

## ***A Brief Guide to.....***

### ***Tax planning for COVID-19***

The below is guide to some of the measures the UK Government plans to implement to assist individuals, sole trade businesses and partnerships with the current COVID-19 pandemic:

#### **Deferral of Income Tax Payments on Account**

Where you are completing a self-assessment tax return and, your tax liability is more than £1,000 (and less than 80% of this is collected through PAYE), you would usually be required to make payments on account towards the following tax year's liability at the end of January and July each year.

Many of you will therefore be expecting to pay your second payment on account towards the 2019/20 tax year by 31 July 2020.

However, the Government have announced that if you have been financially affected by COVID-19, you can defer this payment until 31 January 2021 – the normal tax payment deadline for 2019/20.

The deferment is optional and is open to all of those in self-assessment, not just the self-employed. It is automatic with no requirement to apply for the deferment. There will also be no penalties or interest applied for those who take up the option.

It is worth bearing in mind that if you do decide to defer the payment, you will be liable to pay your second payment on account and the balancing liability for 2019/20 on 31 January 2021.

*Please note: the 2019/20 tax year runs from 6 April 2019 to 5 April 2020.*

#### **Help for the Self-Employed**

To help the vast number of self-employed individuals (and members of trading partnerships) that have lost work due to COVID-19, the Government has announced the Self-Employment Income Support Scheme (SEISS). The scheme allows individuals to claim a taxable grant worth 80% of trading profits of up to a maximum of £2,500 per month for three months currently (although this may be extended).

To apply, you must have completed a tax return for 2018/19, be trading as self-employed (or a partner) in 2019/20 and expect for this to continue into 2020/21, have lost trading profits due to COVID-19 and either;

- your self-employed profits for 2018/19 are less than £50,000 and more than 50% of your total taxable income for the year, or
- your self-employed profits averaged for the three preceding tax years are less than £50,000 and more than 50% of your averaged taxable income for the same periods.

***Where you were due to complete a 2018/19 tax return and this has not yet been done, the filing deadline has been extended to 23 April 2020. If you wish to take advantage of the SEISS scheme, please therefore ensure your tax return for 2018/19 is filed before the new deadline.***

#### **VAT Payments Deferral**

Those with VAT registered businesses have been given the option to defer any VAT payments due between 20 March 2020 and 30 June 2020.

The deferral is automatic; no application is required and no interest will be charged where you opt to defer the payment. However, if you opt for the deferral, please be aware that the deferred amount will be payable by 31 March 2021.

If you usually pay by direct debit and want to take up the deferral, be sure to cancel the direct debit with the bank to ensure HMRC do not deduct the payment in error.

You will still need to continue filing VAT returns, and if applicable, we would recommend that you ensure you include claims for bad debt relief on the relevant VAT returns.

#### **VAT Deregistration**

Smaller businesses that provide services, particularly those affected by the forced shut down of many industries due to COVID-19, may wish to consider whether their turnover will fall below the VAT deregistration threshold of £83,000 for the next 12 months and therefore whether they should apply to deregister for VAT.

Help for the self-employed cont...

If you meet the above requirements, HMRC will contact you in the coming months to let you know you are eligible and they will invite you to apply for the scheme online. You will then receive a payment directly into your bank in one instalment.

HMRC have advised not to contact them regarding the SEISS as it stands, as they will be contacting individuals when the scheme is fully set up.

*As the grant is taxable, it is important to declare this income on your 2019/20 and/or 2020/21 tax returns where relevant.*

**Time to Pay Arrangements**

HMRC are aware that this will be a financial difficult time for a large number of people and they have therefore scaled up their 'time to pay' offer to help those struggling to make their next tax payments due to COVID-19.

If you would like to discuss this with HMRC they have a dedicated phone line: 0800 0159 559.

**2019/20 Tax Returns**

As we reach the end of the 2019/20 tax year, individuals may now be able to complete their tax returns.

For those who are frequently in a repayment position, for example CIS workers, it will be beneficial to complete your return as early as possible to realise the repayment.

**Find out more**

For further information, advice and guidance please contact one of our specialists:

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This is a general illustrative guide only and individual professional advice should be obtained on specific issues. Information is believed correct at time of publication in April 2020 but may alter.

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