MNA News Wire

MARSLAND NASH ASSOCIATES

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Self-Assessment: Be alert to potential scams

Self-Assessment customers who are starting to think about their annual tax returns for the 2022 to 2023 tax year, should guard against being targeted by fraudsters, warns HMRC.

Fraudsters target customers when they know they are more likely to be in contact with HMRC, which is why Self-Assessment customers should be extra vigilant to this activity. There is a risk they could be taken in by scam texts, emails or calls either offering a refund or demanding unpaid tax, thinking that they are genuine HMRC communications referring to their Self-Assessment return.

Some customers who have not done a Self-Assessment return previously might be tricked into clicking on links in these emails or texts and revealing personal or financial information to criminals.

Criminals claiming to be from HMRC have targeted individuals by email, text and phone with their communications ranging from offering bogus tax rebates to threatening arrest for tax evasion. Contacts like these should sound alarm bells - HMRC would never call threatening arrest.

Anyone contacted by someone claiming to be from HMRC in a way that arouses suspicion is advised to take their time and check the scams advice from HMRC.

Customers can report any suspicious activity to HMRC. They can forward suspicious texts claiming to be from HMRC to 60599 and emails to phishing@hmrc.gov.uk. Any tax scam phone calls can be reported to HMRC using their online form.

If you are not sure what to do, call us!

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"Nudge" letters from HMRC about R&D claims

Following on from the alleged abuse of the Research and Development (R&D) tax relief schemes, particularly the SME tax credit scheme, HMRC have issued "nudge" letters to the directors of over 2,000 claimant companies asking them to check their claims. Here is an extract from the letter:-

"As Company Director, it's important you submit accurate claims for the correct amount of tax relief. If we check a claim and find it's incorrect, your company might be asked to pay back the full amount. This letter is not a compliance check into your Company Tax Return. It is to help you make sure your claims are complete and correct. "

What you need to do now

Please review your previous R&D claim using the checklist below to make sure all the information you have given is complete and correct.

1. *Have you read and understood the HMRC guidance on R&D?*
2. *Have you considered the conditions for making an R&D claim? Are you happy that the project is seeking an advance in the field of science and technology?*
3. *Do you understand what you're claiming for?*
4. *Who has helped with the supporting R&D report and are they qualified to do so?*
5. *Have you read the R&D report, and do you agree with its contents?*
6. *If you're working with a third party to make a claim, have they answered your questions satisfactorily?*
7. *Does this claim seem to be too good to be true?*

If you're unsure about the answers to these questions, you should contact HMRC….

".....In some circumstances we may need to open an enquiry into your claim. This could lead to a delay in us paying you any tax relief due. It could also mean that we have to reject your claim if we find it's incorrect and we could charge you a penalty. The best way to avoid delay, rejection of your claim, or penalties is to check your previous and future claims online now."

We encourage all R&D claimants to consider questions 1-7 above and to contact us if they have any queries.

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Managing inheritance tax

Like many other taxes, inheritance tax (or IHT) allowances have been frozen. This sounds generous of the chancellor at a time when the government is strapped for cash. But it actually means that we are paying more. Data from HMRC has revealed that Inheritance tax collected between April 2022 and February 2023 totalled £6.4bn, which is £900m higher than the same period last year.

The rise is actually due to the frozen tax-free allowance for inheritance tax (also known as the nil-rate band) – coupled with the rocketing rise of house prices. It's estimated 10,000 more families could end up paying IHT, while the Treasury could receive nearly £8 billion a year over the next few years.

How can you reduce your inheritance tax bill?

When you die, your estate is valued, and this value is subject to inheritance tax (IHT). Generally, any excess over the nil-rate band (currently £325,000) is chargeable to inheritance tax at 40%. But there are ways to reduce your inheritance tax bill.

1. Give it away

The easiest way to pass your wealth onto your loved ones without paying tax is simply to give it to them.

You can give up to £3,000 to loved ones each tax year without it becoming liable for IHT. If you didn't use the allowance last year, you can combine it and pass on £6,000.

Gifts of £5,000 to children for a wedding are also protected from IHT; grandchildren can have up to £2,500.

If you die within seven years of making a larger gift, IHT will be payable. There's a sliding scale.

- Die three to four years after giving, the IHT rate lowers to 32%.
- At six to seven years it falls to 8%.

There is another way to give. Donate at least 10% of your estate to charity and get a 4% discount on your IHT rate for the rest of your estate, lowering it from 40% to 36%.

2. Put it in a pension

Your pension, depending on the type of pension plan you hold, if it is kept invested could be used to pass on wealth as it is usually excluded from your estate for IHT purposes. Nominate beneficiaries for your pension should you pass away before you receive it, and IHT isn't normally payable.

Cont/…..Managing inheritance tax

3. Invest it (carefully)

Making the right kind of investments might help you avoid IHT. An individual savings account (ISA) can't help. ISAs are exempt from income tax and capital gains tax, but they form part of your estate for IHT.

There could be other solutions such as with Alternative Investment Market (AIM) holdings.

The companies listed on AIM tend to be smaller and more highly speculative in nature, in part due to AIM's relaxed regulations and listing requirements. However, Investing in AIM companies tends to be high risk investing and is not a route most people should consider. You should seek independent financial advice before considering investing in this market, remembering that, when investing, your capital is at risk and you could lose some or all of your investment.

4. Put it in trust

Setting up a trust to hold your assets could keep them out of your estate, and out of the taxman's reach – but the position has become more complicated in recent years, and it might not always be suitable. They may still have their uses. The trustee can control the assets, rather than them being passed onto the beneficiaries right away. This might help if your beneficiaries are not known for financial prudence or are young children. You should seek Independent financial/legal advice before establishing a trust.

5. Insure it

You can take out a whole of life insurance policy large enough to mitigate some or all of your IHT liability. You may need to regularly review the level of cover if your estate increases in value as the original sum assured may not cover the whole IHT liability. Alternatively, you may choose a plan where the cover increases with inflation. Whichever option is chosen, have it written in trust. Your beneficiaries won't struggle with a huge inheritance tax bill when you die, but while you are alive you will be paying monthly premiums.

6. Get some help

Expert advice can be vital to help work out the total value of an estate, calculate how much inheritance tax is likely to charged and understand what options are available to manage that tax bill.

Advice on writing up a will to be tax efficient is also essential.

Please talk to us about any tax related questions you may have and if you need a financial adviser see: [Choosing a financial adviser | MoneyHelper]

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Income Tax

Increasing liabilities

The personal allowance and basic rate band threshold are now frozen in place until 5 April 2028. As earnings increase, individuals will move into higher tax bands. This is often referred to as 'fiscal drag' because it will raise more tax without the government increasing income tax rates.

The personal allowance continues to be partially and then fully withdrawn for higher earners, with £1 of personal allowance lost for every £2 of adjusted net income over £100,000.

Summary table of key income tax rates and allowances for the tax year to 5 April 2024 (2023/24)

Band	**Taxable Income**	**Tax rate in 2023/24**		
		Other income	**Savings income**	**Dividend income**
Personal allowance	Up to £12,570	0%	0%	0%
Basic rate	£12,571 - £50,270	20%	20%	8.75%
Higher rate	£50,271 - £125,140	40%	40%	33.75%
Additional rate	Over £125,140	45%	45%	39.35%

Other allowances

Savings income continues to benefit from a personal savings allowance of £1,000 for basic rate taxpayers and £500 for higher rate taxpayers. Dividend income attracts a £1,000 dividend allowance in 2023/24, down from the £2,000 allowance seen in previous years. These allowances are in addition to the personal allowance and attract a 0% rate of income tax.

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2022/23 P11d Forms to be submitted online

The deadline for filing the P11d forms to report benefits in kind in respect of directors and employees for 2022/23 is **6 July 2023.** Note, however, that the original and amended reports must now be made online and paper returns will be rejected.

Forms P11D and P11D(b) returns must be submitted online through one of the following:

- PAYE Online for Employers
- PAYE Online for Agents
- payroll software that is recognised by HMRC

For employers or agents who need to submit up to 500 P11D and P11D(b) returns, the free HMRC PAYE online services can be used. For anything more, 3rd party software is required.

Remember that 'Trivial' benefits in kind provided to employees and directors do not need to be reported on form P11d. 'Trivial' benefits are those that:

cost the employer £50 or less to provide;
are not cash or a cash voucher;
are not a reward for work or performance; and
the employee is not contractually entitled to.

PAYE Settlement Agreements also online

Where benefits in kind are provided to employees that will usually result an income tax charge on the employee and a Class 1A national insurance (NI) charge on the employer. The rate to be used for 2022/23 is 14.53% because of the withdrawal of the 1.25% Health and Social Care levy part way through the year.

The income tax charge on the employee can be avoided by the employer entering into a PAYE settlement agreement (PSA) with HMRC, whereby the employer pays the income tax on the employee's behalf. Not all benefits provided may be dealt with this way. The benefits must be minor, irregular, or impracticable. Impracticable means that the expenses and benefits are difficult to place a value on or divide up between individual employees. An example would be the costs of a staff party where the £150 per head limit has been exceeded.

From 6 April 2023 there is a new online service available from HMRC for employers and their agents to apply for a PAYE settlement agreement (PSA). Employers and agents can also use the online service to amend or cancel an existing PSA. To support these changes, HMRC has updated its guidance on PSAs to include reference to the new online tools.

What can be included in the PSA depends on when you apply. If you applied for a PSA before the start of a tax year, you can include any expenses and benefits contained in the agreement. If you applied for a PSA part way through the tax year, you may need to report some items separately on form P11d. Employers must pay any tax and class 1B NIC owed under a PSA by 22 October after the tax year that the PSA applies to (19 October if paying by cheque).

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Pension Lifetime Allowance

The latest Finance Bill will legislate the announcement in the Spring Budget that the lifetime allowance (LTA) charge is abolished from 6 April 2023.

Individuals will continue to be able to receive 25% of their pension savings as a tax-free lump sum when they become entitled to their pension benefits. From 6 April 2023, for most individuals, the tax-free amount will be capped at £268,275.

The £268,275 limit represents 25% of the 2022/23 LTA of £1,073,100. The LTA has changed many times over the years and has been as high as £1.8 million. This is a complex area, but taxpayers have been able to elect to protect their LTA at the higher amount. HMRC have confirmed that individuals who hold valid LTA protection can access a tax-free lump sum of more than £268,275. The exact amount will depend on which protection they hold.

Those who made a successful enhanced protection or fixed protection application prior to 15 March 2023, can also re-commence contributing to their pension scheme from 6 April 2023 without losing their protection. They are also able to enroll into new workplace pension schemes and transfer money between pension schemes from 6 April 2023 without losing LTA protection.

Giving Shares to Employees

Where companies give shares to employees in the company or group that they work for they will generally be taxed on the difference between the market value of those shares and the amount paid, if any. The transaction also needs to be reported to HMRC by 7 July following the end of the tax year. HMRC provide a template to enable employers to report the transaction online:

See: [Other ERS schemes and arrangements: end of year return template, technical note and guidance notes - GOV.UK (www.gov.uk)]

Considerations around whether employers need to operate PAYE and whether national insurance contributions are payable depends upon whether the shares are 'readily convertible assets'. Broadly, this would be where there are trading arrangements in place to quickly sell the shares.

It is generally more tax efficient for the employee if the company awards them shares under a tax-advantaged share incentive scheme such as under the Enterprise Management Incentive (EMI) scheme or a Share Incentive Plan (SIP).

Contact us if you would like more information about these schemes.

Corporation Tax relief for Employee Share Acquisitions

Provided certain conditions are satisfied, the employing company will obtain a corporation tax deduction when employees acquire shares in the company or group that they work for, whether they acquire the shares directly or under a share option agreement. The amount of the deduction is the difference between the market value of the shares and the amount paid by the employee and will often mirror the amount taxed on the employee. This is a statutory deduction and will be available irrespective of whether there is a deduction for the transaction in the company's profit and loss account.

Awarding shares to employees is a complex area so please contact us before you consider such arrangements.

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Working Capital Finance Explained

Working capital finance solutions offer businesses the opportunity to improve cash flow. The world of commercial finance and asset-based lending (ABL) is complex and expansive with products, terminology, and contractual interpretation varying from lender-to-lender.

The benefits of arranging working capital are:

- Up to 90% of outstanding invoice value can be advanced within 24 hours;
- Flexible lending – funding increases in line with your growth (UK and Export);
- Confidentiality – lenders can offer a completely confidential service – your customers need not know you have a facility in place;
- Lenders allow you to manage your funding at all times;
- Sector-specific finance is often available;
- Structured ABL – funding for management buy-outs/management buy-ins; and
- Trade finance & supply chain finance solutions.

Specialists in this area can advise on:

- Invoice Finance - an effective way of quickly accessing a proportion of the value (up to 90%) of your invoices. Effectively a business 'sells' its invoices to the lender in return for accessing cash at the point products and services are sold. Specific sector-based offerings are available, as is the ability to arrange finance for selected invoices only;
- Structured ABL - generate a higher level of funding by unlocking the maximum value tied up in the combined assets within your business, including Debtors, Inventory, Plant & Machinery, and Property. Additional forms of funding can be structured in addition to this, such as top up loans to drive growth; and
- Trade Finance - supply chain finance with various options, enabling the purchasing of goods from overseas where you are otherwise unable to obtain credit from suppliers.

Typically, you will need to ensure your management accounts are up to date, you make available current detailed lists of debtors and creditors, and you might need up to date projections before an expert will consider your application.

Please talk to us about finance; we have many years of experience and success in advising business across a wide range of sectors in obtaining working capital finance solutions.

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Artificial Intelligence - Can it work for your business?

With the new wave of artificial intelligence (AI) technology, there's an opportunity to automate many routine or administrative tasks and improve the overall efficiency of your business.

One AI tool that has gained significant attention recently is ChatGPT.

Developed by OpenAI, ChatGPT is an advanced language model that can understand and generate human-like text. This technology has the potential to revolutionise the way businesses work, which is why we have created our list of FAQs to help you understand this new wave of technology.

What is ChatGPT?

ChatGPT is a natural language processing AI model that can understand and generate human-like text. It uses machine learning algorithms to analyse large amounts of data and provide insights and recommendations based on the patterns it detects and information it has been 'fed'. Before using the system, it is important that you familiarise yourself with it. The easiest way to access ChatGPT is to log into OpenAI's webpage.

How can businesses use ChatGPT?

One of the most popular uses is treating ChatGPT as a research assistant or intern within your business and training up the system to automate repetitive

tasks such as data entry, invoicing, and reporting, essentially freeing up your time for more complex and strategic work.

There is also the opportunity to improve efficiency and accuracy. For example, it can identify trends and flag potential risks.

AI can help you stay up to date with industry updates and trends by using sources such as news articles, reports, and social media. Depending on the version used and information provided, it can provide insights and recommendations based on the latest developments, enabling businesses to adapt quickly and stay ahead of the curve.

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ChatGPT could be integrated into your workflows so it can provide you with real-time updates, insights, and reports. By training ChatGPT on specific industry terminology and practices, it can better understand and generate accurate reports depending on the request or 'prompt' made.

Finally, it is worth noting that this is a language model, so we mustn't overlook that it can write or rewrite text such as emails, blogs, or content, all based on the tone of voice you wish to convey.

What is a 'prompt'?

A ChatGPT prompt is the piece of text you input/use to initiate a conversation or request a response from the system. For example, if you want ChatGPT to generate a production report, you might provide it with a prompt such as "please generate a production report for the first quarter of 2023." ChatGPT will then use its deep learning algorithms to examine the prompt and generate a response that is relevant and accurate based on the input provided.

The quality of the response will depend on the quality and written structure of the prompt and the training data used to develop the ChatGPT model. This is why it is important to ensure you are using the most effective prompts and it should be noted that this can take time to master.

How secure is Chat GPT?

Naturally, we need to ensure that any sensitive financial information shared with ChatGPT is kept confidential and not accessed by unauthorised parties. We therefore advise that no confidential data is shared with the platform unless you are using a secure communication channel. It's also essential to verify that the ChatGPT model you are using has appropriate safeguards in place to protect data confidentiality. Data integrity is also important. Businesses need to be confident that the information they receive from ChatGPT is accurate, reliable, and not tampered with.

We would always recommend verifying any critical information generated by the model before making any important decisions. It's important to note at this point that no version of the system has fully up to date information, therefore the latest legislation etc. will not be generated as part of any response unless the data is input by the user within the prompt.

What is next?

To get the most out of ChatGPT, it is necessary, from a team and system perspective, to invest time and resources in training and development.

With an estimated 2000 AI tools being created each week, there are several platforms and tools available to access ChatGPT, including 'OpenAI's API', 'GPT-3 Playground' and 'Hugging Face's Transformers'. Each platform has its unique features and capabilities, so it's worth exploring to find the one that best suits your needs.

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Are you buying or trading Crypto?

If you are thinking about buying cryptoassets ("crypto") you need to know the basics and understand the risks before jumping in. In addition, remember, if you decide to invest in crypto then you should be prepared to lose all the money you have invested.

The range and accessibility of crypto have grown rapidly in the last few years, accompanied by a surge in speculative trading – which means people trading just because they have heard it may rise in value, rather than seeing evidence to support a potential rise. A number of people invest simply for fun!

Crypto can be thought of as 'digital representations of value or rights' that are secured by encryption and typically use some type of 'distributed ledger technology' (DLT). DLT allows data to be recorded and stored across a network of participants. This keeps the data secure and means there is no one single central data storage point or one central authority that grants participants permission to access and participate in the network.

The way some cryptoassets are created and operated makes them very different from what some people would class as 'tangible' assets (meaning things that you can physically see and touch) like gold or cash. So called 'unbacked' crypto have no tangible assets that sit behind them. Their price can increase or decrease depending on whether other people are willing to buy them. If people stop buying, the price could fall dramatically.

Whereas central banks – like the Bank of England – issue and oversee the money we use daily (fiat currencies), cryptoassets are developed and run by groups, individuals, or companies. Publicly available information about some of these groups/individuals can be vague, and as crypto activity is not regulated yet in the UK, there is no safety net if things go wrong.

Currently, using crypto as a means of payment is very limited – they're accepted by certain IT and travel companies, for example, but you probably won't be doing your weekly shop or paying your 5-a-side football subs with crypto. The reason for this is that cryptoassets tend to be very volatile, so it's hard to pinpoint their value from one day to the next, which makes them unreliable as a payment method. However crypto that are are linked to fiat currency can be less volatile and more stable and have the potential to provide faster, cheaper and more efficient payments in the future. Some investors take the view that crypto could possibly one day be accepted in everyday transactions but this is some way off.

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Investing in crypto comes with all kinds of risks, some of which you might not even have thought of. For example, converting crypto to fiat currency can prove challenging and holders must keep a record of their digital keys. Capital gains tax can apply to exchanges and other disposals of crypto, even if fiat currency has not been realised. In 2022, crypto lender, Celsius, filed for bankruptcy and owed its users $4.7 billion, meaning many investors could not get their money out and did not get anything back.

Following the surge in people's interest in crypto over the last few years, scammers have been increasingly active in targeting potential investors. Remember - if something sounds too good to be true then it probably is. Find out how to protect yourself and others from investment scams on the ScamSmart site.

If you are trading in crypto be aware HMRC expects you to keep detailed and accurate records of your purchases and sales. In 2021 they published their internal Cryptoassets Manual which outlines how they measure any profit or loss on trading and details the records required.

You can see this here: Cryptoassets Manual - HMRC internal manual - GOV.UK (www.gov.uk). It has just been announced in Budget 2023 that new boxes will appear on the self-assessment tax return to prompt crypto disclosures next year.

Anyone trading in Crypto needs to be aware of their tax obligations and when transactions need to be included in their tax return. Please make sure you tell us about any transactions (even if fiat currency has not been received) so that we can assist and include the appropriate amounts in your self-assessment tax return, as required.

See: Crypto: The basics | FCA

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Marsland Nash Associates
Newton Abbot

Just a reminder Marsland Nash have now moved to their new Newton Abbot office and the Paignton office is now closed. 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 year.

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

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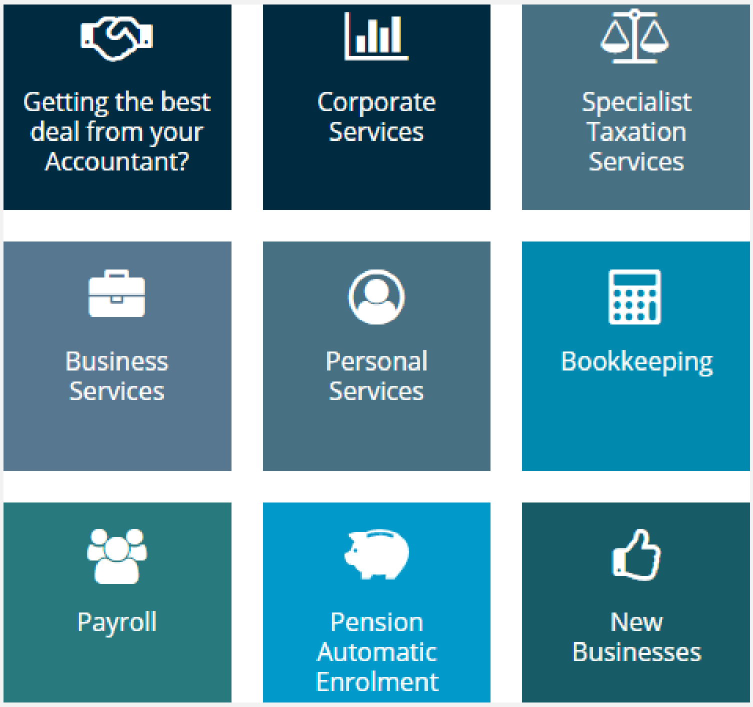
MNA WEBSITE



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!

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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