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Keeping you informed

Newsletter
Spring 2024

INTRODUCTION

The recent Spring Budget included a few surprise announcements as well as the expected further reduction in NIC contributions for employees and the self-employed. We have included a summary of some of the more impactful changes in this newsletter.

As always, if you have concerns about any of the matters raised in this newsletter, please pick up the phone, we are here to help.

BUDGET SUMMARY

Budget summary 6 March 2024

As expected, the Chancellor has found wriggle room in his fiscal rules that have allowed him to please his fellow Conservatives by reducing the impact of taxation. Not an unfamiliar tactic for a government in a general election year.

The impact of the main tax changes announced are summarised below.

Further fall in employee National Insurance contributions (NIC).

As expected, the Chancellor has found headroom to make a further reduction of 2 percentage points, from 10% reduced to 8%, effective from April 2024.

Taken together with the previous 2% drop following the Autumn Statement, this represents a reduction in this tax charge by one-third. It means that a person earning £35,400 will be more than £900 a year better off.

High Income Child Benefit Charge (HICBC)

From 6 April 2024, the income threshold at which the HICBC can recover Child Benefits from parents is being increased from £50,000 to £60,000.

The band of income that will affect the amount of any HICBC clawback is also doubled, from £60,000 to £80,000.

From April 2024, Child Benefits will be subject to the HICBC at a rate of 1% of benefits received for every £200 the highest paid parent exceeds £200. This means that when the highest paid earner's income exceeds £80,000, all Child Benefits will be recovered.

For new Child Benefit claims made after 6 April 2024, any backdated payment will be treated for HICBC purposes as if the entitlement fell in the 2024-25 tax year if backdating would otherwise create a HICBC liability in the 2023-24 tax year.

Capital Gains Tax (CGT) on UK residential property sales

The higher rate of CGT for residential property gains is being reduced from 28% to 24%. The change will take effect from 6 April 2024. The lower rate will remain at 18% for any gains that fall within an individual's basic rate band.

The 18% and 28% rates of CGT that apply to gains in respect of carried interest remain unchanged from 6 April 2024. These rates previously mirrored those for CGT on disposals of residential property.

Changes to Non-UK Domiciled tax rules

The government will abolish the remittance basis of taxation for non-UK domiciled individuals and replace it with a simpler residence-based regime, which will take effect from 6 April 2025. Individuals who opt into the regime will not pay UK tax on foreign income and gains for the first four years of tax residence.

Overseas Workday Relief (OWR) will be reformed with eligibility for the relief based on the new regime. OWR will continue to provide Income Tax relief for earnings from duties conducted overseas for the first three years of tax residence with restrictions on remitting these earnings removed.

The government has also announced an intention to move to a residence-based regime for Inheritance Tax, with plans to publish a policy consultation on these changes, followed by draft legislation for a technical legislation, later in the year.

A new ISA

A new British ISA with its own allowance of £5,000 a year is to be introduced for investments in UK equity.

Further details of the new scheme will be released later this year.

Flat lining Income Tax rates and allowances

One area of personal tax that was not eased in the Budget announcements was the fiscal drag created by the freezing of the Income Tax personal Allowance and High Income Threshold.

The Income Tax Personal Allowance (presently £12,570) and the higher rate threshold (presently £50,270) above which you will pay Income Tax at 40% not 20%, have not seen a significant increase for over four years.

In the same period, the Consumer Prices Index (CPI) has increased from 108 to 132. To keep pace with inflation, based on the CPI increase, a £45,000 salary in April 2020 would now need to be £55,000 to maintain the same purchasing power. And as the higher rate threshold has remained unchanged, at £50,270, the top £4,730 will be taxed at 40% not 20%.

Based on the CPI change, the present Personal Allowance should be circa £15,400 and the Higher Rate threshold £61,400 to maintain their monetary value.

The Income Tax Personal Allowance and Higher Rate Threshold will remain unchanged and will not be reviewed again until April 2028.

Alcohol Duties

These duties will be frozen from 1 August 2024 until 1 February 2025. This extends the present six-month freeze announced last year.

Fuel Duty main rates

The rates of Fuel Duty introduced at Spring Statement in March 2022, and extended at Spring Budget in March 2023, will be extended for a further 12 months.

This will maintain the cut in the rates for heavy oil (diesel and kerosene), unleaded petrol, and light oil by 5 pence per litre, and the proportionate percentage cut (equivalent to 5 pence per litre from the main Fuel Duty rate of 57.95 pence per litre) in other lower rates and the rates for rebated fuels, where practical.

The changes will take effect from 23 March 2024.

VAT registration threshold increase

The taxable turnover threshold which determines whether a person must be registered for VAT, will be increased from £85,000 to £90,000. The taxable turnover threshold which determines whether a person may apply for deregistration will be increased from £83,000 to £88,000

These changes will be effective from 1 April 2024.

This will benefit smaller traders who are tiptoeing towards the present registration threshold of £85,000 and really don't want to register as they will not be able to pass on the 20% VAT to their customers.

NIC cuts for the self-employed

The Chancellor has made a further reduction in the Class 4 NIC paid by the self-employed. The further cut will be a reduction from 8% of chargeable profits to 6%.

Essentially, the overall reduction will be from 9% to 6% effective from 6 April 2024.

Abolition of the Furnished Holiday Lets (FHL) tax regime

In a surprise announcement, the present favourable tax benefits of letting properties as short-term holiday lets is to

be abolished from April 2025.

BUSINESS

More on imminent change at Companies House

Companies House have issued an update on their first implementation of changes brought about by The Economic Crime and Corporate Transparency Act.

We have copied in the relevant comments made in a recent blog post.

Companies House introduced the first set of changes on 4 March 2024.

The changes include:

- greater powers to query information and request supporting evidence;
- stronger checks on company names;
- new rules for registered office addresses;
- a requirement for all companies to supply a registered email address;
- a requirement for all companies to confirm they are forming the company for a lawful purpose when they incorporate, and to confirm its intended future activities will be lawful on their confirmation statement;
- the ability to annotate the register when information appears confusing or misleading;
- taking steps to clean up the register, using data matching to identify and remove inaccurate information; and
- sharing data with other government departments and law enforcement agencies.

Three items that may need your consideration following the 4 March 2024 changes are:

1. If you are still using a PO Box address as your registered office, you will need to change this. You can still use a third-party agent's address if they meet the conditions for an appropriate address.
2. There is a new requirement for all companies to give a registered email address to Companies House. This email address will not be published on the public register. New companies are now required to provide a registered email address when they incorporate. Existing companies will need to give a registered email address when they file their next confirmation statement with a statement date from 5 March 2024. Companies House online services will prompt you to supply a registered email address when you file your next eligible confirmation statement.
3. When you incorporate a company (after 4 March 2024), the subscribers (shareholders) need to confirm they are forming the company for a lawful purpose. They must also confirm the company's intended future activities are lawful on the confirmation statement. The intention of these new statements is to make it clear that all companies on the register, new and existing, have a duty to operate in a lawful way. Companies House may act against your company if they receive information that confirms you are not operating lawfully.

Incorporating a property business

Building a property investment portfolio inside an incorporated, company structure has a number of benefits. For example:

- There are no tax restrictions on a claim for loan interest payments.
- Corporation Tax is currently a maximum 25%; Income Tax, by comparison, can be up to 45%.
- Property ownership and resulting income streams are sheltered inside a structure that provides landlords with limited personal liability.

However, not all of the consequences of incorporating a property business are without risks. For example:

- What will happen when landlords want to retire and sell off their properties. If they have incorporated successfully, the cash that remains after property disposals and Corporation Tax has been paid, will presumably be required by the shareholders. If they subsequently withdraw this cash pool from the company, they will incur additional Income Tax, or more likely, Capital Gains Tax charges. Taken together, these Corporation Tax and extraction tax costs may possibly exceed the tax costs of a similar, but unincorporated, property business.

- If incorporation involves transferring existing, personally owned properties into a corporate structure, landlords would be well advised to take professional advice to ensure no unexpected stamp duty or tax payments are triggered.

As long as incorporation is carefully managed there are benefits, but all aspects and consequences should be considered to ensure there are no unexpected liabilities (tax and duties). Please call so we can help you consider your options.

Company capital gains

Individuals who dispose of an asset that creates a chargeable gain pay Capital Gains Tax at varying rates depending on an individual's overall income including the chargeable gain.

Whereas companies that dispose of assets that create a chargeable gain, pay Corporation Tax on the gain – present main rate is 25% (subject to marginal relief in certain circumstances) and the small profits rate of 19%.

How to work out the gain

1. Work out the asset's value when it was sold - this is usually the amount your company received.
2. Deduct the amount your company paid for the asset. If it was not acquired in a normal commercial transaction you need to use the market value at the time.
3. Deduct any money your company spent buying, selling or improving the asset, for example solicitors' fees and Stamp Duty. (You cannot deduct maintenance

costs).
4. If you had the asset before December 2017, use HMRC's Indexation Allowance December 2017 guide for the month when your company sold the asset. Then find the figure ('inflation factor') for the year and month when your company bought the asset. Multiply this by the amount you paid for the asset. Deduct the total from your profit.
5. If you made improvements to the asset, work out the effects of inflation in the same way. Deduct the total from your profit.

You now have your chargeable gain.

If you make a loss when you sell an asset, you can reduce your total chargeable gains by deducting any capital losses.

You can only deduct capital losses from your chargeable gains - not from trading income or other profits.

VAT & DUTIES

VAT – Selling second-hand cars

If you sell second-hand vehicles and you were not charged VAT when you purchased the vehicle, using the Margin Scheme may save you money.

If you did not use the VAT Margin Scheme, you would have to account for VAT on the full selling price of each vehicle. However, if you use the Margin Scheme, you can account for VAT on the difference between the price you paid for a second-hand vehicle and the sales price when you sell the car.

If you sell a vehicle for less than you paid for it, you will not have to account for any VAT on the sale.

You do not have to use the Margin Scheme, it is optional.

If you decide to use it, there are conditions you will have to meet. If you cannot meet all the conditions, you cannot use the scheme.

The main conditions published by HMRC are:

- the vehicles must be eligible,
- you must have acquired the vehicles in eligible circumstances - in most cases, this means that you have obtained eligible vehicles for resale in circumstances where VAT was not chargeable,
- you must calculate the margin in accordance with the rules of the scheme, there are special rules about how to calculate your buying price, your selling price and your margin under the scheme, your margin may not be the same as your profit margin,
- you must meet the record-keeping rules of the scheme, there are special rules about invoicing and stock records.

You cannot use the scheme for:

- new vehicles;
- vehicles imported into the UK, including vehicles collected on your behalf;
- any vehicle purchased on an invoice which shows VAT separately;
- category A and B write-off vehicles, or any vehicle which is subject to the End Of Life Directive;
- new means of transport purchased from EU countries into Northern Ireland;
- vehicles bought from registered dealers in EU countries supplied to Northern Ireland which have not been supplied under a margin scheme;
- vehicles already sold under the normal VAT rules;
- vehicles that you bought and reclaimed, or were entitled to reclaim VAT, including import VAT on vehicles purchased from outside the UK, or acquisition tax chargeable in Northern Ireland on purchases from dealers in EU countries; and
- vehicles showing VAT has been charged on the purchase invoice.

VAT Flat Rate Scheme

The amount of VAT a business pays or claims back from HMRC is usually the difference between the VAT charged by the business to customers and the VAT the business pays on their own purchases.

With the Flat Rate Scheme:

- you pay a fixed rate of VAT to HMRC;
- you keep the difference between what you charge your customers and pay to HMRC; and
- you cannot reclaim the VAT on your purchases - except for certain capital assets over £2,000.

To join the scheme your VAT turnover must be £150,000 or less (excluding VAT), and you must apply to HMRC.

You cannot use the scheme if:

- you left the scheme in the last 12 months;
- you committed a VAT offence in the last 12 months, for example VAT evasion;
- you joined (or were eligible to join) a VAT group in the last 24 months;
- you registered for VAT as a business division in the last 24 months;
- your business is associated with another business; or
- you have joined a margin or capital goods VAT scheme.

You cannot use the scheme with the Cash Accounting Scheme. Instead, the Flat Rate Scheme has its own cash-based method for calculating the turnover.

The Flat Rate you would use, to quantify what you pay the HMRC, varies according to the business sector you operate within, for example, architects have to use a rate of 14.5% but a catering service business the rate is 4.5%.

In certain circumstances the VAT you would pay if using the Flat Rate Scheme could be less than the VAT you were charging your clients less any VAT paid on costs and expenses. If so, you would generate a cash surplus for your business by using the scheme.

However, this outcome is not something that HMRC would encourage, and they have introduced checks and balances to minimise this outcome.

If your present level of turnover qualifies you for the Flat Rate Scheme, please take advice before making an application to join. Otherwise, you may be jumping from the frying pan into the fire.

Tax on goods sent from abroad

You will be contacted by Royal Mail, Parcelforce or the courier companies if you need to pay any VAT, duty or delivery charges (‘handling fees’) to receive your goods.

They will send you a bill stating exactly which fees you need to pay.

They will normally hold your parcel for about 3 weeks. If you have not paid the bill by then, your parcel will be returned to the sender.

You will not have to pay anything to the delivery company to receive goods worth less than £135 unless they are gifts over £39 or excise goods (for example, alcohol and tobacco).

VAT

VAT is charged on all goods (except for gifts worth £39 or less) sent from:

- outside the UK to Great Britain
- outside the UK and the EU to Northern Ireland

VAT is not charged on goods that are gifts worth £39 or less.

You will pay VAT when you buy the goods or to the delivery company before you receive them. If you have to pay VAT to the delivery company, it’s charged on the

total package value, including:

- the value of the goods
- postage, packaging and insurance
- any duty you owe

VAT is charged at the VAT rate that applies to your goods.

Goods worth £135 or less in total

If you bought the goods yourself and they are not excise goods, the seller will have included VAT in the total you paid.

You will need to pay VAT to the delivery company if the goods are:

- gifts sent to you by someone else and worth more than £39
- excise goods

Goods worth more than £135 in total

You will have to pay VAT to the delivery company either before the goods are delivered or when you collect them.

Customs Duty

You will be charged Customs Duty on all goods sent from outside the UK (or the UK and the EU if you’re in Northern Ireland) if they are either:

- excise goods or
- worth more than £135

If you are charged Customs Duty, you will need to pay it on both:

- the price paid for the goods and
- postage, packaging and insurance.

PERSONAL

Buying and selling your home

Buying or selling a home normally takes two to three months, but of course the process can take longer if you are part of a chain of buyers and sellers.

There are several steps you will need to follow and will include:

- sellers must provide an Energy

Performance Certificate for the property;

- if a seller is using an estate agent, potential buyers must make any offers through the agent;
- once a buyer's offer has been accepted, the seller's responsible for drawing up a legal contract to transfer ownership;
- an offer is not legally binding until contracts are exchanged; and
- depending on the amount given for property, the buyer may have to pay stamp duty.

This check list relates to England and Wales.

Shelter has advice about buying and selling a home in Scotland.

Review income prospects for 2023-24

There are three trigger points you may want to consider if you are keen to keep your tax payments to a minimum for the current tax year. And they all concern the gross amount of your income, from all sources, and before any deduction for allowances and reliefs.

They are:

1. **£50,000 –** when your income exceeds £50,000 any child benefit payments you may have received will be become repayable. The tax charge is called the High Income Child Benefit Charge (HICBC). The charge is progressive. For every £100 your income exceeds £50,000 you will need to repay 1% of child benefits received.
2. **£50,270 –** when your income exceeds this amount (and if you can claim the £12,570 personal allowance) your income in excess of £50,270 will be taxed at the 40% Income Tax rate. And if your income includes significant dividend income, the excess dividends will be taxed at 33.75% not 8.75%.
3. **£100,000 –** when your income exceeds this amount, for every £2 of income in excess of £100,000, your personal tax allowance of £12,570 will be reduced by £1. Which means once your income reaches £125,140 you will no longer qualify for a personal tax allowance. And consequently, your effective rate of tax when your income is between £100,000 and £125,140 is 60% (40% higher rate Income Tax rate plus the effective loss of your personal allowance).

If you are interested in looking at ways to avoid these and other trigger points for 2023-24, please get in touch so that we can help you consider your options.

NIC & PENSIONS

National Insurance changes 2024

In the Spring Budget, the Chancellor announced some further significant changes to National Insurance contributions (NIC) rates for employees and the self-employed.

- In January 2024, the main rate of Class 1 NI paid by employees dropped from 12% to 10%. There will be a further 2% cut in this rate from 6 April 2024. This will see Class 1 NICs reduced from 10% to 8%.
- And for the self-employed, Class 4 NI will decrease from 9% to 6% starting in April 2024. This 3% drop in the rate is made up of a 1% drop announced in the Autumn Statement last year and a further 2% drop announced by the Chancellor in the recent Spring Budget.

These changes will reduce the NIC charges paid by employed persons and the self-employed, it will not reduce NIC paid by employers.

Can't find your pension provider?

If you have lost the contact details for a pension you have paid into or that someone else cannot trace and you have their permission to search for details, there is an online help and search facility on the gov.uk website. The url is:

https://www.findpensioncontacts.service.gov.uk/

Likewise, if you live abroad and need to contact the International Pension Centre, you can do this by completing the online contact form at https://secure.dwp.gov.uk/ipc/personal-details.

Check your National Insurance record

You can check your National Insurance record online to see:

- what you have paid, up to the start of the current tax year (6 April 2023);
- any National Insurance credits you have received;
- if gaps in contributions or credits mean some years do not count towards your State Pension (they are not 'qualifying years'); and
- if you can pay voluntary contributions to fill any gaps and how much this will cost.

Your online record does not cover how much State Pension you are likely to receive.

PAYROLL

Automatic enrolment

New employers should note that Under the Pensions Act 2008, every employer in the UK must place certain staff into a workplace pension scheme and contribute towards it. This is called 'automatic enrolment'. If you employ at least one person you are an employer and you have certain legal duties.

What you need to do next will depend on whether you are about to start your automatic enrolment duties or whether you are coming back for re-enrolment.

To find out more about the processes involved go to The Pensions Regulator website.

FINANCIAL CALENDAR

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 2024 for year ending 31 December 2023.

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.

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.

December 2024

30 Last day to submit 2023/24 tax return online to have unpaid tax of up to £17,000 collected through the 2025/26 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 2025

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

31 Submit 2023/24 Self Assessment return online. Pay balance of 2023/24 Income Tax and CGT plus first payment on account for 2024/25.

February 2025

2 Submit employer forms P46 (car) for quarter to 5 January 2025.

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