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## Welcome to the spring 2021 issue.

We recently covered the Spring Budget. If you missed our coverage and want to find out more then please refer to our Budget update <https://bit.ly/UKSpringBudget2021>. Here you can also find updates on the Coronavirus Job Retention Scheme (CJRS), or furlough scheme, and the Self-Employment Income Support Scheme (SEISS). Inside this issue you will find more details on payroll rates and information for April onwards.

Details on the new loan schemes should also follow in April and we will keep you posted as soon as we hear more.

**May we take this opportunity to wish you all a healthy and happy Easter, and let us hope that the season of new beginnings will bring us good fortune as we transition out of lockdown.**



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# New Tax Rates and Information for April 2021

## Furlough Extension

In the Chancellor's Budget on 3 March, it was announced that the furlough scheme will be extended to 30 September 2021. Furloughed employees are entitled to receive 80% of their gross salary or average pay for furloughed time and up to 30 June 2021, the full 80% gross pay is recoverable through the Coronavirus Job Retention Scheme, with the employer covering the cost of the Employers National Insurance and Pension contributions. **From July 2021, employers will also need to cover some of the gross pay in addition to the national insurance and pension.** In July 2021 this will be 10%, meaning you will be able to recover 70% of the gross furlough pay from the scheme and in August and September 2021 the employer will need to cover 20% of the gross furlough pay, meaning they can reclaim 60% of the gross furlough pay.

Until 30 April 2021, employers were only eligible to re-claim furlough gross pay for employees included on an RTI submission submitted before 30 October 2020, however from 1 May 2021, employers will be able to claim furlough grants for employees that were included on an RTI submission prior to 2 March 2021.

More details regarding furlough can be found on the following link:

<https://www.gov.uk/guidance/claim-for-wage-costs-through-the-coronavirus-job-retention-scheme>

## IR35

Although IR35 is already in place to all public sector clients, from 6 April 2020 the rules were due to expand to medium and large-sized private sector clients also. However, due to the pandemic, this was then delayed and is now due to come into force from 6 April 2021. Before 6 April 2021, freelancers and contractors working in the private sector were able to determine their own worker status and report their own tax at the end of the financial year. From 6 April 2021, the decision will move to the clients that they are servicing. Clients of these freelancers or contractors will now have to determine their relationship and if they fall within IR35, it will be their responsibility to pay them as a "deemed employee", which will include deducting the associated tax and national insurance liabilities. More information about IR35 can be found on the following link: <https://www.gov.uk/topic/business-tax/ir35>



## New Rates

### National Minimum Wage/Living Wage Rates

From 1 April 2021, the minimum hourly wages rates are increasing for all workers as follows:

Age bracket	Rates for 2020-21	New rates from 1 April 2021
25 and above	£8.72	<b>N/A</b>
23 and over	N/A	<b>£8.91</b>
21 - 24 (inclusive)	£8.20	<b>N/A</b>
21 - 22	N/A	<b>£8.36</b>
18 - 20 (inclusive)	£6.45	<b>£6.56</b>
Under 18	£4.55	<b>£4.62</b>
Apprentices under 19	£4.15	<b>£4.30</b>
Apprentices 19 and over but in their first year of the apprenticeship	£4.15	<b>£4.30</b>

Please note the age change to 23 for minimum/living wage from April 2021.

### Personal Allowance and Tax Bands

From 6 April 2021, the personal allowance will be increasing from £12,500 to £12,570 for the year and will remain at that rate. UK tax bands will be as follows (please note that Scotland and Wales have their own bands):

Tax Band	2020-21	2021-22
Personal Allowance (0%)	Up to £12,500	<b>Up to £12,570</b>
Basic Rate (20%)	£12,501 - £50,000	<b>£12,571 - £50,270</b>
Higher Rate (40%)	£50,001 - £150,000	<b>£50,271 - £150,000</b>
Additional Rate (45%)	Over £150,000	<b>Over £150,000</b>

Please also note that if you earn over £100,000, your personal allowance will decrease by £1 for every £2 that your income exceeds that threshold and you will have no personal allowance on taxable income over £125,140.

### National Insurance Contributions

From 6 April 2021, the employee and employer Class 1 NICs are increasing to the following:

Rates	2020-21	2021-22
Weekly Lower Earnings Limit (LEL)	£120	<b>£120</b>
Weekly Primary Threshold (PT)	£183	<b>£184</b>
Weekly Secondary Threshold (ST)	£169	<b>£170</b>
Upper Earnings Limit (UEL)	£962	<b>£967</b>
Upper Secondary Threshold for under 21s	£962	<b>£967</b>
Apprentice Upper Secondary Threshold (AUST) for under 25s	£962	<b>£967</b>
Employment Allowance (per employer unless you are a connected company and only if you qualify)	£4,000 per year	<b>£4,000 per year</b>

### Pension Contributions

Minimum contributions are not increasing for Automatic Enrolment Pensions and this year will remain as they were for the previous two tax years. The trigger point for re-enrolment will remain at £10,000 per annum. The slight change will be for those schemes based on qualifying earnings, the upper level of qualifying earnings will now increase slightly from 6 April 2021 and will be based on earnings between £120 and £967 per week (previously between £120 and £962 per week):

	Up to 05-04-21	From 06-04-21
Employers minimum contributions	3%	<b>3%</b>
Total contributions	8%	<b>8%</b>

If you are not using qualifying earnings or use one of the set tiers, please see Pension Regulator guidance or contact your pension provider for advice.

## Statutory Maternity, Paternity, Adoption, Shared Parental Pay, Bereavement Leave and Sick Pay

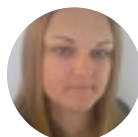
	2020-21	2021-22
<b>Statutory Maternity Pay</b>		
SMP – first 6 weeks	90% of AWE	<b>90% of AWE</b>
SMP – remaining weeks	£151.20 or 90% of AWE (whichever is lower)	<b>£151.97 or 90% of AWE (whichever is lower)</b>
<b>Statutory Paternity Pay</b>		
SPP – either one or two weeks	£151.20 or 90% of AWE (whichever is lower)	<b>£151.97 or 90% of AWE (whichever is lower)</b>
<b>Statutory Adoption Pay</b>		
SAP – first 6 weeks	90% of AWE	<b>90% of AWE</b>
SAP – remaining weeks	£151.20 or 90% of AWE (whichever is lower)	<b>£151.97 or 90% of AWE (whichever is lower)</b>
<b>Statutory Shared Parental Pay</b>		
SHPP – weekly rate	£151.20 or 90% of AWE (whichever is lower)	<b>£151.97 or 90% of AWE (whichever is lower)</b>
<b>Parental Bereavement Leave</b>		
SPBP - weekly rate for 2 weeks	£151.20 or 90% of AWE (whichever is lower)	<b>£151.97 or 90% of AWE (whichever is lower)</b>
<b>Statutory Sick Pay</b>		
SSP – weekly rate	£95.85	<b>£96.35</b>

AWE = Average weekly earnings

## Student Loan and Postgraduate Loan recovery

	2020-21	2021-22
<b>Student Loans</b>		
Plan 1 threshold – weekly	£372.88	<b>£382.59</b>
Recovery rate	9%	<b>9%</b>
Plan 2 threshold – weekly	£511.05	<b>£524.90</b>
Recovery rate	9%	<b>9%</b>
Plan 4 threshold – weekly	N/A	<b>£480.76</b>
Recovery rate	N/A	<b>9%</b>
<b>Postgraduate Loans (PGL)</b>		
Earnings threshold	£403.84	<b>£403.84</b>
Recovery rate	6%	<b>6%</b>

Please feel free to contact your local MFW branch with any queries you may have. [mfw.co.uk/contact](https://mfw.co.uk/contact)



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# MFW Tax Investigation Service



**Every year HM Revenue & Customs (HMRC) carries out investigations into a significant number of individuals and businesses. Their latest Annual Report (2019/20) states that an additional £36.9bn in revenue was generated by their compliance activity, an increase on the previous year's £34.1bn.**

Because of lockdowns, working remotely, and being re-assigned to work on the new financial support packages, such as the Coronavirus Job Retention Scheme (CJRS) and the Self Employed Income Support Scheme (SEISS), HMRC's activity in 2020/21 has been limited. Coupled with the need to refill the Treasury's coffers, we anticipate a significant increase in compliance activity in the next few years.

Most tax enquiries are generated by computer "risk profiling", and many are selected at random. More information than ever is now coming from abroad, and HMRC are working their way through this information. New to the scene are CJRS and SEISS grants. HMRC believes that at least £3.5bn of CJRS grants has been incorrectly or fraudulently claimed by businesses, and are following up on tip offs made by disgruntled employees who have been made to work when, in theory, they are furloughed.

There is also concern that many self employed traders have made SEISS claims to which they are not entitled. We understand that another source of interest for HMRC is fraudulent "Eat Out to Help Out" claims.

So, lots for HMRC to get their teeth stuck into, and they are putting more resources back into the core areas of tax investigation work. HMRC enquiries are disruptive, intrusive, stressful and, ultimately, expensive. Whilst we take care to minimise the risk of investigation for our clients, it is inevitable that complete immunity cannot be guaranteed.

Should you join our Tax Investigation Service, you will benefit from the peace of mind that comes from knowing that you are protected against most types of HMRC enquiries or full investigations. Not only does it pay our professional fees in the event of a check on your affairs, it enables us to provide expert advice and guidance to you every step of the way.

We recommend all our clients consider joining our Tax Investigation Service, and it is not as expensive as one might think. For full details of the Service and the cost, please get in touch with your local MFW contact [mfw.co.uk/contact](https://mfw.co.uk/contact)



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## Client Profile

## Evolution Design &amp; Digital Limited



Jon Abnett and Nick Mallia are the directors behind Evolution Design & Digital Limited and have worked together for over 40 years. In 2018, they purchased a long-standing business, which had gone into liquidation, from the previous owner. Whilst the goodwill and client base from the previous business was an excellent starting point for the duo, Jon and Nick have worked hard since then to build a successful business, combining their knowledge, expertise and management skills, and building an excellent customer service and work ethic reputation.

Not only have they taken care of the existing customers, but they have also developed their client base and increased the services that the studio provides. Nearly three years on the company is thriving and expanding, taking on more staff.



**Evolution Design & Digital Limited Directors.**  
Jon Abnett and Nick Mallia

### No job too small

The business' roots are largely based in providing design, illustration, typesetting and other areas of expertise to the publishing industry, through both traditional print and digital mediums, including e-books. The business has previously specialised in the educational, legal, medical and music sectors, but today Evolution Design & Digital provides design services to a wide range of sectors and, as a result, many SME companies have sought help from the Evolution team. Now, Jon and Nick are eager to promote their services to any business, regardless of size, as they find that many smaller businesses are often nervous to seek help believing that costs will be prohibitive. However, the directors enjoy working with any size of business and are ideal for anyone looking for a budget friendly, dependable and knowledgeable agency. Whatever your budget, they can usually work something out to keep both parties happy!

Their clients are not only grateful for their knowledge, expertise and experience but also for the flexibility of the team and their project management skills, all delivered with an inspiring 'can-do' attitude.

As well as design services, they also offer copy-editing, typesetting and illustration. Their work often ends up on the shelves in many bookshops, on the digital platform Amazon and around schools in all parts of the world.



## Working through COVID-19

The Evolution team were already familiar with working from home prior to the pandemic, so have seen less of an impact to their business from the government's Stay at Home and Protect the NHS mandate. Although, once lockdown is finally over, site visits can take place to discuss any requirements in more detail. Initially though, all it takes is a simple email to start the ball rolling.

Throughout the pandemic, there has also been a surge in demand from the nation for wellness advice and information. Luckily, one of their larger publishing house customers specialises in this sector and they have experienced a large spike in demand for their products as a result of the pandemic. The impact of COVID-19, therefore, has not been so hard hitting for Evolution Design & Digital as it has been for some other businesses.

Another growth area for their business during this time has been self-publishing for first time authors. For these customers the team provides editorial services right through to printing and delivering books.

## Working with MFW, Maidstone

Evolution Design & Digital Limited is a client of the MFW Maidstone office, which is headed up by partner Emma Andrews. Lee Phillips, manager at the Maidstone office, is the day-to-day contact for the Evolution Team and helps provide the following services

- Preparation of the annual Accounts and Corporation Tax return.
- Assisting with the quarterly VAT returns prepared using Xero accounting software.
- Ongoing help and support with Xero, with training provided when required.

- Standard monthly payroll services.
- Providing general advice, support and tax planning throughout the year.
- Preparing management reports, when required, to assist the directors in planning efficiently and effectively for the future of the business.
- The preparation of personal tax returns for the directors.

Lee has recently been promoted to an Associate of the firm and will be starting his new role with the firm with effect from April 2021.

Jon says of working with MFW, *"Lee is always very approachable and realises that we have never had any dealings with the financial/tax side of a company and is always willing to help out anytime. From day one MFW helped us set the company up from scratch"*.

## Looking for design help

If you are looking for some marketing help (production of brochures, reports and other marketing material) or would simply like to learn more about the services that the team at Evolution Design & Digital provide, please visit their website <https://www.evolutiondesignanddigital.co.uk> or email Jon at [jon@evolutiondesignanddigital.co.uk](mailto:jon@evolutiondesignanddigital.co.uk). He will be pleased to discuss your requirements and provide a free estimate for your work, normally within an hour or so of being contacted.

## Landlords dilemma: BTL or FHL, that is the question



**In a fast changing financial market, many investors are looking at bricks and mortar as a long-term investment. Buy To Let properties (BTLs) have always been popular often, as a provision for retirement.**

However, traditional or new landlords might be considering new investment strategies owing to the impact of COVID-19. New regulations have made it very difficult for landlords to evict tenants who are in rent arrears. In addition, negative changes in certain tax reliefs have made residential lets less profitable. Is it time to consider Furnished Holiday Lets as an alternative investment?

### **Furnished Holiday Lets (FHL)**

HMRC considers FHLs as business assets compared to BTLs which are treated as investment assets. If you are a first time or inexperienced investor, you will need to consider the following:

- Staycations are becoming increasingly popular as some wish to reduce their carbon footprint, or because of the ongoing COVID-19 restrictions. Many holidaymakers are more confident in booking in the UK compared to abroad as we emerge from lockdown.
- Whether your target market is those desiring coast, country or city breaks, location is key. Although the purchase price may be higher, you are likely to achieve higher occupancy and a better overall return on your investment for a well-placed property. However, be careful to carry out some research into your location as some tourist areas are already saturated.

### **Qualifying criteria**

To qualify as a FHL for tax purposes, a property must currently be within the UK or European Union. All UK sited property is treated as one business and all European property treated as a separate business. Losses from one business cannot be offset against the profits of the other business.

The property must be available to let for 210 days per tax year and let commercially to paying guests for 105 days per tax year. Lettings to family and friends at reduced rates should not be included in this figure. Let periods in excess of 31 days are also discounted when arriving at this figure. If the total lets in excess of 31 days exceeds 155 days the property will not qualify as a FHL for that tax year. Adjustments will need to be made for personal use.



## Purchasing

There is a stamp duty holiday that ends on 30 June 2021, recently extended in the Spring Budget, on the purchase of residential property where the consideration is below £500,000. After this time, the nil rate band will be reduced to £250,000 before returning to the standard nil rate band of £125,000 from 1 October 2021. There is an additional 3% Stamp Duty Land Tax (SDLT) surcharge on the full cost of all second properties.

SDLT lending criteria is often stricter for the purchase of a FHL, lenders will likely require higher deposits and want to see a cash flow forecast of the profitability of the business. However, tax relief on mortgage interest is currently not restricted, which is a major factor for higher rate taxpayers. Mortgage interest on BTLs is restricted to basic rate tax relief.

Income from FHLs is treated the same as Hotels and B&Bs, so for VAT it is a taxable supply. If you are already VAT registered, or your income from FHLs and other taxable supplies is likely to exceed £85,000 you should seek guidance about the VAT implications.

## Set up costs

FHL's must be let furnished, providing white goods, furniture and furnishings. Capital allowances can, however, be claimed in respect of these costs. Premiums can be charged for upgraded fixtures including good Wi-Fi and smart TVs, etc.

## Overheads and management

There are increased overheads for cleaning, laundry and maintenance. Management charges are often higher than BTLs owing to the increased wear and tear on the property and the number of bookings.

FHLs are liable to business rates, but often qualify for 100% small business relief. Guidance on business rates should be sought from the local council.

## Capital Gains Tax (CGT)

Holiday lettings that qualify as FHLs have a preferential tax treatment for Capital Gains Tax. Claims can potentially be made for business asset rollover, gift and Business Asset Disposal Relief. Professional guidance on CGT should be sought as there are detailed criteria for these reliefs.

## Inheritance Tax

FHLs can potentially receive preferential treatment for Inheritance Tax as business property. However, HMRC is seeking to restrict this favourable relief. Unless a FHL business provides additional services and facilities over and above accommodation it is unlikely that it will qualify as a business property.

### Best advice

Having reviewed the above you will likely conclude that property investment is a complex matter and professional advice should be sought up front. If you would like further advice on this subject, please contact Daniela Jarosova or your usual [mfw.co.uk/contact](https://mfw.co.uk/contact).

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## Tax Matters

# Probate Service

Partners Amanda Ireland and Leigh Jones head up our Probate team. They are joined by Associate Alison Collier and supported by the Probate admin team. In total, the firm has four qualified Probate Practitioners who are all experienced in managing estates and dealing with matters of a sensitive and confidential nature.

### How our Probate team can help

Our Probate team understand that dealing with probate can often be a distressing and emotional time for family members, who may struggle to cope with all the legal and administrative duties that will arise. Therefore, when you instruct us we will assign a sympathetic dedicated team member to guide you through the process. We will be on hand to assist with not only the financial implications of probate and Inheritance Tax, but also the general administration required around estate management, in order to lift the burden of probate from the family.

### Our Probate team can:

- Register the death.
- Organise the funeral.
- Determine the assets and liabilities of the deceased.
- Prepare and submit tax returns to the date of death.
- Assist with the application for the appropriate Grant.
- Ensure all relevant tax reliefs are applied for.
- Settle the Inheritance Tax and obtain clearance from HMRC.
- Realise the assets, discharge all liabilities and expenses.
- Pay bequests.
- Distribute the assets of the estate to the beneficiaries.
- Prepare and submit income tax returns from the date of death and pay any tax due.
- Prepare a set of estate accounts.

### Flexibility

Our Probate team can manage as much or as little of the process as you want, ranging from simply completing the probate application and IHT forms, to managing every aspect from the date of death to the distribution of the estate. You are welcome to select which services suit you.

### Efficient & cost-effective

As our team are widely experienced in handling all the red tape, you will find our probate service to be efficient and cost effective, as we know exactly what steps needs to be taken. Unlike some probate practitioners, we do not charge a percentage of the value of the estate, which could result in huge fees for the same amount of work. Therefore, we charge on the basis of time incurred dealing with the matter, with the charge out rate of qualified practitioners being £160 plus VAT per hour.

### Free consultation and quote

We are happy to offer a free consultation and quote for our probate services and, if preferred, we can usually offer a fixed fee quote.

For more information, please visit the Probate area of our website <https://mfw.co.uk/probate/> or call a member of the Probate team, as below:

Amanda Ireland and Alison Collier [01795 479111](tel:01795479111)

Leigh Jones [01227 373271](tel:01227373271)

### Our licence

The firm is licensed by the Institute of Chartered Accountants in England and Wales (ICAEW) to carry out the reserved legal activity of non-contentious probate in England and Wales.





**During the pandemic we have been locked-out of our ability to spend. Pubs are closed, most shops are closed, and we can't go to the cinema or theatre. The denial of the consumer experience has resulted in a significant increase in personal savings and reductions in personal debt. The UK economy has been described as a "coiled spring" ready to release large amounts of "pent up financial energy".**

It will be interesting to see if our battered retailers and other suppliers will have the means to react to this potential explosion in consumer demand when the lockdown lid is finally raised. If supply is restricted and demand is high, can we expect this return to consumerism to be accompanied by inflation? If so, then the Bank of England's (BoE) strategy would probably be to increase interest rates in an attempt to control spending.

If, on the other hand, the economy doesn't get moving, the BoE has warned high street banks and building societies that they have six months to prepare for negative interest rates. BoE policymakers have stressed that the request did not mean a cut in borrowing costs below zero was imminent or even likely, but with few tools left to boost the economy in the event of a downturn, should it be needed, the bank needs negative rates to be available as an option.

## How do negative interest rates work?

Instead of earning interest on money left with the BoE, when rates are negative, banks are charged to park their cash with the central bank. The intention is to encourage banks to stop hoarding cash and, instead, to lend more to each other, to consumers, and to businesses, in turn boosting the broader economy.

For those with fixed rate mortgages, nothing changes. For variable rate mortgages, the base rate applied will be limited by terms and conditions which, generally, never reduces below 0%. So, if your mortgage is at base plus 1%, it will be never fall below 1%.

For savers, there will be more misery. Rates on savings accounts have nosedived since the pandemic began and a negative base rate is likely to lead to more accounts paying 0% or only slightly above that, meaning the value of deposits is further eroded by inflation.

Wealthy savers could face a charge for holding large sums of money on deposit. It could also mean that banks start to consider fees for current accounts. HSBC has already indicated that low interest rates could lead to it introducing fees on its accounts.

So, although we are all looking forward to the end of this pandemic, we could see a very different economy to the one we had before the pandemic took hold, with the possibility of inflation and changes to interest rates.



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