



New Year Message—February 2021



FOREWORD

The last 12 months will go down in history as a year that changed the world. No part of the planet nor one individual has been left untouched by the effect of the pandemic. No one could have predicted what has happened and how it continues to develop.

I remember sitting in a restaurant last February for a business meeting discussing Covid-19 and asking the group if we felt this would be the last meeting we might have for some time. Little did we know then the reality of that remark.

It is very difficult to reflect on 2020 in a positive way, but I believe, most definitely, there are some positives to be taken. When we ask a person now how they are, we really mean it; people across the country have helped out like never before, delivering medicines, shopping, and checking in on neighbours. Communication has also moved from simple voice or text to video with the mass adoption of Zoom and Teams and the UK has embarked on a mass vaccination programme like never before, leading the world in science and rolling this out to millions of people.

The Government too has been very positive by supporting individuals and businesses to an extent never seen before. We all know of circumstances where individuals have not received any support and it is hoped that they too will soon be included but for the vast majority, furlough schemes, self employed income support, bounce back and CBILS loans, together with deferral of VAT and tax payments have been invaluable and helped us get through.

Changes continue at Edmund Carr with the retirement of 3 senior partners David Drain, Eric Williams and Francis Whitbread on 31 March 2021. My thanks and gratitude go out to all of them for the tremendous dedication they have shown to the firm and their clients over the past 30 plus years each. We wish them well as they move on to the next phases of their lives.

This year we welcomed Alison McDowall as a partner to the firm. Alison trained with Edmund Carr becoming both a qualified Certified and Chartered Accountant and also a Chartered Tax Advisor.

At EC Financial Services Limited David Carr retired having established the firm over 10 years ago with Phil Giles and Stephen Franklin taking over. We now welcome to the firm Gary Bennett as a senior advisor who joins us after many years working in a national bank.

As we look forward to 2021, despite the delayed start, I believe the economy will bounce back and we can all look forward to a healthier, wealthier time ahead.

Below are a number of articles which we hope you will find of interest and remember, we continue to be here for you as and when needed.

THE NEW UK VAT RULES FOR UK BUSINESSES FOR TRANSACTIONS WITH THE EU FROM 1 JANUARY 2021 ONWARDS

A number of VAT changes came into force from 1 January 2021 for UK businesses trading with the EU and in brief these are as follows:

- Goods imported from EU countries will now be subject to the same rules as imports from non EU countries. A postponed accounting system is being introduced, which means UK VAT registered businesses can account for import VAT on their VAT returns, rather than paying import VAT on or soon after the goods cross the UK border. Customs declaration and payment of any other duties are still needed; it is possible to set up a duty deferment account to settle monthly. This requires registration with HMRC, and businesses will need to provide a bank guarantee.
- UK VAT registered businesses will continue to zero rate sales of goods to EU businesses. Import VAT and any customs duty (tariffs) are due when the goods arrive in the EU. Businesses may be able to use the Common Transit Convention (CTC) to complete some customs procedures away from the border and defer import VAT and duty until the goods reach their final destination. The requirement to complete EC Sales Lists ended on 31 December 2020. Instead, UK businesses exporting goods to the EU will need to keep proof of export in the same way they already do for exports to non EU countries. Businesses exporting or importing goods to or from the UK will need an EORI (Economic Operator Registration and Identification) that starts with GB.
- From 1 January 2021 the VAT treatment of services supplied to customers in the EU will be exactly the same as for non EU customers. There are new rules for the supply of digital services by UK businesses to EU consumers from 1 January 2021. VAT needs to be charged at the rate where the customer is based. UK businesses can no longer use the UK VAT MOSS scheme but must register for the VAT MOSS non union scheme in another EU country. It is understood many UK businesses are considering doing this in the Republic of

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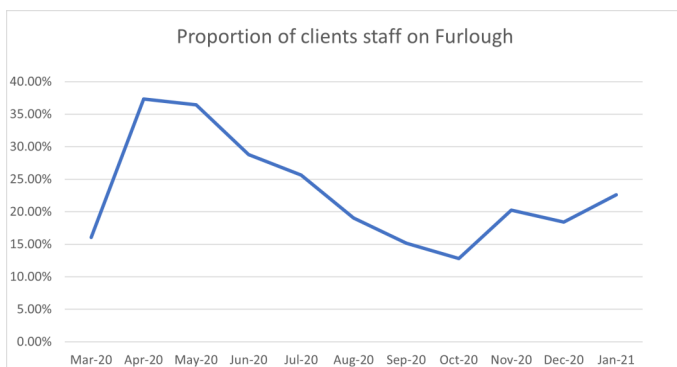
Ireland. The previous annual threshold for cross border sales no longer applies.

- Sales of goods by businesses in Great Britain to Northern Ireland will continue to be subject to the normal VAT rules as this is a transaction wholly within the UK but there are special rules for goods exported by a business based in Great Britain to an EU country via Northern Ireland.
- UK businesses will be able to claim refunds of EU VAT using the existing refund scheme for non EU businesses, but will need to check the precise requirements in each EU country where they incur VAT.

For more detail on any of these points please contact the partner dealing with your business's affairs. The information we are getting from informed sources is that the current situation for businesses exporting and particularly importing goods from the EU is a total mess, with a myriad of different rules for different situations leading some commentators to suggest a no deal scenario would have provided more certainty. Issues include duty on goods imported into the UK subsequently transferred to another EU state, failures to correctly apply postponed accounting, warehousing etc. Both the VAT and particularly the customs duty rules are complex and it is important to take specialist advice as there is certainly not one rule that fits all.

PAYROLL DEPARTMENT & FURLOUGHING

Furlough commenced in March last year and to date we have processed furlough claims for clients totalling £6.2m. The proportion of our clients employees who were furloughed is shown on the graph below. Let us hope for a resumption in the downward trend we saw from April to October. The job retention bonus, originally scheduled for claims in February 2021, has been withdrawn though the Chancellor has said that a "retention incentive" would be deployed at an appropriate time.



Next year we are moving over to a fixed fee billing arrangement for all client payrolls. The quarterly fee will be based on the average of employees on the payroll in the December quarter, then fixed for the next tax year & reviewed again a year later. Where clients require assistance on their payroll with workplace pensions & payment of staff by BACS, the fixed fee will incorporate these charges. The fees for furlough claims, CIS, new AE schemes, AE redeclarations & certain other ad hoc work will continue to be charged separately.

HMRC are now publishing details of employers making furlough claims. This includes the name of the employer and company reference, plus an indication of the value of the claim within a banded range. Tax officials will post the information within three months of the claim on the gov.uk website. HMRC

can withhold publication if the department thinks it would expose any individual to serious risk of violence or intimidation.

We will be updating our Letter of Engagement for all payroll clients & these will be issued for approval over the next few months.

VAT DEFERRAL SCHEME

If you chose to defer your VAT payment between 20 March 2020 and 30 June 2020, you need to get ready to either repay this in full or opt in to the new HMRC VAT deferral payment scheme by 31st March 2021.

The new HMRC VAT deferral scheme gives you the flexibility to repay the previously deferred VAT liability in between 2 and 11 monthly instalments, with no interest being charged. You can choose the number of instalments to suit you and your needs. All instalment payments need to finish by 31st March 2022. To be eligible for this scheme, you must:

- Be up-to-date with your VAT return filings
- Opt in before 31st March 2021
- Pay the first instalment at the time you set up the scheme

Agents are not able to set this scheme up on behalf of their clients, so you will need to arrange this yourself and you will need to have a Government Gateway set up in advance. Please let us know if you have any trouble with this.

The online opt in process will be open from 23 February up to and including 21 June 2021.

REPAYMENT OF BOUNCE BACK AND CBILS LOANS

You may have taken out either a Bounce Back or Coronavirus Business Interruption Loan for your business at some point after 20 March 2020. You should currently be enjoying a 12 month capital repayment holiday as well as the Government covering the first 12 months interest payments. Depending on when you took the loan, you may now be approaching the end of this 12 month period and your repayments may be due to start shortly. You will need to consider the businesses cash flow to ensure these repayments can be made without any complications. Please do not hesitate to contact us if you would like to discuss your situation in more detail.

MAKING TAX DIGITAL (MTD)

MTD for VAT has been with us for nearly two years and the "soft landing period" is coming to an end. Under the current rules, businesses with taxable turnover above the VAT registration threshold are required to keep records in digital form and file returns using compatible software.

During the soft landing period, rules on digital links were relaxed but from the first VAT return period starting on or after 1 April 2021, digital links will have to be in place for any transfer or exchange of data between software programs, products or applications.

Businesses with complex or legacy IT systems can apply before 1 April 2021 for additional time to put the required digital links in place, subject to meeting certain qualifying criteria.

The end of the soft landing period also means that business that are not compliant could potentially be fined.

VAT registered businesses not registered for MTD because their taxable turnover is below the VAT registration limit will not be able to submit the VAT returns through their software for VAT periods commencing on or after 1 April 2021.

They could:

1. Sign up for MTD for VAT, all VAT registered business will be required to register for VAT return periods commencing on or after 1 April 2022, and so may choose to do so early.
2. File their VAT returns through their Government Gateway account or appoint an agent to submit through their agent account.

MTD for Income Tax is on the horizon; for accounting periods starting on or after 6 April 2023, self-employed businesses and landlords with annual business or property income above £10,000 will need to follow the rules for MTD for Income Tax.

If you have any queries on how the changes impact your business please contact us.

REFLECTIONS ON THE PAST

I am retiring at the end of March and my partners have asked me for a few comments on how things have changed over the 50 years I have been in the profession, having started with a City based firm straight from school at the tender age of 17. Looking back over the last 50 years a lot has changed and I have often felt that the learned man of letters Benjamin Franklin missed a trick when he said there were only two certainties in life, death and taxes, as there are, I dare to suggest in fact, three with the third being change.



Eric Williams
Partner

The best way to contrast 50 years ago and now is to draw a sketch of what it was like when I first entered the profession as an articled clerk in 1971.

At the time, we had only just decimalised so the first thing I was introduced to was a manual adding machine that had a piece of plastic covering the old shillings and pence buttons. Electronic calculators were a new wonder of the age - a wealthy client had purchased one - it was the size of A3 paper, the weight of a brick and used neon lights for the digits and cost the unbelievable sum of £1,000.

Accounting systems where they existed were one-write such as Kalamazoo or TwinLock with rarely computers, using punch cards and magnetic tape. It was huge and needed its own air conditioned static free room and was much less powerful than today's phones.

Published accounts used to be manually typed with horizontal balance sheets. The manual typewriters in use were capable of

producing nine carbon copies. The ninth was always used as the checking copy and was something dreaded by us young articled clerks as we had to try to decipher the fuzzy result.

Photocopiers were just making an appearance and it was unusual to find one at a client. Phones run then by the GPO were a rarity and expensive; clients were not happy with a mere articled clerk using their phone. It was my firm's policy that you phoned from a public callbox, however, with my charge out rate less than £1 per hour it probably didn't cost any more. My starting salary in London was £650pa plus 3s (15p) per day luncheon vouchers.

The top rate of tax in 1971 was 75% with an investment income surcharge of 15% making unearned income taxable at a top rate of 90%; VAT - heralded as a simple tax - introduced on 1 April 1973 was set at 10%, replacing purchase tax which was only paid by manufacturers and producers.

Benefits in kind were unknown as these did not come in until the late seventies when we had wage restraint at the time of high inflation (which at one stage reached 30%).

Look at it now—everything computerised and mobile phones more powerful than large computers; we have the ability to work from home and heading towards paperless offices with computerised ledgers rather than handwritten ones.

As the Chinese Curse has it, each decade has seen interesting times—that at least hasn't changed!

SPONSORED CHARITY

We will be sponsoring Havens Hospices PEDAL 21. With uncertainty over the annual Pedal for The J's cycling event taking place in Admirals Park, the PEDAL 21 event will go ahead in a slightly different way. Havens Hospices as a whole, will be hosting a virtual event where participants can cycle any distance anywhere (their own route or on a static exercise bike) over the May bank holiday weekend - 30th April to 3rd May 2021. Participants will be able to log their miles on the Havens Hospice online platform - all contributing to the overall combined target of 33,000 miles - the usual total distance achieved by all Pedal for The J's cyclists in one day.

Pedal will be free to sign up to, however each participant will be asked to donate one of the three distances offered at Pedal for The J's - £15, £35 or £50. Everyone who donates will receive a Pedal medal. Cyclists are also encouraged to help raise additional funds where possible, so please join in to help raise funds. Details will be available on Havens Hospice website shortly.

This newsletter is intended to give general guidance only and no liability can be accepted for any action taken based on the information given.

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