



COVID update

Which COVID tax related reliefs are still in place and when do they expire?

Contents

VAT	3
VAT reduced rate for hospitality and leisure	3
Notification of VAT errors	3
Gift Aid	4
Gift Aid on waived refunds and loans	4
Batching GASDS donations	4
Employment	5
SSP refund scheme for small employers	5
Purchases of office equipment for working at home	5
Employer funded COVID antigen tests	5
Homeworking allowance	5
Cycle-to-work schemes	5
Life event for salary sacrifice	5
Business Rates	6
2022/23 Retail, Hospitality and Leisure Business Rates Relief	6
Corporation Tax	7
Theatres Tax Relief	7
Orchestra Tax Relief	7
Museums and Galleries Exhibition Tax Relief	7
Extended trading losses carry back	7
Capital allowances super deduction	7
Annual Investment Allowance	8
Other	9
COVID and reasonable excuses	9

VAT

VAT reduced rate for hospitality and leisure

The VAT reduced rate for hospitality and leisure is being stepped down:

From	To	Rate
15 July 2020	30 September 2021	5%
1 October 2021	31 March 2022	12.5%
1 April 2022		20%

The reduced rate applies to

- Supplies of catering excluding alcoholic beverages
- Rights of admission to shows, theatres, circuses, fairs, amusement parks, concerts, museums, zoos, cinemas, exhibitions and similar cultural events and facilities but excluding supplies that qualify for the VAT cultural exemption
- Accommodation in hotels, holiday accommodation, caravan and campsites

Notification of VAT errors

In April 2020 HMRC introduced the ability to notify HMRC of VAT errors by email. This facility has now been made permanent, the email address is inbox.btcnevatererrorcorrection@hmrc.gov.uk

Gift Aid

Gift Aid on waived refunds and loans

HMRC has accepted on a permanent basis that donations made from a waiver of a right to either a refund or loan repayment are eligible for Gift Aid. This is provided there is a record of a formal waiver agreement and consent retained by the charity and all other Gift Aid rules are met.

Batching GASDS donations

HMRC has accepted on a permanent basis that charities can claim under GASDS on batched small donations provided the charity is satisfied that the sum received is multiple small donations which happen to be paid together.

Employment

SSP refund scheme for small employers

Employers with fewer than 250 employees can claim up to two weeks' SSP per employee for COVID-related sickness absences occurring between 21 December 2021 and 17 March 2022. During this period employees can self-certify up to 28 days of absence and COVID-related SSP claims are not subject to the normal three-day waiting time.

Purchases of office equipment for working at home

The exemption for employer reimbursements for employee purchases of office equipment for working at home expires on 5 April 2022.

Employer funded COVID antigen tests

The exemption for employer funded (paid for or reimbursed) COVID antigen tests has been extended to 5 April 2023.

Homeworking allowance

The £6 per week homeworking allowance is designed to cover the additional costs of heating, lighting and business phone calls for employees who work from home by agreement with their employer. It is generally only available if paid by the employer. However for the tax years 2020/21 and 2021/22, employees told to work from home because of COVID can claim a tax deduction if the employer does not pay the allowance. Employees can claim online, or via a tax return or P87. The ability to claim will cease with effect from 6 April 2022 however HMRC will accept backdated claims for up to 4 years.

Cycle-to-work schemes

These schemes provide a tax exemption on the provision of bicycles and safety equipment to staff, provided that they are used mainly for travelling to and from work. This condition was temporarily relaxed for employees who joined the scheme and received their cycling equipment on or before 20 December 2020. The easement remains in place until 5 April 2022.

Life event for salary sacrifice

In April 2020 HMRC accepted that coronavirus is a life event warranting changes to a salary sacrifice scheme. Normally, an employee cannot switch freely out of most salary sacrifice schemes unless there is a life event. HMRC continues to accept that coronavirus counts as a life event that could warrant changes to salary sacrifice arrangements.

Business Rates

2022/23 Retail, Hospitality and Leisure Business Rates Relief

This rates relief will apply in England only and in 2022/23 only (there are similar schemes in Wales, Scotland and N Ireland). It will give a 50% rate reduction to eligible retail, hospitality and leisure premises, subject to a per corporate group cap of £110,000, however it is also likely to be de-minimis state aid and as such capped at £343,000 over 3 years. Eligible properties include: shops, charity shops, theatres, museums, galleries, cafés and sports facilities. The relief applies after any other mandatory or discretionary reliefs such as the charity mandatory 80% relief.

Corporation Tax

Theatres Tax Relief

The rate of theatre tax relief for theatrical productions that commence production on or after 27 October 2021 was increased to 50% for touring productions and 45% for non-touring productions. From 1 April 2023 to 31 March 2024 the rate reduces to 35% for touring productions and 30% for non-touring productions. From 1 April 2024, the rates of relief will return to 25% for touring productions and 20% for non-touring productions.

Orchestra Tax Relief

The rate of orchestra tax relief for concerts or concert series that commence production on or after 27 October 2021 is increased to 50%. From 1 April 2023 to 31 March 2024, the rate of relief will be set at 35%, and from 1 April 2024 the rate of relief will return to its standard level of 25%.

Museums and Galleries Exhibition Tax Relief

The rate of museums and galleries exhibition tax relief (MGETR) for exhibitions that commence production on or after 27 October 2021 is increased to 50% for touring exhibitions and 45% for non-touring exhibitions. From 1 April 2023 to 31 March 2024, the rates of relief will be set at 35% for touring exhibitions and 30% for non-touring exhibitions. From 1 April 2024 the rates of relief will return to their existing levels of 25% for touring exhibitions and 20% for non-touring exhibitions. The government will review MGETR before 1 April 2024 to decide whether or not to continue the relief after 1 April 2024.

Extended trading losses carry back

For company accounting periods ending 1 April 2020 to 31 March 2022 and for tax years 2020/21 and 2021/22 for unincorporated businesses trade losses can be carried back up to 3 years, with losses being carried back against later years first.

Capital allowances super deduction

The government introduced temporary increased relief for expenditure on qualifying plant and machinery incurred from 1 April 2021 up to and including 31 March 2023, for Corporation Tax purposes only:

- a super-deduction providing allowances of 130% on most new plant and machinery investments that ordinarily qualify for 18% main rate writing down allowances
- a first year allowance of 50% on most new plant and machinery investments that ordinarily qualify for 6% special rate writing down allowances

Annual Investment Allowance

In 2019 the Annual Investment Allowance was increased from £200,000 to £1 million between 1 January 2019 and 31 December 2020. In November 2020 the government announced the £1 million cap would be extended to 31 December 2021 as a result of the COVID pandemic, then in November 2021 the government announced the £1 million cap would be further extended to 31 March 2023. From 1 April 2023 the cap will revert to £200,000.

Other

COVID and reasonable excuses

In May 2020 HMRC accepted that COVID related factors could be a reasonable excuse for missing some tax obligations. This remains the case. HMRC may consider COVID-19 as a reasonable excuse for missing some tax obligations such as payments or filing dates.

Taxpayers should explain how they were affected by COVID-19 in their appeal, but must make the return or payment as soon as possible.