



SELF ASSESSMENT 2020/21

THINGS TO CONSIDER FOR YOUR NEXT TAX RETURN

Lucy Orow – April 2021



We would normally be sending out letters and forms to our clients at this time of year to start collating their tax return information for the year ended 5 April 2021 but this year has been nothing, if not different.

Many people may have been on furlough throughout the year, which has impacted on their earnings and benefits, others may have lost their jobs in retail or affected trades, some may have received grants and loans to support their trades in lockdown. Whatever your position, we have tried to compile a list of things to think about when collating your tax return information this year.

FOR THOSE STILL EMPLOYED:

Have you been asked to work from home by your employer at some point during the year?

If yes, then you are entitled to claim £6 per week as a tax-free allowance, if your employer has not included it in your pay-packet. Strictly your employment contract should be altered to allow for working at home, if it doesn't already but under Covid rules for 2020/21, HMRC will allow a blanket claim for the 12 months.

Do you have a company car or van which is normally declared on a P11d?

If you have been on furlough or shielding, can you prove that the car/van has not been used? Did you return the vehicle or key to your employer? Do you have a mileage tracker or log book that can prove no miles have been driven? If you can answer 'Yes', then it may be possible to reduce or cancel the benefit in kind for 2020/21.

Whilst on furlough your company were required to continue paying in to your pension scheme but this would have been at the reduced rate. Did you make an additional voluntary contribution in the year that needs to be included?

FOR THE SELF EMPLOYED:

The Self Employment Income Support Scheme (SEISS) was introduced in July 2020 and there have been 3 payments in 2020/21, with the 4th and 5th grant payments being announced on 3 March 2021 for reporting in 2021/22.

These payments are to be reported as taxable income and there will be a separate box on the tax return. We will not therefore, be including them in your business account. It is highly likely that HM Revenue and Customs will use the box, when not completed, to interrogate self employed individuals for enquiry purposes. The expectation is that most self employed individuals will have taken at least the 1st grant payment, when no work was possible.

The £1,000 trading allowance remains available for deduction against income, where expenses do not already exceed this amount.

FOR BUSINESS OWNERS:

Many business owners may have received Small Business Grant Fund (SBGF) or Retail, Hospitality and Leisure Grant Fund (RHLGF) payments. These are classed as business income and should be included in your accounts. We will include them in your accounts as 'other income'. They are outside the scope of VAT.

Entries relating to any Coronavirus Business Interruption Loan Scheme (CBILS) are not taxable income, as they are a loan which is expected to be repaid. They should be included in your accounts as a repayable loan.

Have you had employees on furlough? If you have then you will have been making claims under the Coronavirus Job Retention Scheme (CJRS). This income should be reported in your accounts as 'other income' as it is a Government Grant. It may mean that the normal ratios you had traditionally reported will be different for the 2020 and 2021 accounts depending upon your year end.



PERSONAL TAX:

Were you unfortunate enough to be made redundant during the year? Your employer will have paid your salary and any holiday due in your last pay-packet but you may also have received other payments. Sometimes these are not taxable but should still be reported on your tax return.

Your employer should have provided details of these, either in your last payslip or via an agreement and this should be provided to us with your tax return records.

Universal credit payments that you may have received during difficult times this year are not taxable and do not need to be reported on your tax return. Similarly, the child tax credit, disability living allowance, winter fuel payments and personal independence payments (PIP) are not taxable. However, the bereavement allowance, carer's allowance, employment and support allowance and state pension are taxable.

If you have not been working and income has dropped significantly, it may give you the opportunity to pass some of your married couples allowance to your spouse, if they are a basic rate taxpayer. This claim can be done online and can save up to £250 in tax.

If your income has dropped below £50,000 you can choose to opt back in to the child benefit allowance.

We often find clients with bank accounts that have closed in an earlier year marked off on their schedule, without confirming where these funds were moved to. It is important to report all sources of taxable income, as HMRC will be provided with details of bank accounts to their Connect system, which then reviews the entries on the tax returns. Most of the investigations that we see come as a result of this issue and penalties can be charged on this genuine error.

Many banks this year have slashed their interest rates, including for example the Post Office. Have you made a conscious effort this year to manage your funds better and move them around between banks to maximise your income? You should let us know so that we can update our records.

Joint savings can be another area which gets missed. If you have a joint bank account, the income should be shown on both tax returns, usually 50/50.

Many high profile companies have not been paying dividends in 2020/21, as it was seen to be immoral when many firms were struggling. You may therefore see a drop in your income. This may not impact your tax position if your dividends were covered by the £2,000 allowance, but could reduce your overall taxable income.

Charities have struggled in the year because of restrictions to their fundraising events and so have been looking at alternative ways to obtain donations. If you have made donations, then these should be reported on your tax return, especially if you are a higher rate taxpayer where additional tax relief can be claimed.

If you have been made redundant in the year but continued to claim 'gift aid' on your donations and you have not paid sufficient tax, you may have a tax charge arising.

What have you been doing with your spare time during lockdown? We are finding a number of clients who have been speculating in Bitcoin. With the fluctuating markets and low interest rates, Bitcoin has been the ‘new thing’ to invest in. Any transactions in Bitcoin or similar currency are taxable, either as trading income and liable to income tax or as a disposal liable to capital gains tax.

With so many potential changes in income levels for 2020/21, if you have payments on account due in July 2021, you should consider collating your tax information promptly so that we can review your actual position and determine whether any payment is due.

NON RESIDENT INDIVIDUALS:

With travel restrictions being in place around the World, it has made travelling for work difficult and for many they have ended up stranded in countries which are not their home or workplace.

HMRC allow for a period residence for exceptional circumstances, which covered things like the dust cloud a few years back and short term hospitalisation but many have found themselves stuck in the UK since March 2020.

This means that they will be caught as a UK resident for 2020/21 because they will have breached the maximum days of 183.

Each individual has their own personal circumstance and tax position, but many will have a requirement to file a UK tax return, to report their income and make a claim for foreign taxes paid.

Lambert Chapman LLP can assist with ensuring that you pay the correct taxes and can review your personal position.



SELF ASSESSMENT REPORTING REQUIREMENTS:

At Lambert Chapman it is our policy to remove clients from Self Assessment for a year if your situation does not warrant it. If you have not had a dividend from your own company due to the pandemic, then we may be able to remove you and charge you a reduced fee. Sometimes drawings against a loan account will become dividends when we prepare your accounts but often you will know if you have or haven't had dividend receipts during the year.

If you believe you are in the ‘no dividend’ category for 2020/21 then please let us know so that we can begin with this review.



A LITTLE REMINDER ABOUT YOUR TAX RETURN.

If you have any questions about any of the topics raised in the guide or if you would like some advice about your next tax return, please get in touch with our dedicated Tax Team.