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Enews - October 2021

In this month's Enews we consider the government's decision to delay the introduction of Making Tax Digital for Income Tax Self Assessment until 2024; the introduction of the Health and Social Care Levy; and the announcement of the date for the Autumn Budget.

With guidance on the furlough scheme finishing, new proposals for flexible working and the end of the COVID-19 sick pay rebate, there is a lot to update you on.

Making Tax Digital for Income Tax Self Assessment delayed for a year

The government has delayed the introduction of Making Tax Digital (MTD) for Income Tax Self Assessment (MTD for ITSA) for a year, HMRC recently announced.

The government says it has made the move in recognition of the challenges faced by many UK businesses as the country emerges from the pandemic.

It will now introduce MTD for ITSA in the tax year beginning in April 2024, a year later than planned.

It says the later start for MTD for ITSA gives those required to join more time to prepare and for HMRC to deliver a robust service, with additional time for customer testing in the pilot.

Lucy Frazer, Financial Secretary to the Treasury, said:

'The digital tax system we are building will be more efficient, make it easier for customers to get tax right, and bring wider benefits in increased productivity.

'But we recognise that, as we emerge from the pandemic, it's critical that everyone has enough time to prepare for the change, which is why we're giving people an extra year to do so.

'We remain firmly committed to MTD and building a tax system fit for the 21st century.'

Internet link: GOV.UK

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National Insurance and dividend tax rises announced for social care reform

From April 2022, the government plans to create a new social care levy which will see UK-wide tax and National Insurance Contribution (NIC) increases.

There will be a 1.25% increase in NICs on earned income, with dividend tax rates also increasing by 1.25%. The money raised will be ringfenced for health and social care costs.

The Levy will be effectively introduced from April 2022, when NIC for working age employees, the self-employed and employers will increase by 1.25% and be added to the existing NHS allocation. The Levy will not apply to Class 2 or 3 NICs.

From April 2023, once HMRC's systems are updated, the 1.25% Levy will be formally separated out and will also apply to individuals working above State Pension age and NIC rates will return to their 2021/22 levels.

Individuals who receive dividend income will also face a higher tax bill as all rates of dividend tax will increase by 1.25% from April 2022.

The dividend tax is applicable on dividend income above the frozen £2,000 dividend allowance and above the £12,570 personal allowance. Dividends on assets held in ISAs are excluded from the dividend tax.

From the 2022-23 tax year, basic rate dividend tax will be charged at 8.75% instead of 7.5% this year. Higher rate dividend taxpayers will be charged 33.75% instead of 32.5% and additional rate dividend taxpayers will pay 39.35% instead of 38.1% respectively.

Internet links: GOV.UK

Chancellor to deliver Autumn 2021 Budget on 27 October

HM Treasury has announced that Chancellor Rishi Sunak will deliver the Autumn 2021 Budget on Wednesday 27 October.

On 7 September the Chancellor launched Spending Review 2021, which will conclude on 27 October and will be presented alongside the Autumn Budget. The Spending Review will outline government departments' resource and capital budgets from 2022/23 to 2024/25.

The Spending Review is also expected to set out how the government will deliver on its promises to the British public through leading the transition to net zero across the country; ensuring strong and innovative public services; levelling up across the UK to increase and spread opportunity; and delivering its Plan for Growth.

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The Chancellor said:

'Despite the worst economic recession in 300 years, we have not only got people back into work through the Plan for Jobs but continued to deliver on the priorities of the British people.

'At the Spending Review . . . , I will set out how we will continue to invest in public services and drive growth while keeping the public finances on a sustainable path.'

Internet link: GOV.UK

Chancellor warned of redundancies as furlough scheme ends

The government's Coronavirus Job Retention Scheme (CJRS) ended on 30 September after supporting millions of workers during the pandemic.

The government said the wages of more than 11 million people were subsidised for at least some of the scheme's duration at a cost of around £70 billion.

Economists say there is likely to be a rise in unemployment due to new redundancies, despite the fact that some may be able to find work in recovering sectors such as travel and hospitality.

The Federation of Small Businesses (FSB) said the end of the furlough scheme, the scrapping of the small employer sick pay rebate and the closure of the government's apprenticeship incentive scheme will only add pressure on companies.

Mike Cherry, the FSB's National Chair, said:

'It's potentially a dangerous moment. As the weather turns colder, so too will the operating environment for many firms. With recent economic growth numbers having fallen below expectations, the upcoming festive season may not provide as much of a boost as hoped to many small businesses' bottom lines.'

Internet link: GOV.UK FSB website

COVID-19 sick pay rebate scheme closed in September

The government's scheme that enables small businesses to recoup statutory sick pay costs caused by COVID-19 closed at the end of September.

Legislation ending the Coronavirus Statutory Sick Pay Rebate Scheme (SSPRS) was laid before parliament on 9 September.

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Before the COVID-19 pandemic, employers were obliged to pay Statutory Sick Pay (SSP) to eligible employees unable to work because of sickness. It is paid at a flat rate of £96.35 (at the current rate) for up to 28 weeks. The full cost of SSP is met by the employer.

To support employers during the pandemic, the government legislated to allow certain small and medium size employers to reclaim some, or all, of their SSP costs from HMRC via the SSPRS.

Under the new regulations, employers will not be able to reclaim SSP from 30 September 2021 and any claims relating to periods prior to that date must have been filed by 31 December 2021.

The Institute of Chartered Accountants in England and Wales (ICAEW) said:

'It would appear that the suspension of the requirement to wait for three days before SSP is paid has not yet been repealed. The three-day rule was suspended temporarily during the peak of the COVID-19 crisis to encourage people to stay at home as soon as they felt ill.'

Internet link: ICAEW website GOV.UK

£800 million Reinsurance Scheme opens for live events

Government announces plans to make requesting flexible working a day one right

UK workers could get more choice over when and where they work under new proposals to make the right to request flexible working a day one entitlement.

The government will also introduce a day one right to one week's unpaid leave for carers balancing a job with caring responsibilities. The government says the plans will make for more productive businesses, whilst accommodating both employee and employer needs.

The proposals consider whether limiting an employee's application for flexible working to one per year continues to represent the best balance between individual and business needs.

The consultation also looks at cutting the current three-month period an employer has to consider any request.

If an employer cannot accommodate a request, as can be the case, they would need to think about what alternatives they could offer.

Matthew Fell, Chief Policy Director at the Confederation of British Industry (CBI), said:

'Businesses have learnt a huge amount about the pros and cons of flexible working during the pandemic, with many firms expecting to receive more formal and informal requests in the future. Employers support giving employees the right to request flexible working from day one in the job.

'Companies want to work with the government to ensure that they can say 'no' when they have properly considered requests but for good reason can't accept them.'

Internet link: GOV.UK CBI website

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British Business Bank provided £80.5 billion of COVID-19 support

COVID-19 emergency finance schemes offered £80.5 billion of finance to almost 1.7 million businesses through the British Business Bank (BBB) during the last financial year.

This support, which is not included under the Bank's core programmes, was evenly distributed across the nations and regions of the UK.

In addition, the BBB supported £8.5 billion through its normal core finance programmes, although this was below its target of £9.085 billion due to displacement of existing programmes by COVID-19 emergency finance schemes.

The Bank was independently assessed as having deployed its expertise to the government effectively, ranging from advice on COVID-19 scheme development and delivery to fulfilling priorities on research and market engagement.

Catherine Lewis La Torre, CEO of the BBB, said:

'Throughout 2020/21, in response to the pandemic, the BBB performed a role vital to the UK government, finance markets and the economy as a whole.

'Our financial support to smaller businesses has increased by more than £80 billion during the last financial year, and now stands at nearly £89 billion.

'We look forward to using our unique position in the market to support businesses further as they recover and return to growth once more, thereby rebuilding the foundations of the UK's future prosperity.'

Internet link: British Business Bank website