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NEWSLETTER



Budget News

A summary of budget changes is included with this newsletter.

Year-end Wages Procedures

1. Give each employee a P60, which can be printed from payroll software; if you use HMRC's Basic PAYE Tools, you will probably have to download the 2021/22 update first.
2. An employee who has received benefits-in-kind (such as a company car or medical insurance) must be given a P11D, which must also be filed with HMRC by 6 July.
3. After updating payroll software, adjust employees' tax codes for the new year:

- a) Apply any new codes issued by HMRC.
- b) Increase codes with these suffixes by these amounts:

L codes by 7, for example 1250L becomes 1257L

M codes by 8

N codes by 6

- c) Do not alter codes with a K prefix or T suffix.

In all cases, do not carry over any week 1 or month 1 markings.

4. At the start of 2020/21, employers had to make a declaration about state aid in order to claim the Employment Allowance. As that was to comply with EU rules, I would not expect it to be required this year.
5. Pay Class 1A NIC on benefits-in-kind by 19 July.

VAT Administration

1. Making Tax Digital (MTD) currently applies only to traders whose turnover is above the VAT registration threshold of £85,000. From April 2022, all other VAT-registered businesses will have to register for MTD and use it to file their returns.
2. It wasn't mentioned when MTD started, but the authorisation of software for filing VAT returns is valid for only 18 months, so traders are now getting messages saying that it has expired. It is, however, a simple matter to follow the instructions in the software to reauthorise it.
3. The VAT return includes boxes relating to sales to and purchases from EU countries. Those boxes are redundant from January 2021, so I would expect them to be removed from the VAT return, starting with the March 2021 quarter. If the remaining boxes are renumbered, then anyone using bridging software will need to also redefine the box numbers for the totals on their spreadsheet.

National Minimum Wage

Hourly rates will increase on 1 April 2021:

	Old £	New £
Living wage (25 and over) (23 and over)	8.72	8.91
Minimum wage (21 to 22)	8.20	8.36
18 - 20	6.45	6.56
16 - 17	4.55	4.62
Apprentice (under 19 or in first year)	4.15	4.30

Note that the living wage now applies at 23, rather than 25.

Covid Fraud

The various Covid assistance schemes are a tempting target for fraudsters and there have been various estimates of how much false claims may have cost the government. Fraud can range from individuals claiming support to which they are not entitled, to organised criminals setting up bogus companies to take out bounceback loans which they have no intention of repaying.

The budget provided funding of £100m to set up the Taxpayer Protection Taskforce, which will use up to 1,000 HMRC officers to investigate fraudulent claims. HMRC has already opened about 10,000 enquiries and begun criminal investigations in some cases, including suspicions of employers claiming money under the Coronavirus Job Retention Scheme (CJRS) for workers who were not actually furloughed.

I have heard rumours of people claiming under the Self-Employed Income Support Scheme (SEISS) when they were not entitled to. I partly blame the online procedure for claiming, which I could see leading to false claims. It told taxpayers that they were eligible when it had only checked three things:

1. That the person was in business at 5 April 2019 and continuing.
2. That average profits for the three years ending on that date were no more than £50,000.
3. That business profits were at least half of total income.

What it did not stress enough was the most important condition, that the business has suffered a loss of income due to Coronavirus. I expect HMRC to look closely at the 2020/21 tax returns of all SEISS claimants, to see whether their income really was lower than the year before. Grants falsely claimed will incur a 100% tax charge.