MNA News Wire

MARSLAND NASH ASSOCIATES

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Welcome to our Autumn Newsletter. In addition to our usual selection of informative articles we also have a guest article from Sean Mercer, Partner at Scott Richards Solicitors about the importance of Will making. A very informative read... click on the link in the Contents section to the left.

BEWARE 'SCAM' LETTERS CLAIMING TO BE FROM HMRC

We have become aware of scam letters and emails purporting to be from HMRC being sent to taxpayers. These letters request important personal information which would be needed by fraudsters to access your data. If you have doubts about whether a communication from HMRC is genuine, please contact us and we will check its authenticity .

"NUDGE" LETTERS BEING SENT BY HMRC TO TAXPAYERS

HMRC have recently increased their use of "one to many" or "nudge" letters to taxpayers which suggest that there may be errors or omissions in tax returns or accounts information. HMRC argue that these letters are a key tool in their compliance strategy but this is essentially a "fishing" expedition more akin to direct mailing and this may alarm many taxpayers who are completely innocent. Please get in touch with us if you receive such a letter and we can deal with the matter on your behalf.

Get in touch with us if you have received a letter from HMRC, Companies House or a 'Nudge' letter

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Pension Spotlight

Many over 55's can withdraw 25% of their pension fund tax-free

Under current pension rules, many pension funds allow pension scheme members to withdraw up to 25% of their pension savings tax-free. Finance Act 2023 limited the tax-free amount to £268,275 unless the individual had applied for protection at a higher amount. There are rumours that the tax-free amount may be further limited in the budget, with an amount of £100,000 suggested, and this has resulted in significant withdrawals from pension funds in recent weeks. It should be noted that there are anti-avoidance rules that limit the amount that can be reinvested in the pension fund within a 12 month period.

Pension lump sum "recycling" is countered by anti-avoidance rules where the lump sum withdrawn is more than £7,500 during a one year period and subsequent pension contributions are increased by more than 30% of the lump sum. A breach of this rule will mean that the lump sum is an unauthorised payment and will be taxed at 40%.

Check your state pension entitlement

The current State Pension is £11,502 and is due to rise to around £12,000 a year for 2025/26. At current annuity rates it would cost over £300,000 to receive an index-linked annuity starting at £12,000 a year, so it's important to maximise your entitlement.

In order to receive a full State Pension you need 35 qualifying years, but is it worth topping up voluntary Class 3 National Insurance contributions in respect of missing years? This is a financial decision but there is a short breakeven period. It is around 3 years for employees and even shorter for the self-employed who can pay Class 2 contributions for missing years. You can also get credit for missing years if you were not working because of bringing up children.

Employees need to make Class 3 contributions of £824.20 or £907.40 a year for extra years which yields £302.86 a year in additional annual state pension. Self-employed individuals can pay Class 2 contributions at the rate of £179.40 for each missing year to yield £302.86 per annum.

Normally you can only go back six years to make up missing contributions but there is currently an opportunity to fill up missing years going back to 2006/07 – note that the deadline for the extended carry back is 5 April 2025.

Companies House online services to move to GOV.UK One Login

Last week, Companies House confirmed that their online services will move to the GOV.UK One Login beginning from autumn 2024.

The GOV.UK One Login is becoming an increasingly important way of accessing government digital services. It means that you only need one account, one username, and one password to access a range of government services.

The Login is already used for a number of government services, including those related to being an apprenticeship provider, finding and applying for grants, and in Wales to manage fishing permits and catch returns.

Ultimately, the GOV.UK One Login will be used to access all GOV.UK services, which eventually would include tax services. Companies House services moving across will be a major step towards this goal.

The Find and update company information service will be the first to move across, with the Webfiling service being moved at a later date.

As part of the changes being made by the Economic Crime and Corporate Transparency Act, any person who sets up, runs, or controls a company in the UK will need to verify their identity.

The GOV.UK Login will be used when Companies House implement this requirement so that users can verify their identity directly.

Click on the following link for more information:

https://www.gov.uk/government/news/companies-house-to-join-govuk-one-login

If you need any help with your company secretarial requirements, please just get in touch, our team will be happy to help you!

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Important Changes at Companies House Effective March 2024 onwards

Significant changes at Companies House that came into effect in stages from March 4, 2024 - these changes, introduced under the Economic Crime and Corporate Transparency Act 2023, are designed to enhance the integrity and transparency of the UK's company register.

Here are the key points you need to be aware of:

- **Enhanced Data Verification**: Companies House now has greater authority to query information and request supporting evidence to ensure the accuracy of data on the register. This means you may be required to provide additional documentation to verify your company details.

- **Stricter Company Name Checks**: New measures have been introduced to enforce stronger checks on company names. This will prevent misleading or inappropriate names from being registered, so please ensure your company name complies with the new guidelines.

- **Registered Office Address Rules**: All companies must now provide an appropriate registered office address, which cannot be a PO Box. This ensures that official documents reach the intended recipients. Please review your registered office address to ensure compliance.

- **Lawful Purpose Statements**: Companies are required to confirm that their formation and future activities are lawful. This enhances the transparency of business operations and ensures that all activities are within legal boundaries.

- **Improved Data Sharing**: Companies House can now share data with other government departments and law enforcement agencies. This facilitates better cooperation in tackling economic crime and may involve sharing your company's information with relevant authorities.

- **New Criminal Offences and Penalties**: The reforms introduce new criminal offences and civil penalties to deter and punish fraudulent activities. It is crucial to ensure that all your company's activities and filings are accurate and lawful to avoid these penalties.

Accounts reform – changes announced will mean all companies will file accounts with a profit and loss statement. No start date has yet been set for this change.

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Government cracks down on late payments

What you need to know and how to protect your business now!

Late payments are a huge headache for small businesses across the UK, costing SMEs around £22,000 per year on average. In fact, it's estimated that they're responsible for about 50,000 business closures each year!

The government has just announced new measures to tackle the problem, but these won't come into play overnight, so what can you do in the meantime to protect your business?

What's changing?

The government has rolled out some new proposals to address late payment problems, particularly trying to tackle larger businesses taking advantage of smaller ones. Here's what's on the table:

New Fair Payment Code: The old Prompt Payment Code will be replaced with a new Fair Payment Code this autumn, setting clearer standards for businesses to meet. Businesses that show they pay their suppliers promptly can earn gold, silver, or bronze status, encouraging faster payments across the board.

More transparency about big company practices: New legislation will soon require large businesses to report their payment practices in their annual reports. This will shine a light on companies that drag their feet on paying small suppliers, holding them accountable to boards and investors.

Consultation on tougher laws: Consultation will be held on stronger laws to force big companies to pay small businesses on time. Enforcement of existing laws is also being ramped up, meaning companies that don't comply with reporting regulations could face criminal penalties, including unlimited fines.

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Government cracks down on late payments

This matters to small businesses

According to the Federation of Small Businesses (FSB), more than half of UK SMEs are affected by late payments every quarter, with many forced to take out expensive loans or dip into personal savings to cover cash flow gaps. This new government focus on the issue aims to level the playing field and remove a major barrier to SME growth.

Of course, it's hard to say exactly how effective the new measures will be, and it will take time for them to be fully implemented. So, what can you do to tackle late payments in your business today?

Practical steps to handle late payments right now:

While the government's efforts to fix the late payment culture are welcome, here are a few practical steps you can take immediately to protect your business:

⇒ **Be proactive with your payment terms:** Make sure your payment terms are crystal clear right from the start. Include these in your contracts and invoices, and consider tightening your payment deadlines if you've been giving clients too much leeway. For example, moving from 60 to 30-day terms can help speed things up.

⇒ **Chase payments early and regularly:** Don't wait until an invoice is overdue to follow up. Send polite reminders a week before the due date, and chase them promptly if payment is late. Many businesses find that consistent, friendly follow-ups can make a big difference in getting paid faster.

⇒ **Offer incentives for early payment:** Consider offering a small discount for clients who pay early. While this might reduce your profit slightly, it's often worth it to avoid the costs and stress of late payments.

⇒ **Use electronic invoicing and payment systems:** Research shows that electronic invoicing can reduce late payments by up to 20%. Switching to digital invoicing and payment systems can streamline the process, making it easier for your clients to pay on time and for you to track payments more efficiently.

⇒ **Consider factoring or invoice financing:** If late payments are seriously hurting your cash flow, you could look into invoice financing or factoring services. These allow you to borrow against your unpaid invoices, giving you the cash you need upfront. Just be aware that these services come at a cost, so weigh the pros and cons carefully.

⇒ **Build strong relationships with clients:** It's easy to overlook, but maintaining a strong relationship with your clients can sometimes help avoid late payments. Regular check-ins and open communication about the status of payments can prevent issues before they arise.

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Government cracks down on late payments

Looking ahead

Hopefully the new Fair Payment Code and the related legislation around reporting will put more pressure on big businesses to pay smaller ones on time. However, even if effective, these changes will take time to filter through.

In the meantime, taking a proactive approach to invoicing, payments, and customer relationships now will continue to help protect your business and reduce the impact of late payments.

If late payments are causing you major issues or you're unsure how to handle overdue invoices, get in touch with us for advice tailored to your business. We're here to help you stay on top of your finances and keep your business growing.

For more information click on the following link:

https://www.gov.uk/government/news/crack-down-on-late-payments-in-major-support-package-for-small-businesses

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BACK TO SCHOOL—SET UP A TAX FREE CHILDCARE ACCOUNT?

The Government's Tax-Free Childcare Accounts provide a 25% subsidy towards the cost of childcare. The account can be used to pay nursery fees, breakfast clubs, after school clubs and registered childminders.

The scheme operates by topping up savings of up to £8,000 per child by 25%, potentially an extra £2,000 a year from the Government to spend on qualifying childcare. The scheme generally applies to children under 12. In the case of disabled children, the age limit is 16 and the amount that can be saved is £16,000 a year, topped up by the Government by a further 25% to potentially £20,000.

Unlike childcare vouchers, still provided by some employers, tax free childcare accounts are available to both employees and the self-employed. To be eligible, the parent generally needs to be working and earning at least the National Minimum Wage or National Living Wage for at least 16 hours a week on average. However, parents are not eligible if either of the parents' adjusted net income is more than £100,000 a year.

Note that where an employer provides Childcare Vouchers then the parents are not allowed to set up a Tax-Free Childcare Account as well. Please contact us for advice on whether or not it would be beneficial to leave your employer's Childcare Voucher Scheme, noting in particular that the voucher scheme applies to children up to age 16, rather than age 12.

Plan 1 STUDENT LOAN INTEREST RATE TO CHANGE TO 6%

The Plan 1 student loan interest rate is to be reduced to 6% (from 6.25%) from 30 August. This rate change applies across the UK with the Department for Education (DfE), the Welsh Government and the Department for the Economy in Northern Ireland (DfE NI) all confirming the change.

The reduction follows the Bank of England Base Rate changing to 5% earlier in August.

Those running payrolls and payroll bureaus should notice a reduction in student loan deductions for relevant employees in their September payrolls. If not, you may need to confirm that your payroll software has correctly updated.

For further information click on the link below:

https://www.gov.uk/government/news/change-to-plan-1-student-loan-interest-rate-announcement

Christmas Bonuses & Parties

Bonuses

With yet another holiday season fast approaching you may be considering giving your employees a bonus for the hard work they have put in over the year. Whilst there is nothing wrong with giving your employees a cash bonus in their pay, it is not the most efficient way of doing things and, for employees on universal credit they could actually be worse off.

Instead, you may want to consider giving your employees a non cash voucher. A voucher of £50 is classed as a trivial benefit and therefore, providing it is not performance related, can be given tax free. You can do this numerous times over the course of the financial year so long as it is not pre-scheduled and is given at random times. For Christmas, there is nothing wrong with giving your employee 2 vouchers as long as these are given on separate occasions and are no more than £50 a time.

Parties

Staff Christmas parties are tax deductible by the employer, but subject to tax for the employees if they exceed the annual event limit of £150 per head, including food, drink and travel. Note this is per head and not per employee, so employees bringing partners would increase the overall limit. The £150 per head is an exemption and not an allowance so if the cost goes over £150 per head the whole cost becomes taxable on employees. An annual event could also be a summer party or similar, it is not limited to Christmas. Event must be open to all employees

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10 Reasons why you shouldn't delay making a Will

We are pleased to present a guest article by Sean Mercer, Partner at Scott Richards Solicitors about the importance of Will making. It is a task most of us don't want to think about, but we highly recommend reading this informative article.

1. Your estate will be dealt with the way you wish

If you live in England or Wales, you are free to write a Will that leaves your estate to whoever you wish. If you don't leave a Will, the intestacy rules will govern how your estate is distributed. For married couples it is a common misconception that a Will is not needed because assets will simply pass to each other on the first death. This is not necessarily the case when there are children. For an unmarried couple without children, the intestacy rules determine which other blood relatives are entitled to your estate. There is a risk that those people who benefit under the intestacy rules would not do so if it were your decision. The intestacy rules make no provision for unmarried couples.

2. You can choose your Executor(s)

By making a Will you are able to choose who has responsibility for dealing with the administration of your estate (the Executor(s)). Executors have immediate authority to deal with your affairs. If you are a sole Director of a company, it clearly has great value if someone is able to make business decisions from the outset. If you don't make a Will the intestacy rules will determine who is eligible to be appointed as the administrator of your estate, but it is necessary for a grant of representation to be issued by the probate registry before the administrator has any authority to deal with the estate, and this delayed acquisition of authority can cause problems.

3. There are tax planning advantages

With legal advice, Wills can be structured to take advantage of any tax planning opportunities or maximise your chances of inheritance tax reliefs being available, which will reduce your liability.

4. Your intentions will be fully documented

It is always helpful to document your intentions and the reasons behind them, so that if there is a dispute, there is a record of your thought process. Disputes relating to Wills typically give rise to significant legal fees for either party or, in some circumstances, the estate. Contemporaneous notes in a solicitor's Will file may well avoid any challenge to your Will being pursued, or being successful.

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10 Reasons why you shouldn't delay making a Will

5. You can set out your burial or cremation wishes

If you have specific preferences regarding your funeral, your wishes can be included in your Will. While funeral wishes are not legally binding, and your Executors have the ultimate authority, it is unusual for wishes to be disregarded. If a dispute arises, your wishes will be given significant weight.

6. To make provision for dependants and minors

By writing a Will, you are able to provide for people who are dependent on you or who are minors. For example, you may wish to put in place restrictions on the age at which a minor inherits. Under the intestacy rules, the age at which children receive their inheritance is 18, so by making a Will this age limit can be increased. It is also important to consider who would wish to have responsibility for your child if you were to pass away, or if both parents were to pass away, and appoint a guardian. Legal advice should be sought, as there are different laws governing parental responsibility, dependent on whether the child was born before or after December 1st, 2003.

7. For setting up a trust

You may wish to establish a trust in your Will. Trusts can be beneficial for tax planning reasons and also to retain control. For that reason, serious consideration should be given to who takes on the role as trustee. Trusts can be used to make provision for disabled children or vulnerable children and also in the case of second marriages, so as to provide lifetime security for the second spouse but ultimately protect the value of the estate for any children from the first marriage, should that be the intention.

8. To address worldwide assets

If you own assets outside of England and Wales, you should make a Will to ensure that globally your assets are dealt with as you would wish, as far as it is possible. Some countries have ruled of forced heirship, and you should take advice from a solicitor who is familiar with advising about the law that governs the country in question.

9. To make clear ownership of assets

When making a Will, you should give consideration to the assets that you own and which you are able to dispose of. There are different ways of holding a property in England and Wales, and this will determine whether an asset is within or outside of your estate, and if you require a Will to deal with that asset. Additionally, if you are a partner of a partnership and there is a partnership agreement, you may be unaware that this overrides your Will, so you need to consider them together to ensure that the Will is effective. It's important to understand how the assets of the partnership are owned and by who, so that ultimately, they are bequeathed to the intended recipient.

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10. To make cash legacies and bequests of sentimental items

If you wish to make token cash gifts or gifts of personal items that may have sentimental value to other family members or friends, these bequests can be included in your Will. Ultimately, making a Will puts you in control of who benefits from your estate, who has the authority to deal with your estate, and allows you to fully document your intentions and wishes.

Sean is a Solicitor and department head at Scott Richards solicitors and department head in their Private Client Team.

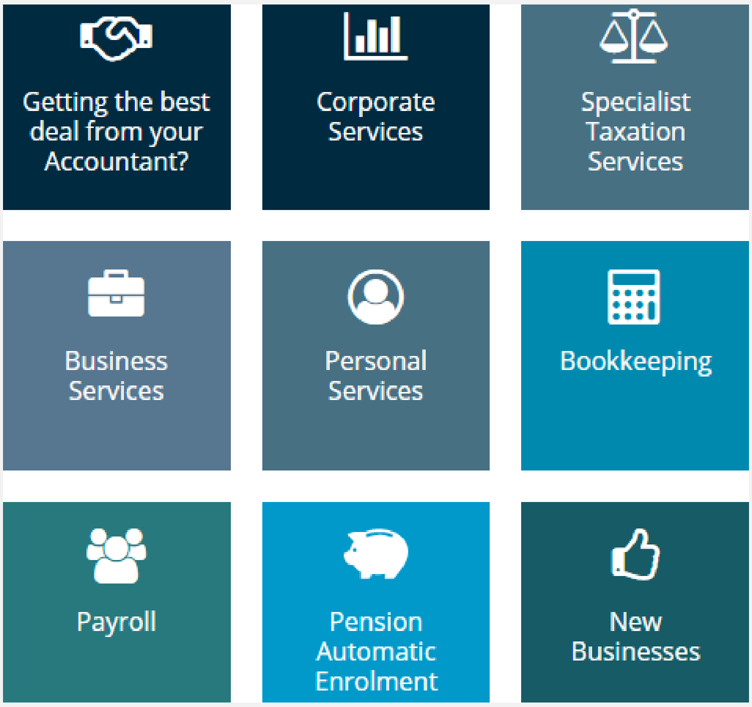
He specialises in private client work, in particular probate and estate administration, the preparation of Wills and mental capacity issues including matters relating to Lasting Powers of Attorney and Enduring Powers of Attorney together with a probate dispute angle. In particular, Sean advises on matters concerning testamentary capacity claims as well as advising clients on claims under the Inheritance (Provision for Family and Dependants) Act 1975.

Sean is currently working towards his Association of Contentious Trust and Probate Specialists (ACTAPS) qualification.

Sean became a Partner in the firm in June 2021.

If you wish to review or write a Will please give Sean Mercer a call on 01626 563151 or email him at sjm@scottrichards.co.uk

MNA WEBSITE



Remember we have a comprehensive website at https://www.marslandnash.com which contains full details of all of our services, as well as:

⇒ Latest accounts and tax news
⇒ Downloads section which includes all our newsletters
⇒ Filing deadlines pages
⇒ Current tax rates and information pages

Plus much more!

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PAYROLL WEBSITE

We have created a dedicated website at www.mnpay.co.uk
With our payroll clients in mind, so all your payroll resources are in one place

Visit our website or contact Joe Bostock who will be happy to assist you.

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