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Horsfield & Smith
Chartered Accountants

COMMISSION SET TO RECOMMEND NATIONAL LIVING WAGE FREEZE

Ministers are reportedly considering halting plans to implement the planned national living wage increase from next spring.

The national living wage is currently set at £8.72 an hour for people aged 25 and over until 31 March 2021.

Chancellor Rishi Sunak said in this year's Spring Budget that "forecasts would see the rate rise to £10.50 an hour by 2024".

The wage was expected to hit £9.21 an hour from 1 April 2021.

However, the Chancellor contained a caveat in his March speech, saying the rise will only go ahead "if economic conditions allow".

With the UK economy shrinking by a record 20.4% between April and June 2020, plans for the next incremental increase could be put on hold.

The Low Pay Commission (LPC), which advises the Chancellor, also fears employers cannot afford to raise wages for low earners following the coronavirus crisis.

Bryan Sanderson, chair at the LPC, said:

"There are not many winners in today's uncertain world.

"Our contribution to help steer a path through the complexity will be to provide a recommendation founded on rigorous research and competent analysis which has the support of academics and both sides of industry."

The Chancellor is widely expected to announce plans to freeze the current national living wage hourly rates for 2021/22 in his next Budget speech.

Get in touch to discuss outsourcing your payroll.

CHANCELLOR REVEALS NEW SUPPORT MEASURES AMID SECOND-WAVE FEARS

New support measures for businesses and workers have been announced in the face of a rising tide of coronavirus.

A *job support scheme* will replace the furlough scheme from 1 November 2020, initially until 30 April 2021.

Government and employers will subsidise the pay of employees working fewer hours than normal due to lower demand.

Employees must work at least a third of their usual hours, with employers paying staff for the hours they work.

For the hours staff cannot work, the state and the employer both pay a third of the lost wages, up to £697.92 a month.

New applications for *four business support loans* will remain open for a further two months, until 30 November 2020.

This applies to bounce-back loans, both business interruption loans, and the future fund.

The *standard rate of VAT* will stay at 5% for firms in the hospitality and tourism sectors until 31 March 2021, while businesses that *deferred VAT bills* between 20 March 2020 and 30 June 2020 can split repayments over 11 months.

In addition, the *self-employed income support scheme* (SEISS) will be open until 30 April 2021.

The next taxable grant will provide up to £1,875 a month and cover between 1 November 2020 and 31 January 2021.

Those who *deferred payments on account* due on or before 31 July 2020 also have until 31 January 2021 to settle their bill.

We can advise on how to access COVID-19 support.

TAX GROUP CALLS FOR EXTENSION TO THE ANNUAL INVESTMENT ALLOWANCE

The temporary increase to the annual investment allowance should be extended, according to the Association of Tax Technicians (ATT).

The allowance enables firms to fully offset the cost of qualifying capital items of plant and machinery against taxable profits.

Since 1 January 2019, businesses have received faster tax relief for plant and machinery investments up to £1 million.

The move tried to stimulate business investment in the economy by further incentivising firms to invest in plant or machinery.

But the two-year measure is due to close on 31 December 2020 and revert back down to £200,000 from 1 January 2021.

The ATT wants an extension to the temporary increase as "COVID-19 means 2020 has been a year like no other for businesses", it said.

As a result, the group said many firms simply have not been in a position to utilise the £1m allowance in a way they otherwise might have done.

Jeremy Coker, president of the ATT, said:

"Threats to their very existence from temporary closures, loss of sales, shortage of supplies and pressure on finances means businesses of all sizes have deferred purchases of plant or machinery unless absolutely essential."

The expiration of the temporary increase to the allowance will affect businesses differently depending on when their finance year ends.

It will be straightforward for those with financial years ending on 31 December 2020 as they can utilise the full £1m allowance in 2020, but for others, the allowance changing in their financial year will add a layer of complexity.

Coker added:

"It would not be very helpful if the incentive to invest in plant and machinery evaporated on 31 December 2020 just when businesses were hopefully beginning to see signs of recovery in 2021, which would provide confidence to make such investment.

"We very much hope the Chancellor is planning to announce an extension of the temporary £1m limit until 31 December 2021 at the earliest."

Contact us about the annual investment allowance.

FRAUDULENT FURLOUGH CLAIMS OR THOSE PAID IN ERROR COST £3.5BN

Up to £3.5 billion in payments made to employers under the furlough scheme might have been fraudulently claimed or paid in error, HMRC has said.

The scheme was launched at the height of the coronavirus pandemic in April 2020 and paid 80% of furloughed workers' wages, up to £2,500 a month.

More than £35.4bn has been paid out to around 1.2 million employers, and HMRC estimates between 5% and 10% of that cash has been wrongly awarded.

Jim Harra, secretary and chief executive at HMRC, said:

"We have made an assumption for the purposes of our planning that the error and fraud rate in this scheme could be between 5% and 10%.

"That will range from deliberate fraud through to error."

Finance Act 2020 gave HMRC powers to claw back any payments employers are not entitled to, including grants they have not passed on in wages to furloughed staff.

Employees are being urged to confidentially report employers who are abusing the scheme, with more than 8,000 calls made to a fraud hotline so far.

In addition, HMRC is looking into 27,000 "high-risk" cases where they believe a serious error has been made in the amount an employer has claimed.

The Revenue will contact those employers and offer the opportunity to correct those claims, with around 10,000 employers expected to face further action.

Speaking to the Public Affairs Committee, Harra added:

"We are not going to set out to try to find employers who have made legitimate mistakes in compiling their claims, because this is obviously something new that everybody had to get to grips with in a very difficult time.

"Although we will expect employers to check their claims and repay any excess amount, what we will be focusing on is tackling abuse and fraud."

The furlough scheme is scheduled to end on 31 October 2020.

Speak to us about the furlough scheme.