

Small Business Insight

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HAWSONS CHARTERED ACCOUNTANTS



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Introduction



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Welcome to our latest small business newsletter.

With the UK and the EU striking a last minute Brexit deal and the UK now in its third national lockdown since the start of the COVID-19 pandemic, there will certainly be plenty to discuss in this edition of our Small Business Insight.

In this edition will be covering VAT, post Brexit guidance and much more.

We hope you enjoy the articles in this newsletter. If we can be of help at all, please do not hesitate to get in touch with us using the contact details on the final page of the newsletter.

Starting up a new business is a challenging process and there are many aspects a small business owner must consider. We have a proven track record in helping new and small businesses get off the ground and continue to grow. Our small business accountants can help in all aspects of setting up and running your business.

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Court Ruling Confirms Insurers Must Pay Many Small Businesses for COVID Losses

The Supreme Court has ruled largely in favour of small businesses receiving payments from business interruption insurance policies. These payments are to cover losses from the first national lockdown. This news will be a relief to many small businesses that may need this insurance payment in order to survive. This ruling is likely to cost the insurance sector hundreds of millions of pounds.

This case came about last spring when many businesses made insurance claims through their business interruption insurance policies when they were forced to close. However, a large number of insurance providers refused to payout. Many providers argued that only the most specialist policies provided cover for unprecedented restrictions as a result of COVID-19. However, the Supreme Court dismissed these appeals from insurers and ruled in favour of policyholders.

This ruling will potentially affect 370,000 small businesses, although only some of these will end up with pay-outs. The ruling also provides guidance for a bigger cross-section of 700 policies.



VAT Deferral Guidance

HMRC has issued some further guidance to businesses that deferred their VAT payments between 20 March and 30 June 2020 and still have payments to make.

HMRC is advising businesses who deferred their VAT payments to:

- pay the deferred VAT in full on or before 31 March 2021
- or opt in to the VAT deferral new payment scheme when it launches in 2021
- or to contact HMRC if they need more help to pay.

Businesses can pay their deferred VAT in full by 31 March 2021. There is no need to contact HMRC. However, if businesses want to use the new payment scheme they will need to opt in. The new online opt in process will be available in early 2021.

Businesses will need to opt in themselves as this cannot be carried out by tax agents. Where businesses opt in to the VAT deferral new payment scheme instead of paying the full amount by the end of March 2021, they can make up to 11 smaller monthly instalments which are interest free. All instalments of the outstanding amount must be paid by the end of March 2022.

In order for businesses to use the scheme they must:

- still have deferred VAT to pay
- be up to date with their VAT returns
- opt in before the end of March 2021
- pay the first instalment before the end of March 2021
- be able to pay the deferred VAT by Direct Debit.

Businesses must prepare to opt in by:

- creating their own Government Gateway account if they do not already have one
 - submitting any outstanding VAT returns from the last four years. You will not be able to join the scheme if you have not done so
 - correcting errors on their VAT returns as soon as possible. Corrections received after 31 December 2020 may not show in their deferred VAT balance
 - ensuring they know how much they owe, including the amount they originally deferred and how much they may have already paid.
-

Brexit Deal – A VAT guide for businesses

The UK and EU have completed a deal so that trade can be done between the two entities without tariffs or quotas. However, further negotiations are on-going, for example in the area of services where there is currently no agreement.

We have put this guide together to help give practical VAT advice to UK businesses but please note that each case needs careful consideration and we would be happy to discuss your business' particular circumstances. The position may well change over time as the new rules bed in.

Firstly, companies from the UK will not make EC sales after 1 January 2021. Any sales to the EU will become exports (there will be no EC Sales Lists to complete after 1st January 2021).

EC acquisitions (purchases) will become imports at the same time.

Both imports and exports will require a UK company to have an EORI number. This is a simple process using the following link: <https://www.gov.uk/eori>

Moving Goods to the EU from GB

Goods sent Business to Business (B2B) and Business to Consumer (B2C) will be zero-rated exports after 1 January 2021. The value of goods will need to be entered in Box 6 of the VAT return (just like exports to the rest of the world).

Customs documents will also be required. Customs processes are complicated (tariffs, software for declarations, transportation, etc), so most companies use customs intermediaries e.g. customs agents, courier firms, postal operators, etc, to complete customs processes on their behalf.

It is the exporters' responsibility to provide their intermediary with the relevant information for these customs documents so it is important to contact them as soon as possible to check the requirements.

Unfortunately, Business to Consumer (B2C) supplies may require a VAT registration in the country where the goods are delivered. The EU is looking at introducing a scheme so that non-EU sellers do not have to register in each EU country they supply to but due to the pandemic, this has been delayed to 1 July 2021. Businesses may elect to shift responsibility for the payment of import VAT to the end customer, which will be collected via the 'customs declarant' (postal operator, courier firm, customs agents). This is a commercial decision, and businesses would need to weigh up the cost for both options, as the customs declarant would presumably charge for this service.

Importing Goods into GB from the EU

Goods being moved from the EU to the UK will become imports after 1 January 2021. The value of goods will need to be entered in Box 7 of the VAT return.

For B2B supplies import VAT, including imports from the EU, can be accounted for on a business' VAT return instead of paying VAT at the point of import and having to reclaim VAT later. This allows the import VAT to be paid for on the VAT return and claimed back on the same return (in Boxes 1 and 4). This is subject to the normal input tax rules.

When importing goods into the UK from the EU it is often necessary to make a full or standard customs declaration. This requires the importer to:

- Ensure the exporter has an EU EORI number;
- The exporter has the relevant export or specialist goods licences or certificates;
- The exporter has completed the export declaration in their country of export;
- The importer has a UK EORI number;
- The importer pays any duty necessary (it is unlikely that customs duty will be due unless the goods have originated from outside the EU, but excise duty will be due); and
- Import VAT is accounted for under the postponed accounting system if the importer is VAT registered.

VAT on Services post-Brexit

For B2B services the reverse charge will still apply but to both non-EU and EU countries. The services supplied by UK businesses are outside the scope of UK VAT (there are exceptions including land) and do not impact the UK VAT return. It will be important to have evidence that the customer is in business (e.g. the customer's VAT number)

For services supplied by EU businesses to UK businesses the reverse charge will apply after 1 January 2021 (Boxes 1 and 4 and 7 on the VAT return).

Business to consumer supplies of a professional, technical and intangible nature

If you're supplying professional services from the UK to consumers outside the UK, your services are supplied where your customer belongs and so are outside the scope of UK VAT. So, accountancy services provided to an EU non-business customer will now be outside the scope of UK VAT just like accountancy services supplied to non-business customers in the rest of the world. However, many other services to non-UK non-business customers may be subject to UK VAT.

ATED – Can you claim annual relief on your residential property?

Annual Tax on Enveloped Dwellings (ATED) is an annual tax that requires limited companies owning UK residential properties with a value of more than £500,000 to complete an ATED return.

You must complete an ATED return if your property:

- Is located in the UK
- Is a dwelling
- Was valued at more than:
 - £2 million (for returns from 2013 to 2014 onwards)
 - £1 million (for returns from 2015 to 2016 onwards)
 - £500,000 (for returns from 2016 to 2017 onwards)

Is owned by; or partially owned by a:

- Company
- Partnership where any of the partners is a company
- Collective investment scheme

All returns are to be submitted in any chargeable period, either on or after 1 April. Most residential properties (dwellings) are directly owned by individuals; though some dwellings can be owned by a company, the term for this is 'enveloped'.



However, you may qualify for relief if your property meets the following criteria:

- Let to a third party on a commercial basis and isn't, at any time, occupied (or available for occupation) by anyone connected with the owner
- Open to the public for at least 28 days a year
- Being developed for resale by a property developer
- Owned by a property trader as the stock of the business for the sole purpose of resale
- Repossessed by a financial institution as a result of its business of lending money acquired under a regulated Home Reversion Plan
- Being used by a trading business to provide living accommodation to certain qualifying employees
- A farmhouse occupied by a farm worker or a former long-serving farm worker
- Owned by a registered provider of social housing

If you meet any of these criteria, whilst you may need to register for ATED and file a return you should be able to claim relief. In addition, depending on when the property was first acquired, occupied or is deemed to come into existence for council tax, a return must be filed and relief claimed within 90 days from that date even if this is in the middle of the year.

Based on the above criteria your business may be eligible for relief or exemptions, this can reduce the tax payable or eliminate it completely. However, a claim does need to be made.



Chancellor Announces New Grant for Businesses

The Chancellor has announced a new one-off top-up grant which will be available for businesses in the retail, hospitality, and leisure sectors. The grants will be worth up to £9,000 per property. This grant is available on top of business rates relief and the furlough scheme, which has already been extended until 30 April 2021. In addition, the Chancellor has confirmed that a £594m discretionary fund will be made available for those businesses affected outside of the sectors previously mentioned. This new package of measures is worth a total of £4.6bn across the UK.

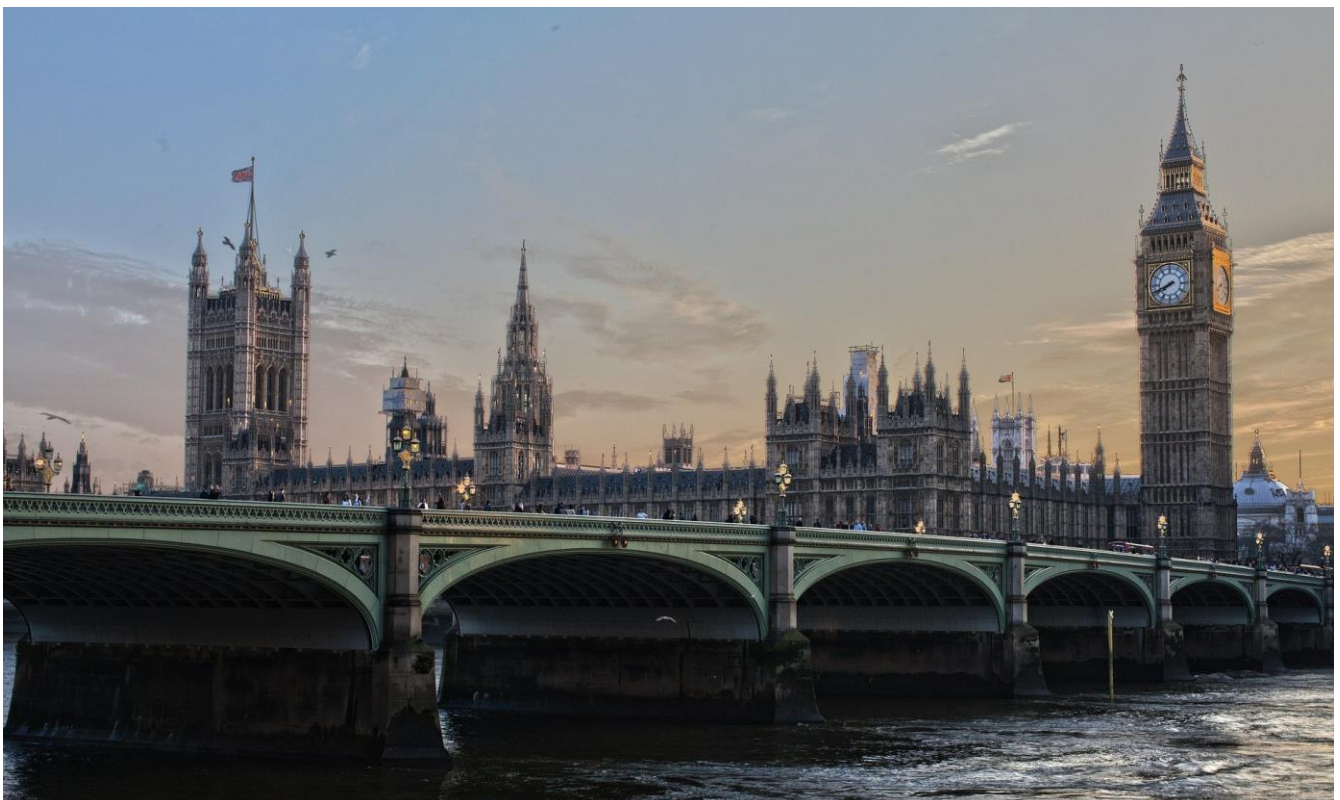
For more information please visit the government website: <https://www.gov.uk/government/news/46-billion-in-new-lockdown-grants-to-support-businesses-and-protect-jobs>

This grant will be made available by your local authority. We expect local authorities to publish more information.

Sheffield Council: <https://www.sheffield.gov.uk/home/your-city-council/coronavirus-hub/support-for-business>

Doncaster Council: <https://www.doncaster.gov.uk/services/health-wellbeing/coronavirus-advice-for-employers-and-businesses>

Northampton Council: <https://www.northampton.gov.uk/grantsandadvice>



Get in touch...

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