

CONTENTS

- [New Year, new strategy](#)
- [More time to pay tax due on 31/01/2021](#)
- [New Year resolutions to save tax](#)
- [Bring your tax affairs up to date](#)
- [Airbnb reporting property rental details to HMRC](#)
- [Rent covered by rent a room relief](#)
- [Passing on the family home](#)
- [Negotiating a new office lease](#)
- [Employee wellbeing in 2021](#)
- [The off-grid day](#)
- [Making a claim if you are working from home](#)
- [Gifts to charity](#)
- [Time to review your Will?](#)
- [Pension planning](#)
- [CGT Business asset disposal relief lifetime limit just £1m](#)
- [£1m annual investment allowances extended](#)
- [New VAT rules for construction sector start on 1st March](#)
- [Advisory fuel rate for company cars](#)
- [Website](#)

New year, new strategy

How to build your 2021 business strategy in the face of uncertainty

We live in uncertain times and planning for the future is challenging. Rather than paying attention to what you can't do, focus on what you *can* do. For example, when restaurants couldn't serve customers indoors, they transitioned to delivery, take-away and outdoor dining. Regardless of the type of business that you manage, this is the mindset to develop and use for your 2021 business strategy.

Your "can-do" business strategy should start with a list of what is possible. Perhaps you can transition to doing business online, research new markets, or utilise the shift to video conferencing to create a new and more personal experience for your customers while they are in the comfort of their home. Once you have considered what you can do, you can then create some strategic objectives for the year ahead.

Consider how you can shift your business strategy to one that is more customer centric. The best businesses are those that deliver added value to their customers. For example, you could provide new payment options to customers in order to encourage them to make a purchasing decision. Your customers will be more focused on cash flow due to the prevailing economic uncertainty, so offering structured payment plans, 12 months interest free credit and so on, could make your firm more attractive than your competitors.

If you are considering launching new products or services in 2021, you may need to extend the timeline. The world is not back to normal (whatever the "new normal" will be) and supply chains are struggling with issues related to transportation, production backlogs, availability of materials, etc. As such, it would be prudent to allow some extra lead time in your plan for any new product or service launch.

With an uncertain operating environment anticipated to continue for some time yet, it makes sense to have a backup plan. As you develop your strategy, take some time to consider what potential contingencies you can put in place in order to be ready to move in a different direction, should you run into some headwinds. If you are unsure where to start, it can be helpful to research some of the tactics that worked for other businesses, even those that may be operating in a completely different sector. You can then apply the best bits of those tactics to your own strategic plan.

As you develop your 2021 business strategy, you will most likely identify some actions that you can undertake with certainty, which will help you to manage some of the risks that are inherent in operating in uncertain economic times. Perhaps you can bolster your firm's cash reserves, reduce fixed costs, or negotiate better terms with suppliers. By proactively focusing on delivering against these actions, you will keep moving your business forward, which will help to make your firm more resilient in the medium to long term.

MORE TIME TO PAY TAX DUE ON 31 JANUARY 2021

Those taxpayers who may have difficulty paying the tax due under self-assessment on 31 January 2021 can agree more time to pay with HMRC provided the amount outstanding is no more than £30,000.

The government have already agreed that amounts due under self-assessment on 31 July 2020 could be deferred until 31 January 2021 but this latest announcement generally allows a further 12 months to pay.

You can either set up a payment plan online by logging into your HMRC online personal tax account or call the HMRC Payment Support Service.

NEW YEAR RESOLUTIONS TO SAVE TAX

At this time of year we think about New Year's resolutions. It is also a good time to start planning your tax affairs before the end of the tax year on 5th April.

An obvious tax planning point would be to maximise your ISA allowances for the 2020/21 tax year (currently £20,000 each).

You might also want to consider increasing your pension savings before 5 April 2021 as the unused annual pension allowance is lost after three years.

For those looking to do some inheritance tax planning, it would be a good time to review (or make) your Will.

BRING YOUR TAX AFFAIRS UP TO DATE

2018/19 tax returns can be amended by the taxpayer up until 31 January 2021. Where the omitted property income or gain relates to earlier tax years the taxpayer should consider disclosing using HMRC's let property campaign.

If this affects you we can assist you in putting together the details that HMRC require.

AIRBNB REPORTING PROPERTY RENTAL DETAILS TO HMRC

You may have seen in the newspapers that Airbnb will share data with HMRC about the earnings of hosts (those who let out property) on its UK platform in the years 2017/18 and 2018/19.

It is anticipated that HMRC will use this data to open enquiries into the tax affairs of individuals who have not declared letting income for 2017/18 and 2018/19. The deadline for opening an enquiry into a self-assessment return for 2018/19 is 31 January 2021, if the return was issued and submitted on time. The discovery rules allow HMRC to go back much further, potentially up to 20 years in some cases if the property income has not previously been reported.

RENT COVERED BY RENT A ROOM RELIEF

For many property owners the rental income will be tax free if it is within the £7,500 rent a room relief and will not even need to be reported. This applies where room(s) in the taxpayer's main residence are rented out, typically to lodgers.

Where the house is owned jointly they would qualify for £3,750 each tax free.

PASSING ON THE FAMILY HOME



One recent change that should be taken into consideration when drafting your Will is the additional Inheritance Tax (IHT) nil rate band for passing on the family home to direct descendants on death. We can work with your solicitor to make sure your Will is tax efficient.

Now that the additional relief is fully phased in it provides an extra £175,000 on top of to the normal £325,000 nil rate band. Where the allowance is unused on the death of the first spouse, the unused allowance is available on the death of the surviving spouse, potentially allowing a married couple (or civil partners) to potentially pass on assets of up to £1 million without paying IHT.

This additional relief is, however, restricted if your assets exceed £2 million. The rules are fairly complicated but **we can review your personal circumstances to ensure that you take advantage of all the relief** that you are entitled to.

This relief is even available when you downsize to a smaller property.

For example, if a married couple currently live in a large house worth £500,000 downsize to a flat worth £300,000, they could give away some of the proceeds during their lifetime and yet still benefit from inheritance tax relief based on the higher valued property.

They could even sell up completely and move into a rental property or a care home and still get the inheritance tax relief!

Negotiating a new office lease



In the current uncertain economic climate, signing up to a new office lease can be a tricky business.

One thing is certain at the moment and that is uncertainty. How much office space will you need in 3 to 5 years time? Well, that depends on whether people will want to work remotely or not. Do you need a desk for everyone or say, 50% of your team?

The current uncertain trading environment presents an opportunity for tenants to negotiate more favourable terms with their landlords. For example, the rent rate may only make sense if a certain number of people can be accommodated in particular premises. However, the current social distancing regulations may mean that there is room for less workstations or offices in the premises. This might give the tenant an opportunity to negotiate a lower rent on a staff headcount basis. Large landlords who are sufficiently capitalised to absorb the reduced cash flow may be willing to agree to slightly lower rents in order to get a tenant in place. The current market may also give businesses an opportunity to incorporate more favourable clauses into a lease agreement.

One of the key clauses to incorporate into your lease is a break clause. A break clause gives you the right to end the lease early by giving the landlord an agreed period of notice. This gives you some flexibility to terminate the lease if economic factors or personal circumstances impact your requirement for the premises in the future.

Another useful element to include is a sub-letting clause. This allows you to pass on some of the premises to another lessee if you don't need all the space right now.

If your business becomes smaller in the future, you may want to be able to sub-let some of the premises in order to generate additional income that you can use to off-set against your lease payments.

Trying to secure a commercial lease with beneficial terms can be a challenging and complicated process. Getting legal advice from an experienced lawyer is a very good idea and it could save you money in the long term - for example if you need to terminate the lease early.

Employee wellbeing in 2021

The pandemic has encouraged most businesses to focus on the wellbeing of their team.

2020 has been a challenging year for all of us. As most businesses were forced to shift to remote working, the importance of employee wellbeing moved towards the top of the agenda. Firms around the world were grappling with the challenge of how to keep their team motivated, healthy and productive. So what does employee wellbeing look like in 2021?

A business is nothing without its people. Therefore, focusing on employee wellbeing is a good strategy for building a strong and resilient business. The huge shift to virtual working in 2020 means that more and more people will be working remotely than ever before. As such, it makes sense to invest in weekly or monthly wellbeing events for your team. These don't have to be expensive and could consist of team mindfulness classes, a book club, or a team baking competition over video conference.

Throughout 2020 many firms reported that employees struggled to separate work life from home life as they were literally working from the kitchen table. Many employees struggled to switch off from work and ended up exhausted. Investing in time management and prioritisation training for your team can help them to improve their work/life balance.

Encourage your team to adopt healthier working practices. A sedentary lifestyle is a major health risk. Businesses can do their bit by encouraging people to have standing meetings, take part in monthly fitness challenges or even use a standing desk rather than a sitting desk. Businesses are also focusing on personal development. Employees want to progress in order to have meaningful careers. The best businesses encourage their people to learn and grow which in turn, helps employees to feel valued - so they stay rather than go to a competitor.

The Off-Grid Day

Blocking out a whole day once a month can work wonders for your productivity.

Time management courses, books and best practice all suggest carving out some time each day to focus on being productive and working towards your goals and personal business objectives.

However this often conflicts with the emails, notifications, calls and reminders that we are all bombarded with on a daily basis.

The traditional approach to time blocking simply doesn't go far enough. Blocking out an hour each day might give you time to focus on progressing a particular project, but just as you start to get into your groove, your hour will be up and you'll have to move on to the next thing on your agenda.

Calculating the return on investment on time blocking is pretty straightforward. If you are focused on what you want to achieve, then the more time you block out, the greater the return you will experience in terms of productivity. So how about blocking out an entire day, once a month?

To make this work, focus on your key business objectives. Perhaps you are working on a particular project such as entering a new market or launching a new product. Try blocking out one day per month to progress those key objectives. Aim to start early, say 7am and finish late. Log out of your email and block out the time in your calendar. Make sure that your colleagues know that you are uncontactable for the day and ensure that there is another senior person available to handle any queries that come up during the day.

Even short interruptions can interrupt the continuous flow of your off-grid day so make a deal with yourself - no calls, no email and no distractions. In order to make these key days work, populate your off-grid days in your calendar for the next 12 months and defend those days - don't give them up for anything.

Finally, in order to maximise your off-grid day, you may need to enlist the support of your family to take care of the day to day logistics of family life. The key thing is to remember to say thanks and to pick up your share on other days. Like everything in life, it's all about balance.

Making a claim if you are working from home

With more of us working from home there is good news from HMRC that employees can now make a claim for tax relief to cover some of their costs while they are working from home.

The previous rule for employees was that there had to be a home working arrangement with their employer under which they were required to work from home on a regular basis to be paid £6 a week tax free (£4 a week up to 5 April 2020). This rule has now been relaxed as a result of COVID-19 so that such arrangements are not currently required and employees can also claim tax relief directly from HMRC where their employer does not make the payments.

£312 a year tax free is equivalent to £538 gross for a higher rate taxpayer. The payments are tax deductible for the employer and not liable to national insurance contributions.

Where the employer does not make the payments to the employee there is a new claims portal on the HMRC website so that the employee who is working from home can claim to deduct £312 from their employment income. That would generate a £124.80 tax refund for a higher rate taxpayer or £62.40 if basic rate.

There is a similar tax break for the self employed which provides a deduction from profits of up to £26 a month.

Gifts to charity

Where possible taxpayers should "Gift Aid" any payments to charity to provide additional benefit to the charity. Higher rate taxpayers obtain additional tax relief on the grossed up amount donated.

For example, where an individual makes a £20 cash donation to charity the charity is able to reclaim a further £5 from HMRC making a gross gift of £25. Where the individual is a 40% higher rate taxpayer he or she is able to claim a further £5 tax relief under self-assessment, reducing the net cost of their donation to £15.

Note that the donor is required to make a declaration that they are a UK taxpayer and those that have not suffered sufficient UK tax to support the Gift Aid amount will be taxed on the shortfall.

Remember that Gift Aid does not just apply to gifts of cash. Many charity shops will now sell donated items on your behalf and are able to treat the sale proceeds as Gift Aided donations. It is also possible to gift quoted securities and land and buildings to charity and claim Gift Aid on the market value of those assets.

Time to review your Will?

Top of the to do list for many individuals is to make or update their will. Many think this is something to leave until later in life but it is important to get things in place once property is acquired or when children come along.

In the absence of a will there are statutory rules which dictate how your assets are distributed on death. Those statutory intestacy rules may not be tax efficient and you might want to make specific provision in your Will for your unmarried partner or for the guardianship of your children .

Pension Planning

For most taxpayers the maximum pension contribution is £40,000 each tax year, although this depends on their earnings. This limit covers both contributions by the individual and by their employer.

Note that the unused allowance for a particular tax year may be carried forward for three years and can be added to the relief for the current, but then lapses if unused.

Hence the unused pension allowance for 2017/18 will lapse on 5 April 2021 if unused.

Note that there are rumours that pension tax relief may be restricted in the next Budget. Under the current rules, the net after tax cost of saving £4,000 in a personal pension for a higher rate taxpayer is £3,000. HMRC then add a further £1,000 to your contribution and there is a further £1,000 relief when your tax liability is calculated, thus the value of your pension pot would be £5,000, for a net cost of £3,000. Remember that pension fund investments can go down as well as up, but a 40% fall would be unlikely.

CGT (Capital Gains Tax) Business asset disposal relief lifetime limit just £1 million

In the March 2021 Budget it was announced that CGT Entrepreneurs' relief (ER) was replaced by CGT Business Asset Disposal relief (BADR) for disposals on or after 11 March 2020.

It was also announced that the 10% CGT rate would only apply to the first £1 million of qualifying gains in the taxpayer's lifetime and many business owners have misinterpreted how this limit applies. Unfortunately claims under the predecessor ER need to be taken into consideration so if £750,000 ER has already been claimed only the first £250,000 of qualifying gains after 11 March 2020 would qualify for BADR. Any gains in excess of that amount would be taxed at normal CGT rates, currently 20% for higher rate taxpayers.

£1 million annual investment allowances extended

The Chancellor recently announced that the temporary increase in the Annual Investment Allowance (AIA) for expenditure on plant and machinery has been extended to 31 December 2021.

The tax relief was originally scheduled to revert to just £200,000 from 1 January 2021, but that will now be delayed by twelve months.

Remember that there is currently an additional 100% tax relief for the cost of buying a new car for the business where the CO2 emissions of the car are no more than 50g per kilometre. That threshold reduces to 0g from April 2021.

New VAT rules for Construction sector start on 1 March 2021

New VAT rules are finally due to come into effect this March which will impact on accounting for VAT for transactions in the construction sector. These new rules, which were originally scheduled to start back in October 2019, have already been delayed twice as there was a lack of awareness of the changes in the industry.

The new "reverse charge" system of VAT accounting will affect sub-contractors supplying their services to main contractors in the construction sector.

Under the new rules, supplies of standard or reduced-rated building services between VAT-registered businesses in the supply chain will not be invoiced in the normal way. Under the new reverse charge system, the sub-contractor will not show VAT on their invoice to the main contractor and will not account for output VAT.

This is intended to ensure that VAT is correctly accounted for on supplies by sub-contractors, some of whom were allegedly not paying over the VAT charged to HMRC. The new reverse charge will apply to a wide range of services in the building trade, primarily those activities covered by the construction industry (CIS) payment rules. Note that normal VAT invoices will continue to be issued to domestic customers.

Please contact us if you are likely to be affected by these changes and we can work with you to ensure you are ready for the new system when it starts. If you are a sub-contractor using the VAT flat rate scheme, it may be beneficial to leave that scheme as you may be entitled to a VAT refund on your expenses from 1 March 2021.

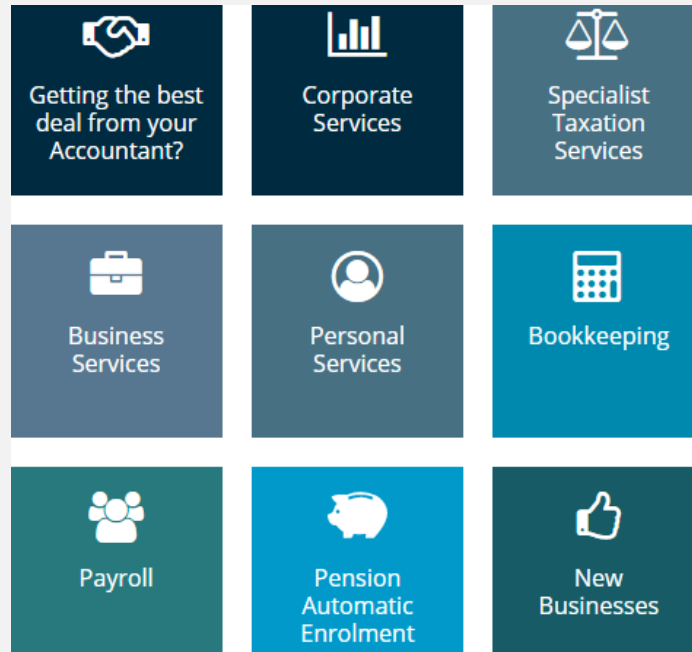
ADVISORY FUEL RATE FOR COMPANY CARS

These are the suggested reimbursement rates for employees' private mileage using their company car from 1 December 2020. Where there has been a change the previous rate is shown in brackets.

Engine Size	Petrol	Diesel	LPG
1400cc or less	10p		7p
1600cc or less		8p	
1401cc to 2000cc	11p (12p)		8p
1601 to 2000cc		10p	
Over 2000cc	17p	12p	12p

Note that for hybrid cars you must use the petrol or diesel rate.
You can continue to use the previous rates for up to 1 month from the date the new rates apply

MNA WEBSITE



[LATEST MARSLAND NASH ASSOC. COVID -19 SUPPORT FOR BUSINESS UPDATE HERE](#)

Remember we have a comprehensive website at <https://www.marlandnash.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!