TAX NEWSLETTER – MAY 2022

K MAGILL & COMPANY
CHARTERED ACCOUNTANTS

TRADING LOSSES - CARRY BACK OR CARRY FORWARD?

In the March 2021 Budget, it was announced that the normal one year carry back for trading losses would be extended to three years. That means that many businesses that have made losses during the COVID-19 pandemic may be able to obtain a repayment of tax paid in that earlier three-year period. This enhanced carry back applies to unincorporated businesses as well as limited companies and will provide a much-needed tax refund.

However, with the corporation tax rate increasing to 25% from 1 April 2023 for profits over £250,000 it may be more beneficial to carry the loss forward. Note that the marginal rate is 26.5% where profits are between £50,000 and £250,000 a year. So, there is a trade-off between a tax refund now and a possible bigger tax saving in the future.

For the enhanced carry back the company's the loss-making accounting period must end between 1 April 2020 and 31 March 2022. For unincorporated businesses the trading loss must be incurred in 2020/21 or 2021/22.

For corporation tax purposes, it is no longer necessary to finalise the company accounts and file the CT600 corporation tax return to claim loss relief where the loss is no more than £200,000. HMRC will however require evidence of the loss to process the claim such as management accounts for the period.

SUPER-DEDUCTION FOR EQUIPMENT RUNS FOR ONE MORE YEAR

The 130% super-deduction for companies that invest in new plant and machinery applies where the expenditure is incurred between 1 April 2021 and 31 March 2023. Many companies recovering from the coronavirus pandemic have not had the resources to commit thus far and the war in Ukraine may have made them reluctant to invest until the political and economic situation stabilises. Thankfully the special tax relief announced in the Spring 2021 Budget will be available for expenditure up until 31 March 2023 potentially saving £247 for every £1,000 invested in new equipment.

It is hoped that the current £1 million Annual Investment Allowance (AIA) will continue to be held at that level once the super-deduction ends. Note that the AIA is available to unincorporated businesses as well as limited companies and for second hand as well as new equipment.

CHANGES TO VAT RATES FROM 1 APRIL 2022

Many in the hospitality sector were hoping that the Chancellor would extend the 12.5% reduced rate that has applied since 1 October 2021 but, as scheduled, the rate has reverted to 20% from 1 April 2022.

The increase applies to hospitality, visitor attractions, catering services including restaurants and takeaways.

This has a consequential effect on the VAT Flat Rate Scheme percentages from 1 April 2022 onwards as set out below:

Type of Business	From 1 April 2022
Catering services including restaurants and takeaways	**12.5%**
Hotel or accommodation	**10.5%**
Pubs	**6.5%**

END OF TAX YEAR PAYROLL PROCEDURES

As the 2021/22 tax year has now ended, employers need to carry out the following end of year procedures:-

- Provide employees with their P60 annual summaries by 31 May 2022,
- Prepare forms P11D for employees' expenses and benefits by 5 July 2022,
- Update employees' payroll data for 2022/23, in particular their new tax codes, and
- Update their payroll software for 2022/23 if they haven't already done so.

EMPLOYERS NICS IN RELATION TO EX-MILITARY STAFF

Last year the Government announced a one-year exemption from paying employers national insurance contributions (NICs) where military veterans are recruited by civilian employers.

Employers can claim relief from employer NICs for the first 12 months of the veteran's first civilian job after they leave the military.

For 2021/22 employers had to initially pay the employers NICs and can now claim back the amounts paid.

From 6 April 2022, a new zero NIC rate will apply in these circumstances, and employers should use NIC letter V.

REIMBURSE PRIVATE FUEL FOR YOUR COMPANY CAR?

Unless there is full reimbursement of fuel provided for the private use of a company car there is a benefit in kind charge based on a fixed figure of £24,600 which is multiplied by the CO2 emissions percentage that is used to calculate the company car benefit for that vehicle. For a high emission car that percentage can be as high as 37%, resulting in a benefit in kind charge of £9,102 and an income tax bill of £3,640.80 for a higher rate taxpayer. Even with current fuel prices, that would be an awful lot of private mileage, so the employee should consider reimbursing the employer using the HMRC approved mileage rates by 5 July 2022 for 2021/22.

ATED RETURNS AND REVALUATIONS DUE

The Annual Tax on Enveloped Dwellings (ATED) was introduced in April 2012 and is charged where certain residential properties are owned within a corporate structure. This tax not only catches UK properties owned by wealthy oligarchs via offshore companies but also applies to UK resident companies. Originally the charge only applied where the value of the property exceeded £2 million but that threshold has been subsequently reduced to £500,000.

The charge for 2022/23 starts at £3,800 and rises to £244,750 where the property value is more than £20 million.

Properties need to be revalued every five years and the latest valuation date is 1 April 2022. With significant increases in property values in recent years this may mean that more companies may be required to complete an ATED return.

There are numerous exemptions and reliefs from ATED but companies still need to submit an ATED Relief Declaration Return.

MAIN ATED RELIEFS

The main situations where there is a relief from ATED are where the property is:-

- let to a third party on a commercial basis
- 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
- a farmhouse occupied by a farm worker or a former long-serving farm worker

POSSIBLE CHANGES TO SDLT MULTIPLE DWELLINGS RELIEF

HMRC have been consulting on changes to the relief from stamp duty land tax (SDLT) when two or more properties are acquired at the same time. This indicates that a change in the rules is imminent, and purchasers should take advantage while the relief continues to apply.

Currently where at least two dwellings are purchased in a single transaction, or as part of a series of linked transactions between the same vendor and purchaser, the purchaser can choose to have the rate of SDLT determined by the average value of the dwellings purchased, rather than their combined value. Purchasers can therefore benefit from multiple nil-rate and lower percentage bandings, significantly reducing the amount of SDLT payable. Multiple dwellings relief doesn't apply automatically; it must be claimed in a land transaction return and your solicitor may not be aware of this important relief.

DIARY OF MAIN TAX EVENTS
MAY/JUNE 2022

Date	What's Due
01/05	Corporation tax payment for year to 31/07/21 (unless quarterly instalments apply)
19/05	PAYE & NIC deductions, and CIS return and tax, for month to 5/05/22 (due 22/05 if you pay electronically)
01/06	Corporation tax payment for year to 31/08/21 (unless quarterly instalments apply)
19/06	PAYE & NIC deductions, and CIS return and tax, for month to 5/06/22 (due 22/06 if you pay electronically)