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September 2020

NEWSLETTER

Covid-19

At the start of lockdown all of my staff went home to work while I stayed in the office. One of my staff has now come back to the office, but we are still keeping the door locked and not admitting any visitors, so it is still necessary to knock to deliver or collect anything. Between us, we can usually man the office from 9am to 5pm, but it is still wise to telephone before coming, to ensure that someone is here.

This is working well for my business, with no drop in productivity. Everyone talks of the "new normal" and it may well be that this more flexible way of working is here for the long term. Provided employers and staff are happy with this arrangement, there is no reason why it should not continue.

July 2020 tax payment

When the Chancellor announced the deferment of July 2020 tax payments, he definitely said that it would apply automatically to everyone and, indeed, when the bills were issued, they all showed a due date of 31 January 2021. Then, in July, HMRC issued guidance saying that deferment was available only to people who were having difficulty paying because of the impact of coronavirus. No doubt most taxpayers were not aware of that guidance. In theory, HMRC could take action against people who defer payment without good reason, but I doubt whether they have either the inclination or the resources to do much checking.

Insurance

Many business insurance policies include business interruption cover, which is most commonly used to make a loss of profit claim where, say, premises have been damaged by fire or flood and have to be closed until they have been repaired. There has been some doubt about whether such cover could be invoked where a business has had to close because of Covid-19, but the Financial Conduct Authority, acting on behalf of policyholders, has recently won a test case in the High Court against all insurance companies except Zurich and Ecclesiastical Insurance. It is certain, though, that the insurers will appeal, so the decision could be reversed. Nevertheless, there is no harm in making a claim now in case the final verdict is favourable to policyholders.

A new scam

I recently had a telephone call which was a recorded message (a woman with an American accent) allegedly about a £300 Visa payment "in the last 15 minutes" and inviting me to press buttons to either confirm it or speak to an adviser. I recognised that this must be a scam and hung up immediately, before any so-called "adviser" could induce me to give away any of my credit card details. My suspicions were confirmed when I checked the caller's number and found that it was a mobile.

SEISS

The second SEISS grant is now available to any business which has been adversely affected since 14 July by Covid-19. A business is adversely affected if it has suffered a loss of income or increased costs attributable to the pandemic. There seems to be no requirement that a self-employed person must have claimed the first grant in order to qualify for the second, so someone who had been working normally would be able to claim if, for instance, affected by catching Covid-19 or having to self isolate after 14 July.

The eligibility rules and the profits used to calculate the second grant are the same as for the first, but the payment will be 70% of income rather than 80% up to a maximum of £6,570. What has never been clear is exactly what period each of these grants is intended to cover. It would have been reasonable to assume that the first grant covered three months from the start of lockdown or, more likely, the calendar months April to June. On that basis, someone who had to self isolate for two weeks from 1 July would expect to apply for the second grant, but would now find that the first grant should have been claimed and had been missed, because applications closed on 13 July.

The government has said that there will be no further SEISS grants, but that may change if there is a second wave and another lockdown. HMRC will be looking to prosecute anyone who has claimed fraudulently, so it would be wise to record the reasons for claiming. In practice, I don't see how they can start to check anyone until they start to receive people's 2020/21 tax returns next year. At that point, they may question taxpayers who have claimed the grant, but show no drop in income from the previous year.

Finally, a point about the way in which SEISS grants will be taxed, which will confuse a lot of self-employed people. As I said in my last newsletter, the grants will be taxable in the tax year 2020/21 so, I would assume, there will be a box on next year's tax return to declare them. For most self-employed people, that same tax return will show their business accounts for the year ended 31 March or 5 April 2021, so the grant will just offset a lower profit, with little overall effect. If, however, the business has an accounting date early in the tax year, such as 30 April or 31 May, then the 2020/21 tax return will show the 2020 accounts, which will not have been affected much by the pandemic. A near-normal year, plus the SEISS grants, could give a higher than usual income, a big tax bill and maybe some Child Benefit to repay.

Pass it on

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