

# Super-deductions: Budget changes for business

**'Bold and unprecedented'. That was the Chancellor's description of the new 130% super-deduction for expenditure on new qualifying plant and machinery announced in the Budget. The headlines announced that for every pound invested; tax is cut by up to 25p.**

But what are the terms and conditions, how does it sit alongside the usual rules on capital allowances – and is it the giveaway it's been made out to be?

First of all, it's not available to every business. It's targeted at companies, not unincorporated businesses. These will have to continue to look to the Annual Investment Allowance (AIA), with its temporarily extended higher £1 million limits for major capital spending up to 31 December 2021.

Secondly, it's temporary lasting for two years. And it works by giving first-year tax relief in the form of capital allowances for expenditure between 1 April 2021 and 31 March 2023. For assets that would normally qualify for 18% main rate writing down allowances, the super deduction gives first-year relief of 130%. Assets normally qualifying for a 6% special rate writing down allowances (such as integral features in buildings, like lifts and long-life assets) can qualify for a first-year allowance of 50%. But this 50% allowance is likely to be relevant only to companies that have used their AIA. Unlike the AIA, there is no cap on eligible

expenditure. The deduction rate will be apportioned for a business making an eligible expenditure in an accounting period straddling 1 April 2023.

There are exclusions. Plant or machinery must be new, not used or second hand. Expenditure incurred on contracts entered into before the Budget on 3 March 2021 does not qualify. The general exclusions that are in existing legislation relating to first-year allowances apply. For example, expenditure on cars and assets for leasing are excluded – the latter point meaning that commercial landlords may benefit less than the initial publicity of the proposals might have led them to expect.

Rules on what happens when the assets are disposed of make the picture more complex. With disposal proceeds treated as a taxable balancing charge, these potentially claw back some of the previous benefits. It will be important to keep records of assets on which the super-deduction is claimed so they can be correctly treated on sale.

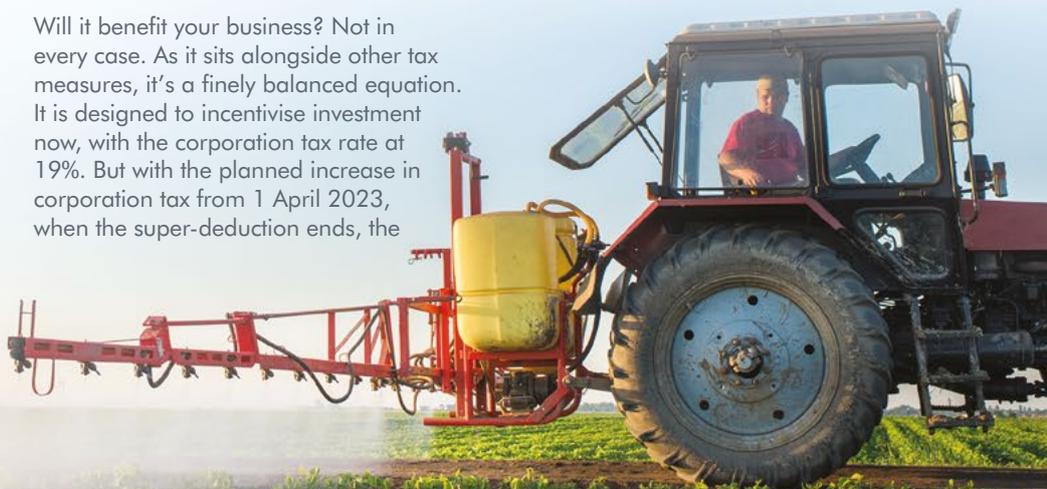
Will it benefit your business? Not in every case. As it sits alongside other tax measures, it's a finely balanced equation. It is designed to incentivise investment now, with the corporation tax rate at 19%. But with the planned increase in corporation tax from 1 April 2023, when the super-deduction ends, the

outlook for your business may change.

The main rate of corporation tax is set to increase to 25% on profits over £250,000. Only companies with profits up to £50,000 will retain the 19% rate, with profits between £50,000 and £250,000 taxed on a sliding scale. Whether the super-deduction significantly benefits your company will depend on the forecast level of capital expenditure, the type of asset, financing method, and your expected corporation tax rate.

With the AIA due to revert to £200,000 from 1 January 2022 and higher corporation tax rates in prospect, careful timing of major capital expenditure is more critical than ever. The new provisions on loss carry-back could also affect decision making.

All in all, it's a complex area, and the right decision for your business will be unique to your business. We would be delighted to advise further.



THE  
BOTTOMLINE

# Analysing the Recovery Loan Scheme

Budget 2021 announced a successor loan scheme to support UK business recovery. Earlier coronavirus (COVID-19) loans, like the Bounce Back loan, closed to applications on 31 March 2021.

The new Recovery Loan Scheme (RLS) launched on 6 April 2021 and runs to 31 December 2021, subject to review. It provides finance that can be used for any legitimate business purpose, including managing cashflow, investment and growth. It is designed to appeal to businesses that can afford to take on additional debt finance for these purposes. Interest rates are capped at 14.99% and are expected to be much lower in most cases.

The scheme offers term loans, overdrafts, asset and invoice finance. The maximum facility is £10 million per business. The minimum facility varies, starting at £1,000 for asset and invoice finance and £25,001 for term loans and overdrafts. Term loans and asset finance facilities are available for up to six years; overdrafts and invoice for up to three.

## Eligibility

No turnover restriction applies. The RLS is open to businesses trading in the UK that can show their business is viable or would be if it wasn't for the pandemic, those that are impacted by COVID-19, and businesses not in collective insolvency proceedings. The RLS can be used on top of previous COVID-19 loan schemes, though the previous borrowing may restrict the amount available. The scheme is not open to public sector bodies; state-funded primary and secondary schools; or banks, building societies, insurers and reinsurers (insurance brokers are eligible).

The government guarantees the lender 80% of the finance. No personal guarantees will be taken on facilities

up to £250,000, and the borrower's principal private residence cannot be taken as security. Interest and fees will have to be paid from the outset.

Credit checks and fraud checks will be carried out on all applicants. The checks and approach may vary between lenders. When making their assessment, lenders may overlook concerns over short to medium-term business performance caused by the pandemic.

Loans are available through a network of accredited lenders, and full details are here:

<https://www.british-business-bank.co.uk/ourpartners/recovery-loan-scheme/for-businesses/>

## COVID-19 support schemes latest

### Ongoing change to the Coronavirus Job Retention Scheme ('furlough' scheme) and Self-employment Income Support Scheme (SEISS) creates the potential for inadvertent errors.

We outline recent changes here, but for full information on how the schemes work, see <https://bit.ly/3c3v9Mn> and <https://bit.ly/2QoWa7G>.

There are two further SEISS grants, SEISS four and five. They are intended as a final, more restricted phase of support. For SEISS four, businesses must declare a reasonable belief that there will be a significant reduction in trading profits due to reduced business activity, capacity, or demand because of COVID-19. The impact on the business must relate to the period 1 February 2021 to 30 April 2021, and the reduction in profits must be reflected in the figures reported on the relevant tax return in due course.

Evidence must be kept to support claims; see <https://bit.ly/2PSkbnr>. SEISS five introduces an additional turnover test; the grant amount will hinge on how much turnover has fallen between April 2020 and April 2021.

To be eligible for SEISS four or five, the 2019/20 tax return must have been submitted before midnight on 2 March 2021. HMRC will base calculations on 2019/20 tax return data and more recent years than for earlier SEISS grants. This could produce unexpected results. It opens the door to some new claimants, such as those starting self-employment in the 2019/20 tax year, provided they meet other eligibility conditions. On the other hand, someone eligible for earlier SEISS grants may receive more or less than before.

The furlough scheme runs to 30 September 2021. There is no change until 1 July 2021, when government contributions drop. Employers then make 10% contributions in July and 20% in August and September. For

periods starting on or after 1 May 2021, claims can be made for employees employed on 2 March 2021 if a PAYE RTI submission has been made to HMRC between 20 March 2020 and 2 March 2021, notifying payment of earnings for that employee. It's not necessary to have claimed under the scheme for an employee before 2 March 2021 to claim on/after 1 May 2021.

COVID-19 support schemes are very much in the public eye. HMRC stresses that it is not looking for innocent errors. But with details of employer furlough claims now published, new SEISS recovery powers, and a new Taxpayer Protection Taskforce set up to tackle fraud, it is essential that any claim is well-evidenced and can stand HMRC scrutiny. Assessment of the position now would be prudent, and this guide from the Chartered Institute of Taxation (CIOT) may make a good starting point to assess potential issues <https://bit.ly/31VOKuS>. We would, of course, be glad to help you review compliance.

# Doing business after Brexit: taking a look at the new rules

The end of the Brexit transition period ushered in a range of new trade rules and regulations applicable to businesses that trade with the EU. Firms need to follow new rules on exports, imports and tariffs. Here we outline the changes.

## Dealing with VAT

Before Brexit, VAT on trade with the EU entailed minimal paperwork. There was also access to a range of VAT simplifications. This has changed. Broadly, rules on the supply of services have changed less than the rules on the supply of goods. One key change relates to business to consumer (B2C) supplies of digital services, such as apps and downloads, where registration for the UK VAT mini one-stop-shop (MOSS) is no longer available. Registration for the MOSS non-union scheme in an EU member state is needed instead.

## Goods sold to the EU

Business to business (B2B) supplies of goods, previously treated as dispatches for VAT purposes, are now reclassified: sales from the UK become exports. Exports can be zero-rated, provided goods are physically exported within three months of the time of supply, with export evidence obtained within the same period.

Before Brexit, the distance selling rules applied to B2C supplies of goods (also now treated as exports). But the EU distance selling regime/thresholds are no longer open to UK suppliers. Instead, you may need to register for VAT in EU countries where your customers are located. In some countries, VAT registration may also require the appointment of a local agent to deal with matters for you.

## Goods bought from the EU

Previously treated as acquisitions for VAT purposes, these are reclassified as imports. From 1 January 2021, two new VAT schemes apply to imports, not just to imports from the EU but from anywhere in the world:

- the Low-Value Imports scheme makes the relevant online marketplace or overseas vendor responsible for charging the VAT in the UK. Applies to postal imports below £135 in value
- Postponed VAT Accounting (PVA).

## Dealing with customs procedures

Trade with the EU now means following the correct customs procedures. It's a complex area involving being ready to make customs declarations, knowing how to classify goods correctly and understanding relevant safety and security requirements. The government recommends using a professional customs intermediary.

## Imports: new timetable, ongoing change

The new rules for import controls (full import customs declarations, border checks and controls) don't all take effect at once. The government's Border Operating Model set out stricter controls in three stages: 1 January 2021, 1 April

2021 and 1 July 2021. This has changed to give traders more time to prepare with import pre-notifications for products of animal origin introduced from 1 October 2021 and from 1 January 2022 customs declarations for all goods at the point of import.

## Making a declaration

Customs declarations are made either to the Customs Handling of Import and Export Freight (CHIEF) or to HMRC's new declaration platform, the Customs Declaration Service (CDS). Special software is needed.

To complete a customs declaration, you need:

- a GB Economic Operators Registration and Identification (EORI) number
- the commodity code of the goods
- the value of the goods
- the origin of goods
- access to HMRC systems, either directly or via an intermediary with such access
- for anyone using CHIEF and not using an intermediary, a CHIEF badge.

## We can help you

Brexit has brought significant change to trade with Europe and Northern Ireland, and we have only been able to highlight key issues here. Please contact us for in-depth advice tailored to your circumstances.



## Tax Tip

# Forms P11D and reviewing your benefits-in-kind policy

Forms P11D, which report benefits-in-kind for employees for the year to 5 April 2021, are due for submission to HMRC by 6 July 2021. Employer-only Class 1A national insurance contributions (NICs) of 13.8% are also payable on the benefits by 19 July 2021.

Benefits-in-kind are generally valued at the cost to the employer of providing the benefit. However, special rules apply to the valuation of some benefits such as cars where the taxable amount will generally be based on a range of up to 37% of the manufacturer's list price (including accessories) of the car. The

taxable benefit depends upon the carbon dioxide emissions of the car. There is also a separate benefit-in-kind for the provision of fuel for private motoring.

Now would be a good time to start gathering together the information to complete the forms P11D and to review your benefits-in-kind policy.

**We can help you complete the forms P11D and review your benefits-in-kind policy. Please get in touch for more information.**

## Reminders for your diary

### June 2021

- 1** New Advisory Fuel Rates (AFR) for company car users apply from today.
- 19** PAYE, Student loan and CIS deductions are due for the month to 5 June 2021.
- 30** End of CT61 quarterly period.

### July 2021

- 5** Deadline for reaching a PAYE Settlement Agreement for 2020/21.
- 6** Deadline for forms P11D and P11D(b) for 2020/21 to be submitted to HMRC and copies to be issued to employees concerned.  
Deadline for employers to report share incentives for 2020/21.
- 14** Due date for income tax for the CT61 period to 30 June 2021.
- 19** Class 1A NICs due for 2020/21.  
PAYE, Student loan and CIS deductions due for the month to 5 July 2021.  
PAYE quarterly payments are due for small employers for the pay periods 6 April 2021 to 5 July 2021.
- 31** Second payment on account 2020/21 due.

### August 2021

- 2** Deadline for submitting P46(Car) for employees whose car/fuel benefits changed during the quarter to 5 July 2021.
- 19** PAYE, Student loan and CIS deductions are due for the month to 5 August 2021.