube or Vimeo. Today, social media has expanded the reach of livestreaming to Facebook, Twitter and Instagram.

Video is an engaging medium that grabs the audience's attention and allows businesses to engage in brand-building efforts as well as selling products. It's now cheaper and simpler than ever to deploy high quality video and businesses can deliver compelling and emotionally engaging content to consumers and forge a strong brand connection.

The latest smartphones and tablet devices allow users to shoot high quality video that can be used to live stream updates, tutorials and new product launches to customers over Facebook, Instagram, Twitter, and other popular social media sites.

The biggest advantage with livestreaming is that it creates real-time engagement with potential customers. It also gives your firm the opportunity to interact with the audience, answer questions and gather feedback in real time.

Live streaming also gives businesses an opportunity to build trust with potential customers. Modern customers tend to be quite sceptical of pre-drafted adverts and marketing collateral. Brands that engage with audiences in real time are seen to be more authentic. When audiences have the opportunity to see a brand without carefully scripted production, they can see that brand as being more transparent and more trustworthy.

People buy from people. If you create a brand that embraces live interaction with your target audience, you can create more effective engagements with potential customers. In the current business environment, live streaming gives your customers an opportunity to engage with people in real time. In an environment where face to face contact is not always possible, live streaming can add a human touch that brings interactions with your firm to life.

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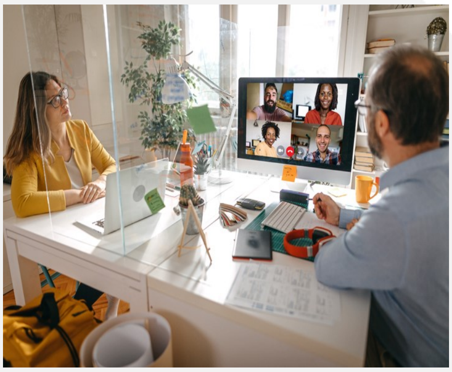
RUNNING EFFECTIVE MEETINGS — VIRTUALLY

Over the course of the past few months, we have all had to adapt to working remotely.



Despite lockdown restrictions, many businesses have found ways to move their operations online, with all staff working remotely. This has given rise to an increased volume of virtual meetings on services such as Skype, Zoom, Teams, WebEx or other popular online meeting services. This has resulted in a new challenge - how to have an effective virtual meeting.

Agenda

Just like any meeting, take the time to set an agenda and circulate it in advance of the call along with any supporting documents.

Setting an agenda and sticking to it helps to keep the virtual meeting on track. If there are lots of documents, make sure that you circulate them in time to allow people to read them well in advance.

Choose the right technology

There is nothing more frustrating than dialling into a video or conference call and not being able to connect due to a technical glitch. Before you set up your virtual meeting, check with the attendees that they are comfortable (and able) to use your platform of choice. If possible, use a system that allows users to join via a web browser - most platforms such as Skype, Teams, Zoom, WebEx, etc. allow this.

Etiquette

A virtual meeting is still a meeting, so make sure you give it your full attention. Ask all attendees to use video - this makes it harder for them to do something else during the virtual meeting as they will be on everyone's screen. In addition, seeing people on screen can help those who have been working from home during COVID-19 to feel more connected.

Jump into the content

Don't waste time (yours or other people's) during a virtual meeting. Keep it short and get straight into the agenda. Aim to follow up within 24 hours of the meeting with any relevant action points as it keeps people's attention. By sending the notes around 2 weeks after a meeting, momentum on any actions may be lost.

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Marsland Nash Associates
Newton Abbot Office Closure

A reminder if you are sending in your accounting paperwork or signed accounts/personal tax returns, the Newton Abbot office is now closed. Please post all mail to the following address:

Marsland Nash Associates
7a Dartmouth Road
Paignton
Devon
TQ4 5AA

Tel: 01803 527 599

Please note that all direct line telephone contact numbers and emails you currently have for any member of staff are fully operational and these will not change.

We do have a postal redirection in place that will run to June 2021 should you forget to do this in the first instance.

Website

Remember we have a comprehensive website at https://www.marslandnash.com which contains full details of all of our services and our contact details.

We apologise for any inconvenience this may cause and if you have any questions, please contact your **normal point of contact** to discuss.

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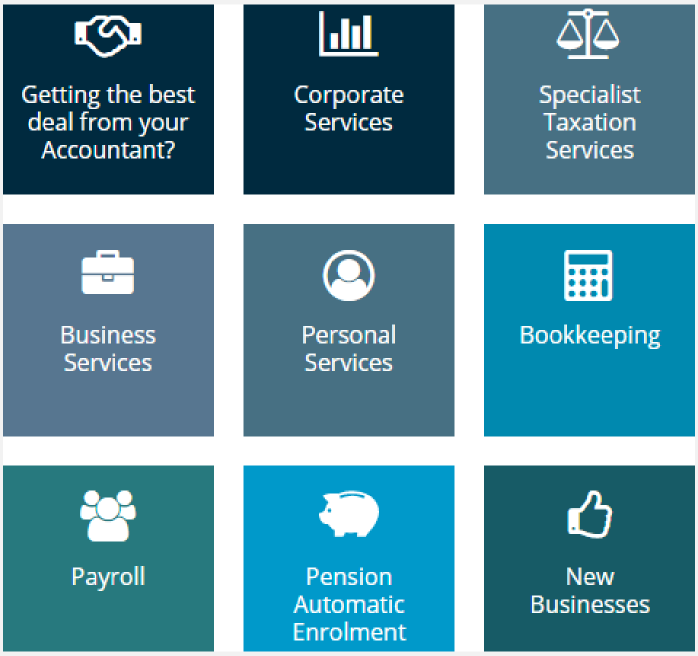
MNA WEBSITE



LATEST MARSLAND NASH ASSOC. COVID -19 SUPPORT FOR BUSINESS UPDATE HERE

Remember we have a comprehensive website at https://www.marslandnash.com which contains full details of all of our services, as well as:-

⇒ Latest accounts and tax news
⇒ Downloads section which includes all our newsletters
⇒ Filing deadlines pages
⇒ Current tax rates and information pages

Plus much more!

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