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Keeping you informed

Newsletter
Summer 2024

INTRODUCTION

The general election date is 4 July 2024, and the results are not yet available as this newsletter went to press.

If there is a change in government and the Labour party is in office, it is likely the new brooms will want to progress their fiscal plans and so we should expect a budget fairly quickly after the election.

If the present government is returned there will probably be an autumn statement and we can expect no dramatic changes.

Meantime, there are a round-robin selection of topics for you to consider in this summer 2024 edition. And as always, if you need more information on any of the topics discussed, please call for more information.

BUSINESS

What is a worker

A person is generally classed as a 'worker' if:

- they have a contract or other arrangement to do work or services personally for a reward (a contract can be written or unwritten);
- their reward is for money or a benefit in kind, for example the promise of a contract or future work;
- they only have a limited right to send someone else to do the work (subcontract);
- their employer has to have work for them to do as long as the contract or arrangement lasts; and
- they are not doing the work as part of their own limited company in an arrangement where the 'employer' is actually a customer or client.

Employment rights

Workers are entitled to certain employment rights, including:

- getting the National Minimum Wage;
- protection against unlawful deductions from wages;

- the statutory minimum level of paid holiday;
- the statutory minimum length of rest breaks;
- to work no more than 48 hours on average per week or to opt out of this right if they choose;
- protection against unlawful discrimination;
- protection for 'whistleblowers' who report wrongdoing in the workplace; and
- not to be treated less favourably if they work part-time.

They may also be entitled to:

- Statutory Sick Pay
- Statutory Maternity Pay
- Statutory Paternity Pay
- Statutory Adoption Pay
- Shared Parental Pay

Agency workers have specific rights from the first day at work.

Workers are not usually entitled to:

- minimum notice periods if their employment is ending, for example if an employer is dismissing them;
- protection against unfair dismissal;
- the right to request flexible working;
- time off for emergencies; or
- Statutory Redundancy Pay.

Casual or irregular work

Someone is likely to be a worker if most of these apply:

- they occasionally do work for a specific business;
- the business does not have to offer them work and they do not have to accept it - they only work when they want to;
- their contract with the business uses terms like 'casual', 'freelance', 'zero hours', 'as required' or something similar;
- they had to agree with the business's terms and conditions to get work - either verbally or in writing;
- they are under the supervision or control of a manager or director;
- they cannot send someone else to do their work;
- the business deducts tax and National Insurance contributions from their wages; or
- the business provides materials, tools or equipment they need to do the work.

Business Assets Disposal Relief

Business Assets Disposal Relief (BADR), known as Entrepreneurs' Relief before 6 April 2020, means you may be charged the reduced rate of 10% Capital Gains Tax when you sell any qualifying business assets.

To qualify for relief, both of the following must apply for at least two years up to the date you sell your business:

- you are a sole trader or business partner; or
- you have owned the business for at least 2 years.

The same conditions apply if you are closing your business instead. You must also if you're selling shares or securities.

To qualify, both of the following must apply for at least 2 years up to the date you sell your shares:

- you are an employee or office holder of the company (or one in the same group); and
- the company's main activities are in trading (rather than non-trading activities like investment) - or it's the holding company of a trading group.

There are also other rules depending on whether or not the shares are from an Enterprise Management Incentive (EMI).

If the shares are from an EMI you must have both bought the shares after 5 April 2013 or been given the option to buy them at least 2 years before selling them.

If the shares are not from an EMI for at least 2 years before you sell your shares, the business must be a ‘personal company’. This means that you have at least 5% of both the shares and voting rights.

You must also be entitled to at least 5% of either profits that are available for distribution and assets on winding up the company or disposal proceeds if the company is sold.

If the number of shares you hold falls below 5% because the company has issued more shares, you may still be able to claim Business Asset Disposal Relief.

You need to choose or ‘elect’ to be treated as if you had sold and re-bought your shares immediately before the new shares were issued. This will create a gain on which you can claim Business Asset Disposal Relief.

You can also choose or ‘elect’ to postpone paying tax on that gain until you come to sell your shares.

BADR is still a significant relief. If you are considering the sale of your business, please call if you need advice to see if you can claim this generous relief.

What’s in a name?

Companies House are flexing their new regulatory powers and in particular are now able to challenge registration of company names.

In a recent post they confirmed that these new measures will build on existing controls on company names. Names cannot be the same as or too similar to an existing name, and certain terms are restricted, such as terms implying a connection to the UK government or using a sensitive word or expression.

Under the Economic Crime and Corporate Transparency Act, Companies House can also reject an application to register a name where they have reason to believe:

- the name is intended to facilitate fraud;

- the name is comprised of or contains a computer code; or
- the name is likely to give the false impression the company is connected to a foreign government or an international organisation whose members include two or more countries or territories (or their governments).

The Registrar can also direct companies to change their name in more circumstances, for example, where the name has been used, or is intended to be used, by the company to facilitate fraudulent activity.

If a company fails to change its name within 28 days, Companies House can now determine a new name for the company, for example, changing the company name to its registered company number.

The Registrar also has the power to suppress a name from the register while a company responds to a direction to change its name.

Failure to comply is an offence

If a company does not respond to a direction to change their company name within 28 days, an offence is committed.

It’s also an offence to continue using a company name which Companies House have directed to change.

Company Names Tribunal

The Company Names Tribunal continues to be responsible for considering objections to the use of a name which is:

- the same as an existing name in which another person has goodwill; or
- sufficiently similar to that name that it is likely to mislead.

Tips – a new code of practice

The government’s Tipping Act is a step closer to coming into force, as the Code of Practice is published and laid before Parliament. The new Code of Practice will protect the tips of more than 2 million workers giving them a fair share of the tips received by a company.

Millions of UK workers are set to take home an estimated £200 million more of their hard-earned cash, as landmark legislation on tipping took a step towards coming into force.

The government introduced the Code of Practice on the fair and transparent distribution of tips that will have legal effect under the Employment (Allocation of Tips) Act 2023.

The updated Code of Practice will be statutory and have legal effect, meaning it can be introduced as evidence in an employment tribunal.

The Act and secondary legislation make it unlawful for businesses to hold back service charges from their employees, ensuring staff receive all of the tips they have earned.

The measures are expected to come into force on 1st October 2024, once approved by Parliament.

Many hospitality workers rely on tips to top up their pay and are often left powerless if businesses do not pass on service charges from customers to their staff.

This overhaul of tipping practices is set to benefit more than 2 million UK workers across the hospitality, leisure and services sectors helping to ease cost of living pressures and give them peace of mind that they will keep their hard-earned money.

Free courses for SMEs

The government has launched the new Help to Grow: Management Essentials course; a short online course with practical tips and resources for small business leaders.

It is based on the 12-week Help to Grow: Management Course and is suited for leaders of newer or smaller SMEs, or those who are looking to explore the principles of business growth and management before taking the next step and enrolling in the full course.

The government sees small businesses as a vital part of local economies across the UK and supporting them is crucial to delivering on the need to grow the economy.

2024 is nominated as the year of the SME and the government has pledged it will continue to support and engage small businesses, reaffirming their role as the engines of our economy. The recent launch builds on a raft of measures designed to help them meet their full potential.

Essentials is the latest addition to the extensive package of SME support announced by Government as part of the 'Help to Grow' campaign: a one-stop shop for SMEs. The Help to Grow site makes it quicker and easier for business owners to find the resources they need for every step of their growth journey from across government.

PERSONAL

Gifts to a spouse

If you are married or in a civil partnership – in this article any reference to a spouse includes a civil partner - in most cases no Capital Gains Tax (CGT) will be payable if you make a gift of an asset to your spouse or civil partner.

The CGT rules that apply during separation and divorce changed for disposals that occur on or after 6 April 2023. These changes extended the period for separating spouses and civil partners to make no gain/no loss transfers by up to three years when they cease to live together. The changes also provide for an unlimited time if the assets are the subject of a formal divorce agreement. Prior to

this change, the no gain/no loss treatment was only available in relation to disposals in the remainder of the tax year during which the separation occurred.

CGT may also be payable if you give an asset to your spouse, and they use the assets in their business to sell on to customers.

If your spouse subsequently sells the gifted asset they may have to pay CGT. Any gain will be calculated based on the disposal proceeds less the cost of the asset when first acquired by you. If you acquired the asset before April 1982, you should work out the gain using the market value of the gifted asset on 31 March 1982.

Regarding this final point, make sure that you give your spouse a note of this cost or valuation when you make the gift.

Students tap the app

With many A level students planning their next steps in life, those starting university in September can 'tap the app' to get National Insurance and tax information they need to complete their student finance applications, HM Revenue and Customs (HMRC) has said.

Anyone applying for a student loan for the 2024-25 academic year is encouraged to start their application now and to get the essential details they need, including their National Insurance (NI) number, quickly and easily via the HMRC app.

HMRC data shows that in the 12 months to March 2024, more than 112,000 customers called the National Insurance helpline asking for a lost or forgotten NI number of which nearly 50% were from young people aged between 16 and 20. It also shows May was the busiest month with more than 6,400 young people calling the helpline for their NI number, coinciding with students applying for their student loans.

HMRC has produced a video to encourage students to save time by downloading the free and easy to use HMRC app for instant access to the details they need.

File your tax return early

HMRC have reported that almost 300,000 Self-Assessment taxpayers filed their tax return in the first week of the new tax year, almost 10 months ahead of the January 2025 deadline.

Individuals can file their Self-Assessment returns for the 2023-24 tax year between 6 April 2024 and 31 January 2025.

Almost 70,000 people filed their return on the opening day of this tax year (6 April 2024) and HMRC is encouraging people to file early and not to leave it until January 2025.

By filing tax returns early, you can make sure the information is accurate and avoid the stress of last-minute filing.

It can also help with budgeting and spreading the cost of a tax bill. For example, if you have a balancing payment that will need to be paid 31 January 2025, you will have longer to save. If you delay completing your return until January 2025, you may have to dig deep to find the funds to pay HMRC in a matter of days rather than months.

Refunds of overpaid tax will also be paid as soon as the return has been processed.

Tax when you sell your home

In most cases, you do not pay Capital Gains Tax (CGT) when you sell (or 'dispose of') your home if all of the following apply:

- you have one home and you have lived in it as your main home for all the time you have owned it;

- you have not let part of it out - this does not include having a lodger;
- you have not used a part of your home exclusively for business purposes (using a room as a temporary or occasional office does not count as exclusive business use);
- the grounds, including all buildings, are less than 5,000 square metres (just over an acre) in total; or
- you did not buy it just to make a gain.

If all these apply you will automatically get a tax relief called Private Residence Relief and will have no tax to pay. If any of them do apply, you may have some tax to pay.

If you are considering the sale of your home and any of the above points are likely to trigger a CGT charge, please call so we can advise you of any liability that may arise.

Tax on inheritance

You do not usually owe any tax on an inheritance at the time you inherit it.

The personal representative (an executor or administrator) for the estate usually pays any Inheritance Tax due before giving you the inheritance.

HM Revenue and Customs will contact you if you have to pay any Inheritance Tax yourself. This may happen if:

- the person who died gave you a gift in the 7 years before they died;
- your inheritance is placed into a trust and the trust does not or cannot pay; or
- the personal representative could not or did not pay before you received your inheritance.

After you inherit, you may have to pay:

- Income Tax on any profit you earn from an inheritance (for example, dividends on shares or rental income from a property); and/or
- Capital Gains Tax when you sell anything you inherited.

Selling personal possessions

In most cases if you sell personal possessions there will be no tax to pay. However, HMRC will seek to charge Capital Gains Tax (CGT) if you make a profit or gain when you sell a personal item for £6,000 or more.

Possessions you may need to pay tax on include:

- Jewellery
- Paintings
- Antiques
- Coins and stamps
- Sets of things, e.g., matching vases or chessmen.

You will need to work out your gain (the difference between what you sold the item for and its original cost) to find out whether you need to pay any tax.

You do not usually need to pay tax on gifts to your husband, wife, civil partner or a charity. And also, you do not pay CGT on:

- your car - unless you have used it for business; or
- anything with a limited lifespan, e.g., clocks - unless used for business.

PAYROLL

Do you need to set up a payroll

PAYE is shorthand for Pay As You Earn. It refers to the need to register and deduct National Insurance and Income Tax from the wages and salaries you pay to directors and staff and pay these deductions to HMRC on a periodic basis.

You must register for PAYE if any of the following applies to an employee in the current tax year (since 6 April, they):

- Are paid £123 or more a week.
- Are in receipt of expenses and company benefits.
- Are getting a pension.
- Have had another job.
- Have received Jobseeker's Allowance, Employment and Support Allowance or Incapacity Benefit.

If you do not need to register, you will still need to keep payroll records.

The best way to organise your payroll is to use HMRC's or other payroll software.

We can advise on a suitable payroll software to use and manage the periodic processing for you. Please call if you are paying staff or directors for the first time and presently do not have a formal PAYE registration with HMRC.

Keeping payroll records

You must collect and keep records of:

- what you pay your employees and the deductions you make;
- reports you make to HM Revenue and Customs (HMRC);
- payments you make to HMRC;
- employee leave and sickness absences;
- tax code notices;
- taxable expenses or benefits; and
- Payroll Giving Scheme documents, including the agency contract and employee authorisation forms.

Your records must show you have reported accurately, and you need to keep them for three years from the end of the tax year they relate to.

HMRC may check your records to make sure you are paying the right amount of tax.

There are different rules for keeping records to prove you have paid the correct minimum wage.

If you do not keep full records, HMRC may estimate what you have to pay and charge you a penalty of up to £3,000.

And if you would rather not have the hassle of managing this process yourself, we can do it for you. Please call for more information.

VAT & DUTIES

Tax on goods sent from abroad

You will be contacted by Royal Mail, Parcelforce or the courier company 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, and 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're gifts over £39 or excise goods (for example, alcohol and tobacco).

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

- outside the UK to Great Britain; or
- 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, or
- excise goods.

If goods are 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 are in Northern Ireland) if they are either:

- excise goods
- worth more than £135

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

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

Cash flow and VAT

If you are registered for VAT and have not elected to use one of the VAT special schemes, you will need to pay HMRC the difference between the VAT you have added to your sales invoices and deduct VAT added to invoices from your suppliers and included in business expenses.

If you sell a significant proportion of your products or services by offering your customers time to pay you may be paying VAT to HMRC which is still outstanding for payment from your customers.

In this way your cash flow will be reduced.

A simple way to counteract this cash flow disadvantage is to use the VAT Cash Accounting Scheme (CAS). If you did, you would then pay VAT based on the payments you received from customers and payments made for purchases and expenses.

Bookkeeping software will accommodate the switch to CAS, but it is important to crunch the numbers to ensure CAS creates a cash flow advantage for you. Please call if you would like to consider this option for your business VAT registration.

NIC & PENSIONS

Boost your State Pension

The government is making it easier for taxpayers to check for and fill any gaps in their National Insurance (NI) record to help increase their State Pension by launching a new digital service.

The new digital service is called Check your State Pension forecast – and is a joint service by HM Revenue and Customs (HMRC) and the Department for Work and Pensions (DWP). It has been enhanced to include a fully end-to-end digital solution.

The service will show taxpayers by how much their State Pension could increase and details of the voluntary NI contributions they would need to pay to achieve this. It allows most people under State Pension age to view gaps in their NI record and pay voluntary contributions to fill those gaps.

Anyone with NI gaps in some of their tax years - that could increase their State Pension if filled - can use the new digital service to choose which years they would like to top-up. They can then pay securely through the service and will receive confirmation that their payment has been received and that their NI record will be updated.

Individuals can access the *Check your State Pension forecast* via GOV.UK or via the HMRC app.

Those who are eligible have until 5 April 2025 to pay voluntary contributions to make up gaps in their NI record between 6 April 2006 and 5 April 2018. From 6 April 2025, people will only be able to pay voluntary contributions for the previous 6 tax years, in line with normal time limits.

FINANCIAL CALENDAR

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.

March 2025

31 Last minute planning for 2024/25 tax year. Make sure to use any CGT and IHT annual allowances and exemptions.

April 2025

5 Last day of tax year (6 April 2025, first day of new tax year).

14 Due date for CT61 return and CT payment for quarter to 31 March 2025.

May 2025

3 Submit employer forms P46 (car) for quarter to 5 April 2025.

31 Last day to issue 2024/25 P60s to employees.

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.

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