



# Tax Update – Beyond the Finance Act 2021

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# Content

- Issues with reporting COVID support payments
- New penalty regime for late VAT returns
- New recording issues for super-deduction claims
- MTD – digital links practical issues
- MTD for Income Tax – start here!

# Reporting COVID support payments

- Income Tax – SEISS is reported separately
  - If included in 'P&L' on self employment pages need to deduct and then bring back in (Box 70.1)

<b>69</b> Overlap relief used this year £ [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] . [ 0 ] [ 0 ]	
<b>70</b> Overlap profit carried forward £ [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] . [ 0 ] [ 0 ]	
<b>70.1</b> Self-Employment Income Support Scheme grant £ [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] . [ 0 ] [ 0 ]	
<b>71</b> Adjustment for change of accounting practice £ [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] . [ 0 ] [ 0 ]	
	£ [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] . [ 0 ] [ 0 ]
	<b>75</b> Any other business income not included in boxes 15, 16 or 60 £ [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] . [ 0 ] [ 0 ]
	<b>75.1</b> Disguised remuneration additions to profits – read the notes £ [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] . [ 0 ] [ 0 ]
	<b>76</b> Total taxable profits from this business (box 73 + box 75 + box 75.1 minus box 74) – or use the working sheet in the notes £ [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] . [ 0 ] [ 0 ]

# Reporting COVID support payments

- Corporation Tax – CJRS is reported on the CT600 (2021)

Coronavirus support schemes and overpayments (see CT600 guide for definitions)

<b>471</b>	CJRS and JSS received	£	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	.	<input type="text"/>	<input type="text"/>
<b>472</b>	CJRS and JSS entitlement	£	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	.	<input type="text"/>	<input type="text"/>
<b>473</b>	CJRS and JSS overpayment already assessed or voluntary disclosed	£	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	.	<input type="text"/>	<input type="text"/>
<b>474</b>	JRB and EOTH0 overpayments	£	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	.	<input type="text"/>	<input type="text"/>

- Ideally boxes 471 and 472 are the same

# CJRS and Employment Allowance

- Make sure that employer NIC in April 2020 and following few months has not been double claimed for
- Employment allowance claimed in April
- Claimed NIC element of furlough
  - Should only claim this if the EA has been used up already
- Treatment by your software is very confusing
  - EA is an annual amount – apply to later in the year
- Check claims that were made by your firm

# SEISS grants – not entitled

- Grants 1 to 3 – entitlement determined at date of application
  - No change retrospectively
  - Do not use hindsight
- Grants 4 & 5
  - Where recipient was entitled to SEISS grant when received but later ceases to be entitled to all or part of the grant
  - Mainly deals with amendment of tax return for 2019/20

# All support payments – not entitled

- An income tax charge of 100% applies
- Requirement to notify chargeability
- 90 days from Royal Assent – 20 October
- HMRC will then raise an assessment
- For CJRS – watch non payment of related PAYE / NIC
- Failure to notify – knowledge of non-entitlement – 100% penalty!
  - Possible personal liability for directors for tax and penalties

# 2021 Income Tax return page 5

- Repayment of coronavirus support payments is covered here:

## Incorrectly claimed coronavirus support scheme payments

Please read the notes before filling in this section. Only fill in this section if you incorrectly claimed any payments from the Coronavirus Job Retention Scheme, Eat Out to Help Out Scheme, Self-Employment Income Support Scheme (SEISS) or from any other applicable HMRC coronavirus support scheme and you still need to tell HMRC.

<b>1</b> Amount of HMRC coronavirus support scheme payments (other than SEISS) incorrectly claimed	<b>2</b> Amount of SEISS payments incorrectly claimed
£ <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> . <input type="text"/> <input type="text"/>	£ <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> . <input type="text"/> <input type="text"/>

100% tax charge – also included in calculation of next year's PoA



# Why might client not be entitled?

- SEISS - Ceased trading
- SEISS - Incorporated
- SEISS - No reasonable belief that business is affected
- SEISS Grant 4 – reduction in profits based on additional costs not reduced demand
- CJRS – staff were working even if employer was initially unaware
- CJRS – didn't pay the staff in full
- CJRS – incorrect calculations resulting in overclaim

# What if client does not want to repay?

- Your obligations – subject to PCRT as the ‘clawback’ is through a tax charge
- Not required to make enquiries to identify errors which are unrelated to your work
  - But Box 5 / Boxes 471/472 mean that we need to cover this
- See Helpsheet C – client errors
  - Need to establish whether there is an error or not
  - Then advise client
- Also notify your MRLO (or consider making a report yourself if that is you)



# New late return penalties

# New penalties for late returns

- Finance Act 2021
- Will eventually apply quite widely
- But will apply to VAT from April 2022
- Points based system
  - One point per breach
- Maximum points = penalty

# Finance Act 2021 Schs 23 - 25

- Penalties for failure to make returns
  - AKA late filing penalties
  - Will apply as taxes come into MTD
  - Will apply to MTD quarterly returns and to SA returns
- Penalties for withholding information
  - AKA deliberate and concealed late filing as was
- Penalties for late payment of tax



# Late filing – points mean penalties

- Points awarded for each late filing event
- Each type of point is separate from the other types!
- Points expire after 24 months unless the maximum is reached
- At the maximum no more points are awarded
  - But each default attracts a penalty
  - Extends the period of compliance for all points to be cancelled

# Why is it complicated?

- Each different set of tax obligations
- Each different cycle of returns
- The four sets of obligations:
  1. Income tax or capital gains tax for individuals
  2. Income tax or capital gains tax for trustees
  3. Income tax or capital gains tax for partnerships
  4. VAT

# Cycles of returns

- For each set of obligations you may have annual, quarterly or monthly returns due
- Each of these is a different type of point
- But for VAT it is fairly simple
  - Whichever type of return cycle you are on
  - You are very unlikely to be on more than one



# Penalty points

- One point for defaults, but only one point for multiple failures in the same month
- Maximum points are
  - Column A (annual) – 2 points
  - Column B (quarterly) – 4 points
  - Column C (monthly) – 5 points
- Expiry – 24 complete months after the failure unless maximum points have been reached

# Expiry of all points

- Once on penalty all points expire together
- Made all the returns in the relevant group on time for a period of:
  - Column A (annual) – 24 months
  - Column B (quarterly) – 12 months
  - Column C (monthly) – 6 months
- AND returns are up to date for the last 24 months (irrespective of whether on time or not)
- Appeal process etc



# Capital allowances – balancing charges regime

# The new issues

- All assets on which either a super-deduction (130% FYA) or SR allowance (50% FYA) has been claimed
- In both cases there is an open ended balancing charge on disposal of the asset
- But the treatment is slightly different in each case
- It will mean careful record keeping of assets on which a FYA under these rules has been claimed

# Super-deduction : disposals

- The asset on which the claim was made is 'de-pooled' at zero TWDV
- This remains a single asset pool until the asset is disposed of (whenever that is)
- The proceeds are a balancing charge
  - Unless the asset is sold fairly soon
  - Sold in a period ending before 31 March 2023 – 130%
  - Sold in a period spanning 31 March 2023 – pro rata between 100% and 130%

# SR allowance - deductions

- Asset is added to the special rate pool after the SR allowance claim is made
- No need to keep a record of the TWDDV
- Proceeds will give a 50% balancing charge if full SR allowance claimed
  - Remaining proceeds deducted from the pool
- Adjustment if SR allowance on partially claimed
  - Same proportion gives balancing charge



# Making Tax Digital

# VAT – digital links

- Digital links now mandatory
- Will also be required from day 1 for clients joining next year
- Depends on what you regard as the digital records
  - Once these are set, all transfers between records and submission of VAT return MUST be by digital links
  - No re-keying
- Adjustments are different
  - You will need to input these to arrive at the correct figures



# MTD for Income tax

- Still waiting for the detail in the Regulations
- But the key to MTD is digital record keeping
  - The software should be capable of sorting submission etc
- So how many of your clients need to move onto digital records?
- And what will those records look like?
  - Cloud based software
  - Desktop software
  - Spreadsheets

# Migration planning

- Start with a list of clients and start sorting into groups
- Landlords – await appropriate free software?
- Those who are pretty much MTD ready
- Those who have some digital records but need more help to get up to date
- Those with manual records
- Your services?
- What software?