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CHARTERED CERTIFIED ACCOUNTANTS

GROUP SLAMS LATEST TAXABLE GRANTS FOR THE SELF-EMPLOYED

The next round of taxable grants available through the self-employed income support scheme (SEISS) have been labelled as "woefully inadequate".

Like the previous tranches, the third taxable grant covers three months – from 1 November 2020 to 31 January 2021.

However, the latest tranche only covers 40% of an eligible claimant's average monthly trading profits up to £3,750 in total.

This is a vast reduction on the previous two grants, which covered 80% and 70% of total average trading profits up to £7,500 and £6,570 respectively.

Andy Chamberlain, director of policy at the Association of Independent Professionals and the Self-Employed, said:

"The Chancellor was right to extend the SEISS, but the support announced for the self-employed is woefully inadequate.

"Based on the financial hit self-employed people took in the last lockdown, the new cap on support will be nowhere near enough."

In September, Chancellor Rishi Sunak extended government support to viable traders who are facing reduced demand over the winter months due to COVID-19.

It is only available to self-employed individuals who are currently eligible for the SEISS and actively continuing to trade.

Since the SEISS was launched in May 2020, more than £13.4 billion has been handed out in taxable grants to around 2.6 million recipients.

Speak to us about the SEISS.

IMPROVED JOB SUPPORT SCHEME OPENS FOR EMPLOYERS

Most employers in the UK can take advantage of a revised job support scheme (JSS), which kicked in on 1 November 2020, for the next six months.

It will see the Government help to pay the wages of people returning to work on a part-time basis after the furlough scheme ended last month.

Employers that are open but not busy can access the **JSS 'open'**, which requires an employee to work at least 20% of their hours and be paid at their usual rate.

The employer then pays an additional 5% – they can pay more if they wish – and the Government contributes 61.67% of the wages for the hours not worked.

This should ensure affected employees receive at least 73% of their normal wages, where they earn £3,125 a month or less, initially until 30 April 2021.

Employers who have to close their business due to local COVID-19 restrictions can claim support to help pay wages through the **JSS 'closed'**.

Each worker who cannot work as a direct result of these restrictions can get two-thirds of their usual pay, up to a cap of £2,083.33 a month.

Employers can make their first claim for the JSS from 8 December 2020 to cover November pay periods, with similar plans in place for the next six months.

Talk to us about the job support scheme.

SUNAK HINTS AT SPRING TAX HIKES TO 'BALANCE THE BOOKS'

Chancellor Rishi Sunak has promised to "balance the books" in a bid to plug a £208 billion hole in the UK's public finances caused by COVID-19.

In September, Sunak postponed Autumn Budget 2020 and last month the Chancellor suggested tax hikes could be around the corner next spring.

Figures published by the Office for National Statistics in October showed government borrowing soared to £208.5bn between April and August.

At the end of September 2020, the UK was almost £2 trillion in debt, exceeding the size of the economy by approximately 3.5%.

UK debt is expected to grow over the winter to fund the costs of further coronavirus support measures revealed in Sunak's winter economic plan.

The Chancellor said there are no "easy cost-free answers" and "hard choices everywhere", but he has a duty to leave public finances strong.

Sunak said:

"We have a responsibility to future generations to leave the public finances strong, and through careful management of our economy, we will always balance the books."

The Office for Tax Simplification is expected to publish a report imminently, outlining recommendations to revamp the capital gains tax system.

Ideas currently on the table include equalising capital gains tax rates with income tax which would raise much-needed revenue from 2021/22.

Another option that could prove popular with the public and help simplify the tax system would be to merge capital gains tax with inheritance tax.

The Treasury might also press ahead with a plan to bring self-employed National Insurance contributions in line with the rates paid by employees.

Sunak previously hinted it was becoming increasingly difficult to justify the inconsistent contributions of those who work for themselves compared with employees.

However, reforming the £38bn pension tax relief is not believed to be on the cards, following several consultations on the topic in recent years.

Get in touch for tax-planning advice.

THREE IN FIVE BOUNCE-BACK LOANS MAY NEVER BE REPAID, WATCHDOG CLAIMS

Up to three in five bounce-back loans (BBL) handed out during the pandemic might never be repaid, according to the National Audit Office (NAO).

The BBL scheme announced when the UK was in lockdown in April 2020 offers loans of up to £50,000 per business, or a maximum of 25% of annual turnover.

Figures from the Treasury up to 18 October 2020 showed more than 1.33 million loans worth in excess of £40 billion had been advanced so far.

The deadline for applications was due to be 30 September 2020, but this was pushed back until 30 November 2020 in Chancellor Rishi Sunak's winter economic plan.

At the same time, Sunak increased the repayment terms of BBLs from six to ten years, sharply reducing monthly instalments for around 1.55m UK businesses.

However, figures from Companies House indicate a spike in registrations of new companies after the BBL scheme was announced last spring.

In March 2020, the equivalent of 15,602 new companies registered each week and that figure halved to 7,571 a week after the UK went into lockdown on 23 March 2020.

After the BBL scheme was announced on 27 April 2020, new company registrations hit a weekly record high of 21,616 by 30 June 2020 prompting fraud fears.

Over the coming months, the extent of losses due to fraud will become clearer, but the full extent of losses, both credit and fraud, will not emerge until the loans are due to start being repaid from 4 May 2021.

Gareth Davies, head of the NAO, said:

"With concerns that many small businesses might run out of money as a result of the pandemic, the Government acted decisively to get cash into their hands as quickly as possible.

"Unfortunately, the cost to the taxpayer has the potential to be very high, if the estimated losses turn out to be correct.

"Government will need to ensure robust debt collection and fraud investigation arrangements are in place to minimise the impact of these potential losses."

Contact us to discuss coronavirus support.