

TAX AND THE PANDEMIC

There may be a global pandemic which (at time of writing, at least) shows no real sign of ending, but the business of government goes on and, if anything, becomes even more significant. That means tax is significant too, as government makes choices around immediate support, longer term considerations and, of course, politics.

Covid-19 has affected most aspects of life and tax wouldn't be the most important. But tax is generally what we write about in these articles, so here we look at the effect on individual taxpayers and citizens of some of the tax issues and changes linked to the reaction to the pandemic.

Income tax, National Insurance and PAYE

Nothing has really changed for employees or pensioners paying their tax by PAYE automatic deduction. Employees who have been furloughed under the Job Retention Scheme have continued to have their pay, tax and National Insurance processed by their employer under PAYE.

Where employees have to work from home employers can make non-taxable payments of up to £6 per week in recognition of additional expenses incurred. Employers aren't required to pay this, and where they don't an employee can claim a tax allowance to the same amount. Doing so gives a real benefit of just £1.20 per week in terms of tax saved by a basic rate (20%) taxpayer, but that mounts up over time.

Redundancy

Sadly some jobs have been lost already due to the pandemic and it seems likely more will be lost in the future. Existing regulations are that the first £30,000 of most redundancy payments will be tax free.

Where PAYE tax was deducted from pay prior to leaving, some or all of that may be refundable particularly if the individual does not expect further work-related income in the rest of the tax year. Tax form P50 enables a refund application to be made before the end of the tax year if appropriate. However, it should be remembered Job Seekers Allowance, if paid, counts as taxable income.

Self-Assessment

For around 11 million taxpayers the PAYE system isn't enough to deal with all tax issues. Principally, that means the self-employed and those with rental or overseas incomes, but there can be other reasons why Self-Assessment is required. There has been no extension of the usual deadlines for a Self-Assessment tax return – a paper return for 2019/20 tax year must be with HMRC by 31 October 2020 but you get until 31 January 2021 if submitting on-line. Penalties for being late are automatic and whilst we can hope that HMRC will be sympathetic to appeals where the pandemic has been a key influence, it's best not to rely on that.

To ease potential financial pressures government decided that any "payments on account" due on 31 July 2020 would be postponed. These typically involve Self-Assessment taxpayers with a bill of over £1000pa who then need to make early tax payments on 31 January and 31 July. As the payment has been postponed, not cancelled, a consequence is that if you are in the "payments on account" system your required balancing payment on 31 January 2021 may be higher than usual.



The Self-Employed

As well as the general Self-Assessment considerations above, the self-employed need to have in mind the Self Employed Income Support Scheme (SEISS) set up by government as an alternative to the Job Retention Scheme for employees. Anyone who receives SEISS payments needs to note that they count as taxable income and remember to include them on their tax return for 2020/21.

Tax debt

Although written reminders continue, HMRC largely suspended those routes of chasing up tax debt which involve personal visits. HMRC staff or appointed agents going round the country knocking on people's doors was, quite understandably, not considered appropriate or sensible during a pandemic. That doesn't mean the debt has gone away though, and anyone with tax debt who doesn't respond to correspondence can expect HMRC to revive other methods of chasing at some point. So, as ever, the advice when it comes to HMRC letters about tax owing is that you shouldn't ignore it – but seek advice if you don't agree with it.

Longer term

Even from a solely financial perspective the pandemic has already been expensive and there's likely to be more expense to come. At some point government will need to decide how to address the additional expense and there are many differing views about what could and should happen. However it pans out there are likely to be implications for our tax regime, potentially quite soon, but we can only wait and see.

If you have any queries about personal taxation then please ring Tax Help for Older People on 01308 488066.

This article is by Tax Help for Older People Registered Charity no 1102276 (Scotland no SC045819), offering free tax advice to older people on a low income who cannot afford professional help.