MNA News Wire

MARSLAND NASH ASSOCIATES

Autumn edition: Issue 50
Newsletter date: December 2023

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Autumn Statement & Investment Seminar

Marsland Nash were delighted to welcome a wide range of clients to their free seminar which was held at Buckland Athletic F.C. on 28th November.

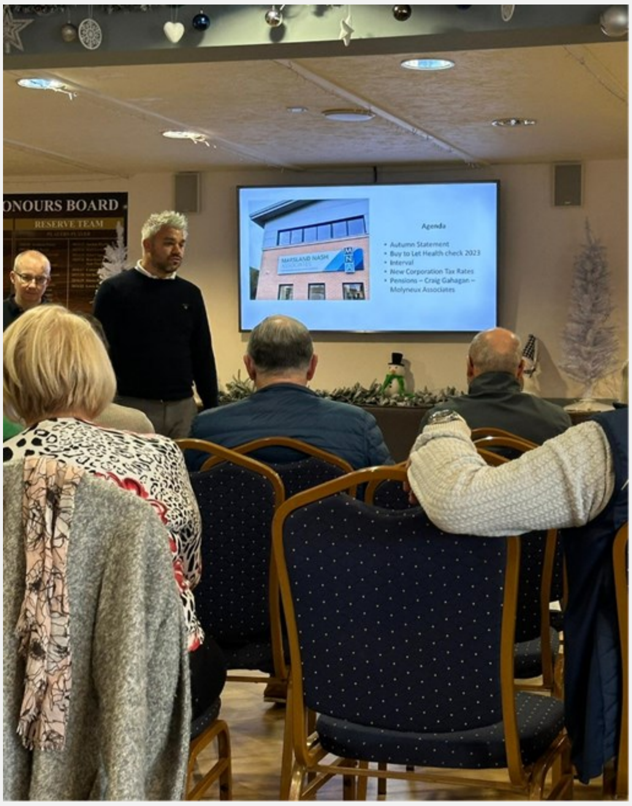
For those of you who were unable to make this, we are pleased to share two PowerPoint presentations which cover :

Buy to let Healthcheck

- Factors affecting landlords
- Effect of increased interest rates
- Options such as Airbnb, Incorporation, Selling
- Inheritance Tax

Corporation Tax 2023—New Rates and Profit Extraction and Tax Planning

The presentations can also be found on our website at: www.marslandnash.com/Downloads.



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TAX RETURN REMINDER

If you have **not** already given us your tax return information for the 2022/2023 (6th April 2022 to 5th April 2023) tax year, may we remind you that we will need this as soon as possible in order for us to meet the deadline for submission to HMRC on

31st January 2024

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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.

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CHILD BENEFIT MAY CREATE A TAX CHARGE FOR THOSE WITH HIGH INCOME

Parents and carers need to be aware that if either of the couple have 'adjusted net income' in excess of £50,000 then the one with the higher income will potentially be charged to tax on some or all of the child benefit and will need to request a self-assessment tax return to report the amount of child benefit received in the tax year. The High Income Child Benefit Charge (HICBC) was introduced in 2012/13 and imposes a 1% charge on the amount of child benefit received for every £100 that the taxpayer's adjusted net income exceeds £50,000. 'Adjusted net income' is an individual's total taxable income before any allowances, but after deducting Gift Aid, pension contributions, and trade union subscriptions.

Where the adjusted net income is £60,000 or more, then 100% of the child benefit is charged, effectively fully clawing back the child benefit. Note that the £50,000 threshold has not been increased since it was introduced in 2012 which means that more and more parents are being caught by the HICBC each year. It has recently been announced that in future years the government plans to deduct HICBC directly from salaries via PAYE.

It is possible to opt out of receiving Child Benefit payments where adjusted net income exceeds £60,000. Consequently, the HICBC would not apply and the child benefit would not need to be reported on the tax return. That may mean that a taxpayer who has their tax collected under PAYE would not be required to submit a self-assessment tax return. It is important to still fill in the Child Benefit claim form but state on the form that you do not want to get payments. That is important as the claimant would then receive National Insurance credits for that year, which count towards their State Pension entitlement.

One of the problems with the HICBC is that those taxpayers who pay their tax under PAYE are not normally required to file a self-assessment tax return. However, if they are parents and one of the couple is in receipt of child benefit then they are required to request a self-assessment tax return from HMRC to report the child benefit if their adjusted net income exceeds £50,000 a year. HMRC have started assessing taxpayers to HICBC where they have not reported their child benefit in earlier years. Several taxpayers have successfully challenged these assessments through the courts in a number of recent tax cases. Whether or not a successful appeal can be made will depend on the circumstances in each case.

ITS IMPORTANT TO HAVE UP TO DATE PROFIT FORECASTS FOR TAX

In order that we can help predict your taxable profits and tax liabilities we need up to date profit figures and projections. One of the advantages of keeping your business accounts in a computerised form, ideally on the Cloud, is that we can review your latest financial position and help you prepare more reliable profit forecasts to estimate your tax bills.

Unincorporated Businesses

Reliable profit forecasts are particularly important at the moment, with the changes to the taxation of sole traders and partnerships from 2024/25, and the complicated transitional rules that apply in 2023/24. The transitional rules may result in higher tax bills if your business does not have a 31 March or 5 April year end. If we have reliable profit forecasts for your business we can determine whether or not changing your business year end would be beneficial, and also determine the timing of that change.

Limited Companies

From 1 April 2023 the rate of corporation tax that a company pays depends on the level of the company's profits and the number of "associated companies". "Associated companies" are those under common control, which may include companies controlled by close relatives under certain circumstances.

Assuming a company has no "associated companies" then the 19% corporation tax rate continues to apply where profits are no more than £50,000 and the 25% corporation tax rate applies where profits exceed £250,000 a year. The £50,000 and £250,000 limits are divided by the number of "associated companies".

In between the limits there is marginal relief to achieve the transition between 19% and 25%. The marginal tax rate between £50,000 and £250,000 is 26.5% and thus tax planning can be particularly effective.

For example buying new equipment or paying additional pension contributions on behalf of the directors would potentially save 26.5% corporation tax. Timing of expenditure is critical here, as the expenses would need to be incurred before the year end. We would recommend a review at least 2 months before the company's year-end, with reliable profit forecasts available to allow time for pre-year-end planning.

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WHEN ARE COMPANIES ASSOCIATED?

"Associated companies" for corporation tax purposes are those under common control. The most obvious situation is where one of the companies has control of the other, or both of the companies are under the control of the same person or persons. In determining control, the rights and powers of an individual's associates, broadly close relatives, may be taken into consideration, but only where there is substantial commercial interdependence between the two companies. This could be financial, economic, or organisational interdependence and will depend on the facts of each case. An example would be where a brother and sister each have their own limited companies and there is a large loan or significant trading between them, such that one is dependent upon the other.

This is not a straightforward matter and we can of course advise you on whether or not it impacts your company.

INCOME TAX ON INHERITED PENSION FUNDS

Currently, where an individual pension holder dies before age 75, drawdown pensions paid to a successor can generally be received free from income tax. Where the pension holder dies over the age of 75, then the amounts drawn by the successor are taxed at their marginal income tax rate. Note also that the current tax rules provide that the value of the fund passes free of inheritance tax to the successor and thus forms an important part of estate planning.

Policy documents published in July 2023 include draft legislation to abolish the pension lifetime allowance and associated income tax charge. These were previously announced as part of Budget Day measures to lure workers aged over 50 back into work and are generally welcomed. However, the policy documents regarding changes to the taxation of pensions also included a suggestion that certain beneficiaries of pensions of members who died under age 75 may become subject to income tax as part of future tax changes, possibly from 2024/25. This would align with the tax position for beneficiaries of pensions where the member dies over age 75.

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CHARGING ELECTRIC CARS AT HOME

HMRC have recently clarified their view of the tax treatment of the reimbursement of electricity costs where employees charge their electric company cars at home. HMRC now accepts that reimbursing part of a domestic energy bill, which is used to charge a company car or van, is exempt from income tax. Their previous view was that such reimbursements were taxable.

Note that the exemption will only apply provided it can be demonstrated that the electricity was used to charge the company car or van, which may be difficult to determine in practice. Employers will need to make sure that any reimbursement made towards the cost of electricity relates solely to the charging of their company car or van.

It should be remembered that where the employee uses workplace charging facilities there is no taxable benefit.

It should be noted that HMRC have still not revised their view on reclaiming VAT in respect of business miles driven by an employee who has changed their car at home. Regardless of whether the vehicle is a company car or the employee's own, the employer cannot reclaim the VAT because the supply of electricity is made to the employee, not the employer.

ARE YOU DUE A NATIONAL INSURANCE REFUND ON CAR ALLOWANCES?

Recent Tribunal decisions in favour of employing companies and against HMRC has caused many organisations in similar circumstance to make protective claims for the recovery of National Insurance Contributions (NIC) in respect of car allowances paid to employees using their own cars or vans for business journeys.

Many employers have a policy of only reimbursing the fuel costs associated with those business journeys (for example at 15p per mile) rather than paying the maximum HMRC Approved Mileage Allowance Payments ('AMAP') rates (currently 45p/25p per mile) on a tax and NIC free basis. The employee can then make a claim for the difference between the 45p allowance and the amount received from the employer as a deduction from their employment income.

The recent Upper Tribunal decisions (which HMRC have confirmed they will not appeal) have held that the amounts paid by the employer in respect of business mileage are exempt from NIC and consequently employers should consider making a claim for repayment from HMRC.

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MANAGING KEY PERSON RISK

Managing key person risk should be an integral part of any well-rounded business strategy.

Key person risk entails the potential disruption and uncertainty that can arise when an essential team member, often possessing distinctive skills, knowledge, or influence, is suddenly incapacitated and unable to contribute to the functioning of the business.

Effectively managing key person risk necessitates a deliberate strategy that mitigates potential fallout. Primarily, businesses should prioritise the dissemination of knowledge across the team. By sharing crucial expertise and responsibilities across multiple personnel, the adverse impact of a key individual's absence can be substantially diminished.

Robust succession planning assumes a pivotal role in managing key person risk. Identifying and nurturing potential successors establishes a seamless transition in the event of unanticipated departures. This proactive approach ensures continuity and minimises the upheaval caused by the absence of a pivotal contributor.

Another prudent approach involves the diversification of responsibilities and decision-making. Excessive reliance on a solitary figure magnifies key person risk. Spreading authority and influence among the team serves to distribute the burden and safeguard against potential vulnerabilities.

In addition, there are various insurance solutions available to address key person risk. Key person insurance can extend financial support in scenarios where a vital team member is incapacitated or unable to contribute due to unforeseen circumstances.

Creating a business continuity plan can also help minimise the pain of losing a key person by addressing the main risk factors ahead of time. This can be a fairly complex process and usually includes hiring talented individuals who can step up into a key person's role in the future, if needed. Through the sharing of knowledge, recording of key data (such as process maps), meticulous succession planning and spreading work around the team, businesses can mitigate risk in the event of losing a key team member.

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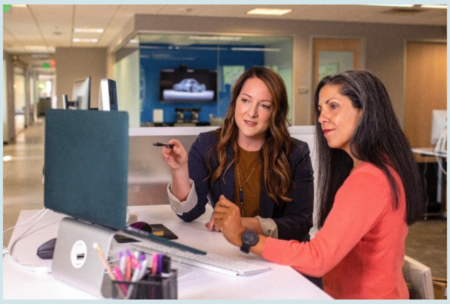
CHANGES TO UK COMPANY LAW

The Economic Crime and Corporate Transparency Act received royal assent on 26 October 2023 and will introduce a number of changes over the next few years.



The act gives Companies House the power to play a more significant role in tackling economic crime and supporting economic growth. Over time, the measures will lead to improved transparency and more accurate and trusted information on Companies House registers.

Under the Act, there will be new responsibilities for:

- all new and existing company directors;
- people with significant control of a company (PSCs); and anyone who files on behalf of a company.

The new legislation generally applies to all entities registered with Companies House, including:

- private limited companies;
- public limited companies (PLCs);
- limited liability partnerships (LLPs);
- limited partnerships (LPs);
- community interest companies (CICs); and overseas companies.

The legislation applies to companies and other entities registered in England and Wales, Scotland, and Northern Ireland and applies to anyone who files on behalf of clients, such as accountants and company formation agents.

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CHANGES TO UK COMPANY LAW

If you are planning on starting a new company or another entity type, you will need to consider the changes and new responsibilities introduced by the act. For existing directors and companies, it is important to understand how these changes will affect you.

Some of the changes include:

- Greater powers for Companies House to query information, stronger checks on company names, new rules for registered office addresses, and new lawful purpose statements;
- Identity verification - Anyone setting up, running, owning, or controlling a company in the UK will need to verify their identity;
- Transitioning towards filing accounts by software only, and changes to small company accounts filing options;
- Increasing Companies House fees to take new future expenditure into account, as well as making sure costs are recovered from existing expenditure;
- Protecting personal information - Individuals will be able to apply to suppress personal information from historical documents and apply to have personal information protected from public view because of risk of harm;
- Changes for limited partnerships – these will need to file their information through authorised agents, and they will need to file more information with Companies House; and
- More effective investigation and enforcement powers for Companies House, and new powers to share data with law enforcement agencies and other government departments.

See: Changes at a glance - Changes to UK company law Companies House changes

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Marsland Nash Associates

wish all our clients best wishes

for a Happy Christmas

& for health and happiness in the coming New Year!

Rather than send paper cards we have instead made a donation to Care Your Way who are rolling out their annual scheme......
Present for a Pensioner
providing a number of hampers to pensioners who are spending Christmas alone this year.

If you want to read more about this scheme please click on the following link:

https://careyourway.co.uk/expertise/present-for-a-pensioner/

Another year has passed us by, 2023 has not brought about any huge changes compared to the tail end of 2022; the cost of living is still high and public services appear to be breaking at the seams. We recently had the Autumn Statement which appeared to give something back to those that are employed and self-employed with changes to National Insurance, but with inflation still relatively high, those savings will surely be swallowed up in the months to come. 'Fiscal Drag' is the new phrase which we will all be concerned with as we head into next year, but hopefully we should now start to see a reduction in inflation and the cost of living, so dare I say it, all might be looking good as we head into 2024, only time will tell.

Whilst 2023 might seem to have been another year of uncertainty we are fast approaching Christmas and another New Year ahead of us, an opportunity for us all to spend some time with friends and family, to meet up and celebrate together.

From the team at Marsland Nash Associates, we wish everyone a very Merry Christmas and a happy New Year and we look forward to supporting you and your business in 2024 and beyond.

Steve Marsland

- *Please note, our last day is Friday 22nd December, 1.30pm close*
- *The office will re-open on Tuesday, 2nd January 2024*

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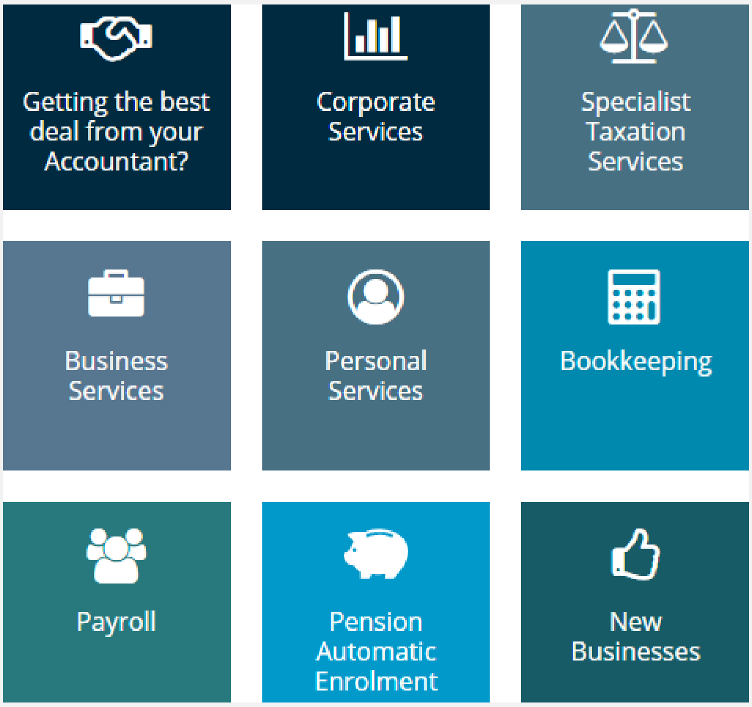
MNA WEBSITE



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.

Direct Line: 01803 698 928

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Marsland Nash Associates
Newton Abbot

Marsland Nash and Marsland Nash Payroll have now been in their new office for over a year now and we have already seen many of our clients at Vantage Point House in Newton Abbot and look forward to welcoming you all over the coming New Year.

The new office has parking right outside and is situated on the ground floor for ease of access.

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*we have 2 main reception numbers based at our Newton Abbot office

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