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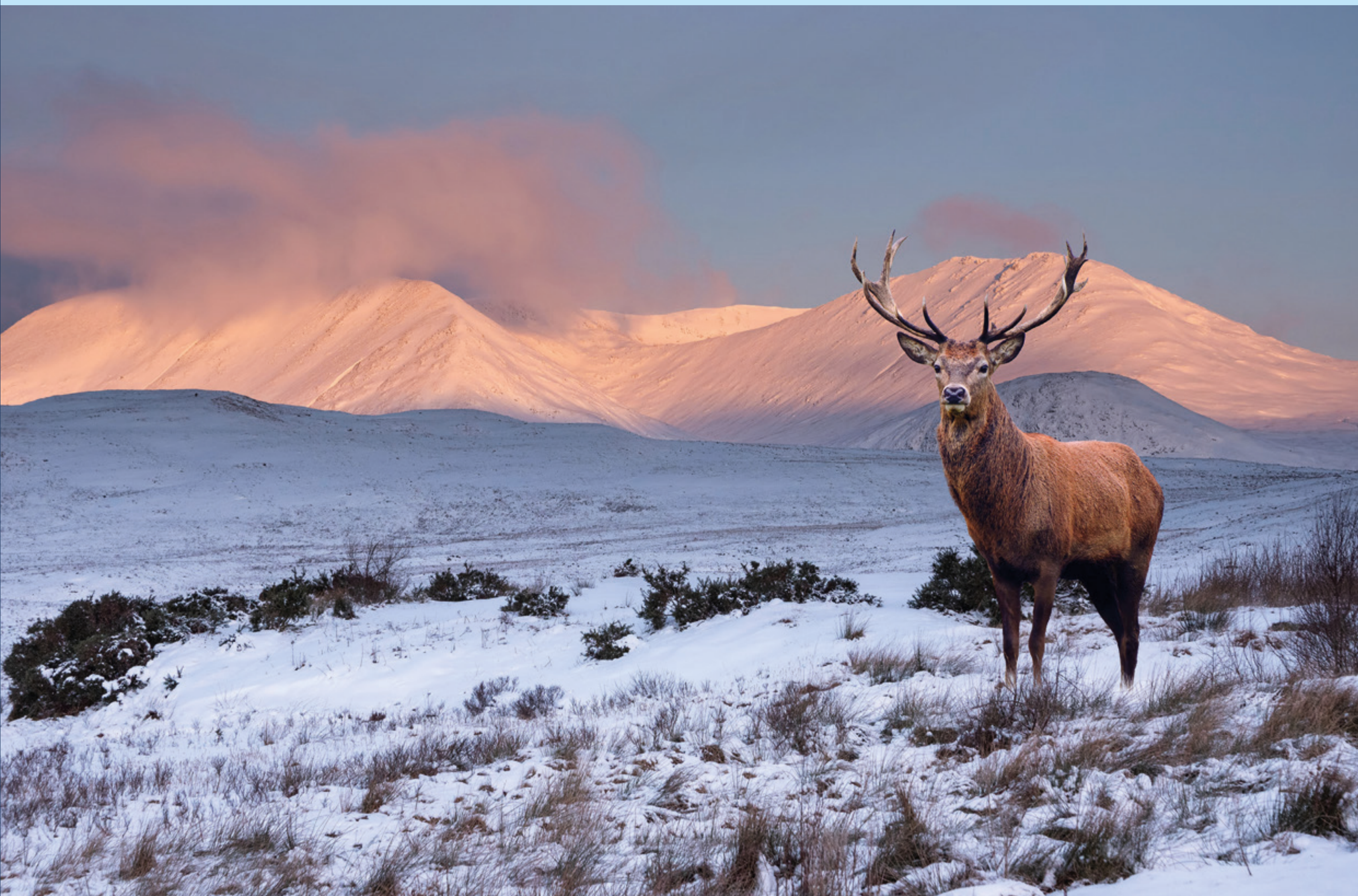

Newsletter
Winter 2023

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INTRODUCTION

We have included a short summary of the recent Autumn Statement, delivered to parliament November 2023, in this newsletter.

We have also added a number of articles that will help you decide on your planning options for the remainder of 2023-24.

Please call if you need any further information regarding the topics covered, or if you need help with any aspect of your personal financial or business affairs.

GENERAL

The Autumn Statement 2023

The fiscal background that has set the tone for this year's Autumn Statement is dominated by three issues:

- Inflation
- Cost of living, and
- The prospect of a 2024 general election

As a consequence, the Chancellor was somewhat limited in his ability to cut taxes in any significant way and stay on track to control inflation and keep government debt at respectable levels.

A few of the items that will affect readers are listed below.

Cutting taxes and rewarding work

1. This year the government is providing support through Cost of Living Payments to households on means-tested-benefits, those on disability benefits, and pensioners, and next year will raise the Local Housing Allowance to support low-income families with housing costs. The government will also protect the State Pension Triple Lock and uprate working age benefits in line with inflation.
2. The current combined rate of income tax and National Insurance contributions (NICs) for employees paying the basic rate of tax is too high at 32% (Income Tax 20% plus NIC at 12%). The government will address this

by cutting the main rate of Class 1 employee NICs from 12% to 10%. This reduction will take effect from 6 January 2024.
3. The government will support the self-employed by cutting the main rate of Class 4 self-employed NICs from 9% to 8% from 6 April 2024.
4. From 6 April 2024, self-employed people with profits above £12,570 will no longer be required to pay Class 2 NICs, but will continue to receive access to contributory benefits, including the State Pension.

Business investment

To unlock business investment the government will make full expensing a permanent allowance, building on the UK's already competitive business tax regime and making sure the UK has one of the most generous capital allowances regimes in the world.

When first introduced, full expensing offered 100% first-year relief to companies on qualifying new main rate plant and machinery investments from 1 April 2023 until 31 March 2026. In his announcement today, the Chancellor made this relief a permanent feature of the UK tax system. It is hoped that this will encourage companies, particularly those with deep pockets for investment, to set bold capital expenditure budgets in future years.

This decision may lead to an overall simplification of the way in which tax relief is to be given for qualifying purchases of capital equipment in future years.

Summary

We may see more wide ranging tax cuts and give-a-ways in the Spring Budget 2024 when presumably a date for the 2024 General Election will have been set.

Please call if you want to discuss any of the matters highlighted above.

BUSINESS

Corporation Tax 25%

A reminder that the current main rate of Corporation Tax is 25% (Previously 19%).

However, lower rates may apply:

- If your company made more than £250,000 profit, you will pay the main rate of Corporation Tax.
- If your company made a profit of £50,000 or less, you would pay the 'small profits rate', which is 19%.
- You may be entitled to 'Marginal Relief' if your profits were between £50,000 and £250,000.
- The £50,000 and £250,000 profit thresholds are proportionately reduced for short accounting periods and by the total number of 'associated companies' your company has.

What is marginal relief?

Marginal Relief provides a gradual increase in Corporation Tax rate between 19% and 25% main rate.

Your company or organisation may be able to claim Marginal Relief if its taxable profits from 1 April 2023 are between:

- £50,000 (the lower limit)
- £250,000 (the upper limit)

If your accounting period is shorter than 12 months these limits are proportionately reduced. These limits are also proportionately reduced by the number of associated companies your company has.

For example, if your company has 3 other associated companies, the limits are divided by 4. The lower limit becomes £12,500 and the upper limit becomes £62,500.

Associated companies

Clearly, the number of associated companies you have will affect how much Corporation Tax you pay.

A company is considered to be associated if one has control of the other, or both are under the control of the same person or persons. A company may be an associated company no matter where it is resident for tax purposes.

An associated company is counted even if it is an associated company for only part of an accounting period.

An associated company which has not carried on any trade or business at any time during the accounting period is disregarded. If that company is an associated company for only part of the accounting period and has not carried on any trade or business at any time during that part of the accounting period, it is also disregarded.

From a planning point of view, if you have a number of associated companies, it may be worthwhile undertaking a review to see if restructuring could reduce your ongoing Corporation Tax liabilities.

Changes at Companies House

The Economic Crime and Corporate Transparency Bill has achieved Royal Assent and this legislation will empower Companies House to tighten its control over the registration and management of companies data held in its records.

In particular, changes expected in early 2024 will be:

- Greater powers to query information. This means Companies House will be able to scrutinise and reject information that seems incorrect or inconsistent with information already on the register. In some cases, Companies House will be able to remove information.
- Stronger checks on company names.
- New rules for registered office addresses which will mean all companies must have an appropriate address at all times. Companies will not be able to use a PO Box as their registered office address.
- A requirement for all companies to supply a registered email address.
- A requirement for all companies to confirm they're forming the company for a lawful purpose when they incorporate.

Every year, the company will need to confirm that its future activities will be lawful on their confirmation statement.
- Annotations on the register to let users know about potential issues with the information that's been supplied to Companies House.
- Taking steps to clean up the register, using data matching to identify and remove inaccurate information.
- Sharing data with other government departments and law enforcement agencies.

Existing, smaller companies, that presently file abbreviated or filleted accounts, with no detailed profit and loss information, are likely to see a change to include a requirement to file full accounts. To sanction this, secondary legislation will likely follow in the new year.

Time for business planning

If you run a business and manage your planning by scribbling notes on the back of an envelope, you might be advised to read the contents of this article.

When the economy is vibrant, effectively when there are an abundance of buyers in your marketplace, cash flow and profitability tend to look after themselves; as long as you are selling your goods or services at a price that covers your overheads and drawings/dividends.

Unfortunately, since Brexit and COVID disruption and the current upward pressure on energy and raw material costs, buyers are more circumspect about purchasing and business profits and cash flow are under pressure.

In which case your business planning cannot, and should not, be restricted to a few notes scribbled on the back of an envelope.

Your current management accounts should show you what your current situation looks like:

- Are you making profits?
- Are you keeping within your overdraft limits? and
- Are you still solvent?

To answer these questions the use of low-cost, cloud-based accounts software is the minimum you should be utilising.

A belts and braces approach should include forward planning, what will be your likely profitability, cash flow position and solvency look like in a year's time?

If you need help maximising the use of software to achieve these basic planning objectives, or if you would like advice on business planning issues, please call. We can help you be prepared to deal with and survive the UK's present economic challenges.

Cash flow

If your business grants a customer time to pay – say 30 days – after the services or goods supplied have been delivered, effectively, your money stays in their bank account for 30 days.

Further, if you have incurred costs regarding a sale, that have to be paid for before your customer settles their bill, you are out of pocket until your account is settled.

Many business owners are driven by sales targets and to meet these targets many are tempted to offer extended payment terms.

There is a well-worn cliché in business that cash is king. Your business only has choices - regarding the sales it makes - once your customers' money is in your bank account.

Actually, once you have made a sale, if you allow customers extended credit terms you are basically saying it is OK to leave your money in their bank accounts.

The major risk from offering over generous credit terms is over-trading. If you have to pay for your goods and services on terms less generous than those you offer your customers, you will run out of spending power unless you have substantial cash reserves.

Recent economic challenges have bleached away many rainy-day funds, and so, our ability to leave cash in customers' bank accounts may place us in a position where we basically become cash insolvent, even if we are profitable and have surplus net assets.

The next time you are tempted to extend credit in order to win a sale, take advice. We can help you consider the wider consequences of your sales strategy and its impact on cash flow.

Recurring sales

Most business owners will appreciate the difference between one-off sales, and services that are generally described as recurring.

For example, you may sell a laptop (a one-off sale) and then bolt on a support contract (a recurring sale).

The advantage of recurring income streams is that they not only impact your current sales numbers, but they also help you build a platform of future sales for your business.

Also, the cost of "selling" or acquiring recurring sales is generally lower than securing a one-off sale as you are creating sales revenue into future years rather than just improving your sales figures in the current month.

It is worth researching how you could develop recurring income streams for your business. Subscriptions or support are two areas ripe for development. Or you could encourage one-off buyers to join your Customer Club where for a minimum monthly fee, they would be entitled to a progressive discount on purchases.

As we strive to emerge from recent difficult economic challenges, seeking out ways to introduce recurring services into your product mix may help you build a

sustainable future for your business.

Well worth getting together with your work colleagues to brainstorm ideas.

PERSONAL

Changes to self-employed taxation

Up to 5 April 2023, the basis period reporting rules for the self-employed applied. This means you reported profits according to your business accounting year end date within the relevant tax year (between 31 March to 5 April the following year).

For example, if your accounting year end date was 31 December 2022, you will have reported profits on your 2022-23 return for the whole year (1 January 2022 to 31 December 2022).

Since 6 April 2023, the new tax year basis applies. This means you will need to report profit up to the tax year end, even if your accounting year ends at a different time.

The changes do not affect sole traders and partnerships who draw up annual accounts to a date between 31 March and 5 April. These businesses will continue to file as usual for the 2023-24 accounting year and beyond.

If your accounting year end is not on or between 31 March to 5 April, your profits may need to be apportioned between accounting periods.

The change from the old to the new system takes place during the current 2023-24 tax year. This is known as the 'transitional year'.

In your self-assessment tax return, you will need to report profit from the day after your accounting year end in 2022-23, up to 5 April 2024.

This means you:

- will report profits covering more than one year; and
- may need to apportion 2 sets of accounts to estimate your profits for the year.

For example, if you have an accounting year end date of 31 December 2022, you will report profit from 1 January 2023 to 5 April 2024 in the 2023-24 tax year.

If you report profit covering more than 12 months, the excess is known as 'transition profit'. This can be reduced by claiming Overlap Relief and any remaining profit will be spread over the following years, up to the tax year 2027-28.

Overlap Relief is based on any profits that may have been taxed twice when you first commenced self-employment.

60-day reporting of residential property sale

It is well reported that when you sell your home, there are no Capital Gains Tax (CGT) complications as long as the property has been your private residence (no significant business use or sub-letting) for the entire period of your ownership.

However, if you sell a residential property that was a second, holiday home or was let to produce an additional income, then this would be a chargeable event for CGT purposes.

Ordinarily, such gains are reported on your self-assessment tax return. For example, a gain crystalised October 2023, would need to be reported on the 2023-24 return and filed by 31 January 2025. Any CGT payable would fall due on the same date, 31 January 2025.

The Treasury were obviously unwilling to allow this delay in settlement of tax due and we now have to report and pay CGT on sales of residential property that create a charge to CGT which must be done within 60 days of the sale.

HMRC have created a convoluted online process to make these declarations.

If you are about to complete a property sale of a residential property that will be subject to the 60 day reporting rule, we suggest you seek professional advice. We would help you ensure that any gain is minimised and make the online reports for you.

Self-assessment filing deadline approaches

Taxpayers who have not yet filed their tax return for 2022-23, should note that the filing deadline for this year is 31 January 2024. If you file after this date HMRC will charge you an initial £100 late filing penalty.

If there is an underpayment of tax for 2022-23, settlement of this amount will be due on the same date, 31 January 2024. Readers are also reminded that that if applicable, the first payment on account for 2023-24 is due to be paid 31 January 2024.

All of these liabilities will be quantified when your 2022-23 return is filed.

Tax-free gains

You do not usually need to pay Capital Gains Tax on gifts to your husband, wife, civil partner or a charity.

Also, you do not pay Capital Gains Tax on:

- The sale of your car - unless you have used it for business purposes.
- Or anything with a limited lifespan, e.g., clocks - unless used for business purposes.

Currently, the annual gains exemption is £6,000 although the Chancellor has indicated that this will be reducing to £3,000 from April 2024. You are exempt from paying tax on the first £6,000 of your share of gains if you own a possession with other people.
If you dispose of a number of chattels that form a set, the £6,000 limit that normally applies to a single chattel, applies to the set.

There are special rules that apply to sets which have been broken up and sold separately. If the parts of the set were:

- owned by you at the same time; and
- disposed of by you to the same person, or a number of people acting together, or a number of people who are connected.

Then the £6,000 limit applies to all of the set collectively and not to each member of the set individually.

Beware these scams

HMRC has advised taxpayers to be on the lookout for scam texts, emails and phone calls from fraudsters.

This warning comes as HMRC received more than 130,000 reports about tax scams in the 12 months to September 2023, of which 58,000 were offering fake tax rebates.

With around 12 million people expected to submit a self-assessment tax return for the 2022-23 tax year before the 31 January 2024 deadline, fraudsters will prey on customers by impersonating HMRC.

The scams take different approaches. Some offer a rebate; others tell taxpayers that they need to update their tax details or threaten immediate arrest for tax evasion.

HMRC works to protect the public from scammers. In the 12 months to September 2023, HMRC has responded to 60,000 reports of phone scams alone and 25,000 malicious web pages were taken down.

The message is clear, if you are threatened with communications that involve you revealing personal data, do not respond. Instead, contact HMRC using the contact details on the GOV.UK website and ask them to confirm that the communication you have received is genuine.

Readers who are our clients should call us before responding.

VAT & DUTIES

VAT – claiming on purchases before registration

You can reclaim VAT paid on goods or services bought before you registered for VAT if you bought them within:

- 4 years for goods you still have or goods that were used to make other goods you still have, or
- 6 months for services.

You can only reclaim VAT on purchases for the business now registered for VAT. They must relate to your ‘business purpose’. This means they must relate to VAT taxable goods or services that you supply.

NIC & PENSIONS

The new State Pension

The full new State Pension is currently £203.85 per week. It was announced as part of the Autumn Statement measures that the full State Pension will increase by 8.5%, in line with average earnings growth to £221.20 per week in 2024-25.

The only reasons you can get more than the full State Pension are if:

- you have over a certain amount of Additional State Pension; or
- you defer (delay) taking your State Pension.

If you reached State Pension age before 6 April 2016, you would receive a different

amount under the basic State Pension rules.

You can still get a State Pension if you have other income like a personal pension or a workplace pension.

You might have to pay tax on your State Pension if the amount you receive plus any other taxable income (for example bank interest), is more than the annual personal tax allowance. Currently this is £12,570.

If you have reached State Pension age and you're on a low income, you may also qualify for Pension Credit, even if you have saved money for retirement.

EMPLOYMENT & PAYROLL

Christmas time

Business owners who are minded celebrating the forthcoming Christmas break with their staff are reminded that there is a tax-free allowance for the provision of an annual party or other event for the benefit of staff and their partners. The present limit to tax relief is £150 per head. If this amount is exceeded, the full cost of the benefit is taxable not the excess over £150.

Where it's not possible to calculate individual costs, an averaging process can be adopted. There are also other considerations that must be met to qualify for this relief.

Another way to benefit staff tax-free for Christmas is to consider making small gifts.

You don't have to pay tax on a benefit (gift) to your employee if all of the following apply:

- it cost you £50 or less to provide
- it isn't cash or a cash voucher
- it isn't a reward for their work or performance
- it isn't in the terms of their contract

Gifts that fall into this category are known as a 'trivial benefit'; and whilst they may be much more than trivial in substance, you don't need to pay tax or National Insurance or let HMRC know you are making the gift.

Any gifts that do not meet this definition will likely be taxable.

Gifts to directors are treated in a similar fashion with one over-riding condition: a director cannot receive trivial gifts of more than £300 in total each tax year. This restriction only applies to the directors of "close companies". A close company is a limited company with five or fewer shareholders.

Watch out for VAT charge

If you recover the input tax charged when you buy gifts for employees, and if the total value of gifts given to an employee in a tax year exceeds £50, then you will have to account for VAT on the total value of gifts provided. If this is the case, you may be advised to avoid recovering the VAT in the first place.

Increase in National Living Wage rates

In a significant boost for the UK's lowest paid, the Chancellor committed to accept the Low Pay Commission's recommendations to increase wage rates.

In the Autumn Statement, the Chancellor confirmed the following changes that will apply from 1 April 2024. The increase will see the National Living Wage rate increased to £11.44 per hour, an increase of over £1 over the current rate of £10.42. This will mean the annual earnings of a full-time worker on the National Living Wage will increase by up to £1,800 next year.

It was also confirmed that for the first time, eligibility for the National Living Wage will be extended to 21 and 22 year olds.

The National Minimum Wage rates are also to be increased from the same date, 1 April 2024.

The new rates will be:

- 18 to 20 year-old rate will be £8.60 per hour
- 16 to 17 year-old rate will be £6.40 per hour
- The apprentice rate will also be £6.40 per hour

MISCELLANEOUS

Banks subject to new regulation

Recent revelations about a bank closing a well-known customer's bank account because of their political beliefs has received a swift response from the Chancellor.

New rules for banks to protect free speech will include banks being forced to show exactly how they are protecting customers' freedom of speech under a shakeup of the rules and banks must take existing obligations not to discriminate seriously.

This action will give regulators the green light to take firm action if any bank is found to undermine or fails to protect the rights of their customers.

A public consultation will be launched shortly to consider how these changes are best delivered, before legislating next year, as part of the government's aim to put an end to de-banking for freedom of speech reasons.

The notice period for payment service framework contract terminations is to increase from two months to 90 days, and banks will be required to give customers clear and tailored explanations for why they had closed an account – unless in limited cases such as where this would be unlawful.

FINANCIAL CALENDAR

December 2023

30 Last day to submit 2022/23 tax return online to have unpaid tax of up to £17,000 collected through the 2024/25 PAYE code. The amount of debt that can be coded out in a year ranges from £3,000 to £17,000 based on a graduated scale.

January 2024

14 Due date for CT61 return and CT payment for quarter to 31 December 2023.

31 Submit 2022/23 Self Assessment return online. Pay balance of 2022/23 Income Tax and CGT plus first payment on account for 2023/24.

February 2024

2 Submit employer forms P46 (car) for quarter to 5 January 2024.

March 2024

31 Last minute planning for 2023/24 tax year. Make sure to use any CGT and IHT annual allowances and exemptions.

April 2024

5 Last day of tax year (6 April 2024, first day of new tax year).

14 Due date for CT61 return and CT payment for quarter to 31 March 2024.

May 2024

3 Submit employer forms P46 (car) for quarter to 5 April 2024.

31 Last day to issue 2023/24 P60s to employees.

July 2024

5 Final date to agree 2023/24 PAYE Settlement Agreements (PSA).

6 Last date for returns of expenses and benefits (forms P11D, P9D and P11D(b)) for 2023/24 to reach HMRC. Relevant employees to receive copies of forms P11D and P9D.

6 Last date to submit annual returns for employee share schemes and employment-related securities for 2023/24 (forms 34, 35, 39, 40 and 42).

14 Due date for CT61 return and CT payment for quarter to 30 June 2024.

22 Class 1A NICs for 2023/24 due (19th if paid by cheque).

31 Due date for second payment on account of 2023/24 Income Tax and Class 4 NICs.

31 Last day to pay 2022/23 tax to avoid second automatic 5% surcharge (unless late payment agreed with HMRC).

August 2024

2 Submit employer forms P46 (car) for quarter to 5 July 2024

October 2024

5 Deadline to notify HMRC of chargeability to Income Tax or CGT for 2023/24.

14 Due date for CT61 return and CT payment for quarter to 30 September 2024.

31 Deadline to submit 2023/24 Self Assessment tax return if filed on paper.

November 2024

2 Submit employer forms P46 (car) for quarter to 5 October 2024.

Every month:

1 Annual Corporation Tax due for companies with a year ending nine months and a day earlier, e.g. tax due 1 October 2023 for year ending 31 December 2022.

14 Quarterly instalment of Corporation Tax due for large companies (depending on accounting year-end).

19 Pay PAYE/NIC and CIS deductions for period ending 5th of the month if not paying electronically. Submit CIS contractors' monthly return.

22 PAYE/NIC and CIS deductions paid electronically should have cleared into HMRC bank account.

30/31 Submit CT600 for a year ending 12 months earlier. Last day to amend CT600 for a year ending 24 months earlier.

If the due date for payment falls on a weekend or Bank Holiday, payment must be made by the previous working day. Electronic payments sent using the Faster Payments Service (FPS) are able to clear into HMRC's account on a non-banking day – a Saturday, Sunday and most Bank Holidays.

File accounts with Companies House for private companies with a year ending nine months earlier and for public companies with a year ending six months earlier.

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