

Winter Economy Plan

Tim Stovold
1 October 2020





- Available to SMEs and Large companies who can meet a *financial assessment test* for 6 months from 1 November 2020
- Employee must work at least 33% of “Usual Hours” and paid normal wage for this work
- Two thirds of the shortfall is also paid to the employee with this cost split equally between the employer and HMRC
- Employee will receive 77% of full salary - Employers not allowed to top up earnings to full salary
- HMRC contribution capped at £697.92/month – equivalent to an annual salary of £37,500
- Scheme may be made less (!) generous after 3 months
- Employers cannot make someone redundant or put an employee on notice of redundancy whilst claiming under this scheme



An example – an employee normally earning £25,000 per annum

	Total	Paid by Employer	Paid by HMRC
Salary for work performed (33% of £25k / 12 months)	£687.50	£687.50	-
Payment for work not done (67% of salary split between employer and HMRC)	£930.56	£465.28	£465.28
TOTAL	£1,618.06 (100%)	£1,152.78 (71.2%)	£465.28 (28.8%)



Problems with the scheme

- It makes it much cheaper to employ one person full time than three people for 1/3rd of their time each
- JSS doesn't cover Employer's NI or Employer's Pension contributions
- It is no way near as generous as the furlough scheme so is unlikely to influence decision making of employers in the same way
- Would probably have been better to scrap the Job Retention Bonus payable in Feb 2021 and deploy the funds on something closer to the CJRS

A detailed close-up photograph of a mechanical watch movement. The image shows a complex arrangement of polished metal gears of various sizes, some with intricate cutouts. Several jewel bearings, which are small, colorful (pink, blue, and red) spheres, are visible, mounted on metal posts. The lighting is dramatic, highlighting the metallic textures and the precision of the engineering. The background is dark and out of focus, emphasizing the intricate details of the watch mechanism.

Self-Employed Income Support Scheme

Version 3...

- SEISS will run for 6 months from 1 November
- It will pay 20% of average trading profits but capped at £1,875 for the first 3 months
- May be made less (!) generous after 3 months
- Still excludes:
 - Newly self-employed (i.e. after 5 April 2019)
 - Still has £50k cap on average profits
 - Still doesn't apply to Personal Service Companies

Tax Deferrals

VAT

- Deferred VAT that was due between March and June 2020 can be deferred further
- Original due date 31 March 2021
- Now can be paid over 11 months
- Interest free
- Everyone qualifies – apply online

Self-Assessment July POA

- Deferred SA POA that was due on 31 July 2020 can be deferred further
- Original due date 31 January 2021
- Can now be paid over 12 months
- Interest free
- Only qualify if < £30,000 of deferred tax outstanding

An underwater scene with a deep blue background. In the center, a large plume of bubbles rises from the bottom. Two jellyfish are visible: one larger one near the top center and a smaller one to the left. The background is divided into diagonal sections of varying shades of blue.

Loan Schemes

CBILS, Bounceback Loans and the Future Fund

- Deadline for all schemes extended to 30 November 2020
- Bank guarantee from government for CBILS and Bounceback extended to 10 years to allow for longer repayment terms
- *Pay-as-you-grow* for Bounceback Loans:
 - extend the loan term so that the loan can be repaid over 10 years
 - allow borrowers to make interest only repayments for three periods of up to 6 months during the term of the loan; and
 - pause their repayments entirely for up to six months (an option which can only be used once and only after having made six payments)

Research and Development Tax Relief

Webinar 10/01/2020

SME Scheme

Thomas Hayden & Carli Huband

What is R&D Tax Relief?

What is R&D Tax Relief?

- A means to gain funding for your R&D through the tax system.
- Introduced in 2000 for SMEs (RDEC Scheme introduced in 2013).
- Two schemes:
 - R&D Tax Relief for SMEs
 - R&D Expenditure Credit (mainly for Large Companies)
- Enables eligible companies to gain either
 - A reduction in the amount of corporation tax paid
 - A tax credit (i.e. cash)
- A company is eligible if undertaking “R&D for tax purposes”

What are qualifying “R&D” activities?

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A project that seeks to achieve an advancement in a field of science or technology, through the resolution of technological uncertainty, will therefore be R&D.



What are qualifying “R&D” activities?

Advances in science or technology

- New product, process, service, material or device.
- Appreciable improvement to an existing product, process, service, material or device.
- New knowledge or capability within a field of science or technology.
- Replication of existing effects in a new or appreciably improved way.

Scientific or technological uncertainties

- Uncertain of the *scientific possibility*.
- Uncertain of the *technological feasibility*.
- Uncertain how to *achieve in practice*.
- System uncertainty.

What are qualifying “R&D” activities?

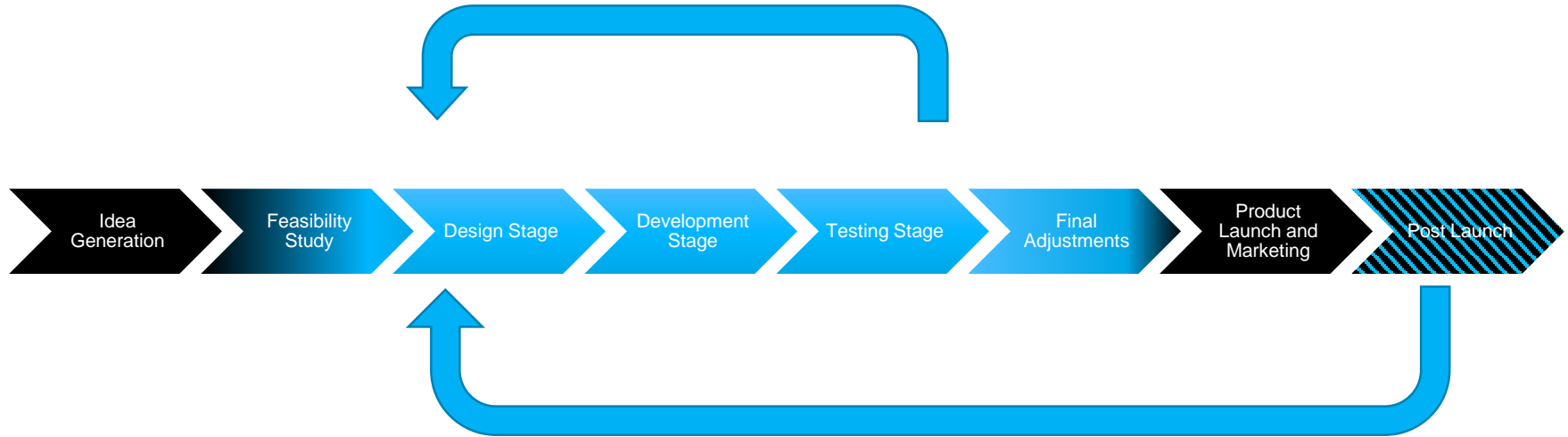
Things to consider in determining eligibility of a project:

- Was the knowledge of how to achieve the advance readily available?
- Advancing something through the use of technology is not the same as advancing that field of technology.
- Was the resolution of that uncertainty readily deducible to a competent professional?

Project Boundaries

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R&D for tax purposes starts and stops where the uncertainty starts and stops.



What costs qualify for R&D Tax Relief?

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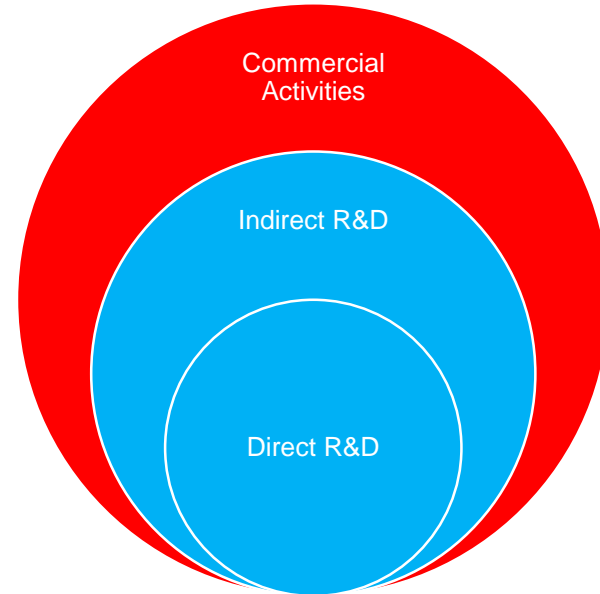
For SMEs there are five main cost categories:

- Staffing Costs
- Externally Provided Workers (@ 65%)
- Subcontracted Activities (@ 65%)
- Software Costs
- Consumables

What costs qualify for R&D Tax Relief?

Direct & In-Direct R&D

- “Direct R&D” refers to activities which actively contribute to the resolution of uncertainty.
- “Indirect R&D” refers to activities which form part of the R&D project but do not directly contribute towards the resolution of uncertainty:
 - Certain indirect R&D can be considered “Qualifying Indirect Activities”
- In general; marketing, commercial, market research and user acceptance testing do not qualify.



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