

Tax E-News

Welcome to this special newswire. In this edition we focus on the Chancellor's Summer Statement when he announced his "Plan for Jobs". Please contact us if you wish to discuss any matters in this newsletter.

July 2020

CHANCELLOR ANNOUNCES "A PLAN FOR JOBS"



Many of the changes announced by the Chancellor in his statement on 8 July, such as the temporary Stamp Duty holiday, had already been leaked to the press but as in previous Budgets he still managed to keep a few surprises up his sleeve.

The main thrust of his statement was to introduce measures intended to avoid widespread redundancies when the current furlough scheme comes to an end in November. There was also welcome news for the hospitality sector with the temporary reduction in the VAT rate to 5% and the 50% discount for food in catering establishments in August.

The cost of the new measures announced was another £30 billion on top of the £158 billion already spent by the Government supporting employees and businesses since the COVID-19 pandemic started. In addition there is a further £123 billion in loan guarantees and tax deferrals, some of which may not be recovered.

One day all of this will need to be

repaid, but now is not the time for tax increases, quite the opposite.

JOB RETENTION BONUS

The Coronavirus Job Retention Scheme (CJRS) has so far supported over one million employers to protect over 9 million jobs. The scheme which started in March will wind down flexibly and gradually supporting businesses until the end of October. There has been pressure to keep the scheme in place but the Chancellor again confirmed the end date.

It is important that people who have been furloughed are supported to return to work. It is beneficial for everyone, including the individual, to prevent skills from fading and to maintain strong employment relationships. Therefore, the government is introducing a new Job Retention Bonus to reward and incentivise employers who retain their furloughed employees rather than make them redundant.

The government will introduce a one-off payment to UK employers of £1,000 for every furloughed employee who remains continuously employed through to the end of January 2021.

Employees must earn above the Lower Earnings Limit (£520 per month) on average between 1 November and the end of January 2021.

Payments will be made from February 2021. Further detail about the scheme will be announced by the end of July. It is unclear whether this £1,000 bonus will persuade employers to retain staff as intended. Many employers may still be considering redundancies and if you choose to

take that action please contact us as there are clearly tax and employment law implications.

KICKSTART SCHEME FOR NEW 16 TO 24 YEAR OLDS

The new Kickstart Scheme is a £2 billion fund to create hundreds of thousands of high quality 6-month work placements aimed at those aged 16-24 who are on Universal Credit and at risk of long-term unemployment.

The government funding will cover 100% of the relevant National Minimum Wage for 25 hours a week for each job, plus the associated employer National Insurance contributions and pension costs. This will amount to approximately £6,500 for each work placement.

The government will also fund employers who provide trainees with work experience, at a rate of £1,000 per trainee. The government will improve provision and expand eligibility for traineeships to those with Level 3 qualifications and below, to ensure that more young people have access to high quality training.

There will also be a new payment of £2,000 to employers in England for each new apprentice they hire aged under 25, and a £1,500 payment for each new apprentice they hire aged 25 and over, from 1st August 2020 to 31st January 2021.

TEMPORARY 5% VAT RATE FOR FOOD, ACCOMMODATION AND ATTRACTIONS STARTS 15 JULY

From Wednesday 15 July 2020 to 12 January 2021, to support businesses and jobs in the hospitality sector, the reduced 5%

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rate of VAT will apply to supplies of food and non-alcoholic drinks from restaurants, pubs, bars, cafés and similar premises across the UK.

The 5% reduced rate of VAT will also apply to supplies of accommodation and admission to attractions across the UK and will also apply between 15 July 2020 to 12 January 2021.

Further guidance on the scope of this relief will be published by HMRC, but due to the short notice of this change businesses should start planning straight away for changes to their accounting software, invoicing and prices. Please contact us if you require assistance in getting ready for the changes.

“EAT OUT TO HELP OUT” IN AUGUST



In order to support around 130,000 businesses and to help protect the jobs of their 1.8 million employees in the hospitality sector the government will introduce the “Eat Out to Help Out” scheme to encourage people to return to eating out.

This radical scheme will entitle every diner to a 50% discount of up to £10 per head on their meal, at any participating restaurant, café, pub or other eligible food service establishment.

The discount can be used an unlimited number of times and will be valid Monday to Wednesday on any eat-in meal (including non-alcoholic drinks) for the entire month of August 2020 across the UK.

The government will open a new website where businesses can register for the scheme online, with the funds they claim paid within five working days.

SDLT THRESHOLD TEMPORARILY INCREASED TO £500,000

The housing market has been severely affected by the pandemic, with activity and construction both slowing sharply. Moving house also has a multiplier effect on the economy as people tend to spend money decorating and furnishing their new home, with estimates suggesting that doing so drives additional spending worth about 5% of the house value.

It is thus crucial to ensure medium-term confidence in the property market and maintain the growing momentum since the easing of lockdown. To do this, the government have temporarily cut Stamp Duty Land Tax for home buyers across England and Northern Ireland until 31 March 2021.

The Nil Rate Band of Residential SDLT, in England and Northern Ireland, has been increased from £125,000 to £500,000 for property transactions completed between 8 July 2020 and 31 March 2021. The change means that no SDLT will be paid on 90% of property purchases saving £5,000 on the purchase of a £300,000 house.

Note that the 3% supplementary charge for second and subsequent homes in England and Northern Ireland will continue to apply so the 3% rate would apply up to £500,000 purchase price.

Note also that there are different rates of tax on property transactions in Scotland and

Wales as such taxes have been devolved in those countries.

GREEN HOMES GRANT

The government will also introduce a new Green Homes Grant which will provide at least £2 for every £1 homeowners and landlords spend to make their homes more energy efficient, up to £5,000 per household.

For those on the lowest incomes, the scheme will fully fund energy efficiency measures of up to £10,000 per household.

This is another measure expected to generate 100,000 additional jobs and will also be vital for meeting our target of net zero greenhouse gas emissions by 2050. The scheme aims to upgrade over 600,000 homes across England, saving households hundreds of pounds per year on their energy bills.

“USUAL HOURS” FOR FLEXIBLE FURLOUGH CLAIMS

Although it is not a change announced by the Chancellor on 8 July we thought that we would take this opportunity to alert you to HMRC guidance on the calculation of “usual hours” for the purpose of the new flexible furlough scheme that started on 1 July. The scheme allows for employees to come back to work part time and the government will continue to subsidise the employee’s pay for the hours that they are furloughed. This will be the difference between their “usual hours” and the hours worked during the pay period.

The calculation of “usual hours” is not at all straightforward and we can of course assist you in calculating your claims under the new flexible furlough scheme.

Please contact a member of our team if you would like to discuss any of the issues raised.

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