

Winter Checklist 2020

LEGAL SECTOR

December 2020

With so much to think about just now, we thought it would be helpful to put together a checklist of things to think about over the coming months. We have separated this into different sections.

Commercial matters

- If you have not yet applied for a CBILS or Bounce Back loan, or you have decided that you need to 'top up' on your original CBILS or Bounce Back loan, it is not too late. The application deadline has been extended to 31 January 2021. Interest rates on these loans are extremely competitive.
- Many practices have performed much more favourably than their fairly pessimistic forecasts from March/April 2020 showed. Have you reforecast for the next six to twelve months?
- Have you planned for a potentially exceptional first quarter of 2021 for your conveyancing team? (Remember what happened back in 2016, when the 3% surcharge rate was introduced and the impact it had on the run up to 1 April 2016).
- Cash collection is often slower in December and January in comparison to the rest of the year. Keep a tight grip on your credit control procedures and encourage fee earners to get money on account where possible.
- Given that at least an element of more flexible working seems to be here to stay, have you started work on an 'office space strategy'? If not, now is a good time to give this the thought it deserves.
- Working from home is set to be a permanent part of the way that firms will operate in the future, with most adopting an average of two days per week at home as a starting point. Have you got all of your health and safety procedures and revised employment contracts in place?
- For those practices with loans, lenders are still open to discussions about repayment holidays, even if you have had one of these already.
- Landlords have also found that they need to be flexible, and a modest number of practices we work with have been able to secure rent holidays as well as payment holidays. It is always worth keeping a dialogue in place with landlords.

Taxation matters

- Although profits for the current year are perhaps better than predicted, they may not by the end of the current financial year be as good as the previous year. Is there an opportunity to reduce the payments on account that would normally be due in January and July 2021?
- If you feel you may not be able to pay your 31 January 2021 tax liability on time then you can arrange for time to pay it. If it is below £30,000 per person then it is particularly easy to do. If it is more than £30,000, it will involve more work. Start thinking about it now in order to avoid a rush in January.
- If you deferred your VAT payment earlier in the year, remember that the deferred balance will be automatically due by 31 March 2021, unless you opt to defer it further. The new deferral arrangements are due to be issued in January 2021, and you will need to apply for it, so make a diary note for the new year.
- Have you considered paying staff a one-off sum of up to £6 per week to compensate them for working at home during the pandemic? This can be received free of tax, and will qualify for tax relief in the practice's accounts.
- Even if you do not pay staff a working from home allowance, they can still claim tax relief of £6 per week either via their PAYE coding notices or their 2020/21 personal tax returns.
- With so many Christmas parties being cancelled, have you considered what you might do instead? Remember the rules around trivial benefits - vouchers up to £50 are tax-free for the recipient, and tax deductible for the practice.
- For those able to consider a lump sum pension contribution, the contribution restriction limits are now relaxed, and an individual can now pay up to £40,000 into their pension in a single tax year, provided their total taxable income does not exceed £200,000.
- Investments into Venture Capital Trusts and Enterprise Investment Scheme (and its variant, the Seed Enterprise Investment Scheme) can give tax relief of up to 30% (50% for SEIS), and are often worth considering.
- Many practice owners claim tax relief on their cars, and car running costs. With the changed working patterns in the current tax year, business use proportions will need to be reviewed for the current tax year, and maybe beyond too.

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