MNA News Wire

MARSLAND NASH ASSOCIATES

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NEW GOVERNMENT ONLINE VOLUNTARY NI PAYMENTS TOOL LAUNCHED

A new online service has been launched by the government allowing taxpayers to check for gaps in their national insurance record, the ability to make voluntary payments and receive confirmation their payment has been received.

The Check your state pension forecast tool from HMRC and the Department for Work and Pensions (DWP) has been developed making it easy for taxpayers to check their pension forecast and make voluntary payments.

Most taxpayers under state pension age can now view gaps in their national insurance (NI) record and pay voluntary contributions to fill these gaps. Taxpayers can also check how much their state pension could increase if they made voluntary national insurance contributions (NIC) and how much they would need to pay to achieve this. Taxpayers can choose which years they would like to pay to fill any gaps and pay securely through the service. An email confirmation that their payment has been received and that their NI record will be updated is provided.

The tool can be accessed via the Check your state pension forecast webpage on gov.uk or the HMRC app. Taxpayers can log in to the new service using their personal tax account login details. Those without an online HMRC account need to register on gov.uk.

Most taxpayers have access to this new service including those living abroad wishing to pay voluntary contributions for years they were resident in the UK. However, it is not currently available to those already receiving their state pension, the self-employed, or taxpayers currently living outside the UK with gaps incurred while working abroad. They will continue to manage their NICs as before.

CIS Subcontractors

New subcontractors in the construction industry should register online now:
https://www.gov.uk/what-you-must-do-as-a-cis-subcontractor/how-to-register

Please note the phone line which was the previous method for registration has closed.

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MANY COUPLES MAY NEED TO RESTART CHILD BENEFIT CLAIMS

The changes to the High Income Child Benefit Charge (HICBC) announced in the Spring Budget have now been incorporated into the latest Finance Bill and are scheduled to take effect from 6 April 2024. The increase in the threshold for the tax charge was good news, although many were lobbying for the charge to be removed completely. HICBC is intended to claw back child benefit where the higher earner in a relationship has adjusted income in excess of £60,000 (£50,000 up to 2023/24). The claw back rate will then be 1% for every £200 of net income in excess of £60,000 with full recovery of child benefit where net income is £80,000 or more.

Rather than pay the tax charge, many couples have chosen not to claim child benefit in recent years. It is estimated that some 180,000 couples eligible for child benefit will no longer be caught by the HICBC and should restart their claims from 6 April 2024. This can be done by using an online claim form.

Example

Fred and Wilma have 2 children for whom they are eligible for child benefit. Fred is the higher earner and his income was £68,000 in 2023/24, which is scheduled to increase to £70,000 in 2024/25. In 2023/24 the HICBC would have been 100% of the child benefit received. Their child benefit for 2024/25 is £25.60 for the first child, then £16.95 for each additional child = £42.55 x 52 = £2,212.60 p.a. Based on Fred's £70,000 net income there would be a 50% HICBC for 2024/25 of £1,106.30.

Planning

An individual's pension contributions and payments to charity under Gift Aid have the effect of reducing net income for the purposes of HICBC. Salary sacrifice arrangements agreed with the employer can also be effective in reducing net income for HICBC purposes.

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CHANGES TO FURNISHED HOLIDAY LETTINGS FROM 6 APRIL 2025

As announced in the Spring Budget, the beneficial tax treatment of furnished holiday lettings (FHLs) will be abolished from 6 April 2025, when the business will start being taxed in the same way as other residential property businesses.

Owners of properties that currently qualify as FHL might wish to consider increasing their expenditure on equipment such as furniture and televisions whilst the 100% annual investment allowance (AIA) continues to be available. The current capital gains tax reliefs, particularly business asset disposal relief (BADR) will also cease from 6 April 2025, so owners might consider selling their holiday letting property whilst the 10% CGT rate continues to apply to the disposal.

Note that where several FHL properties are owned they would all need to be disposed of before 6 April 2025 for BADR to apply. BADR would generally not apply where a single asset is disposed of out of a larger business.

Important note: Full guidance has not been issued as yet on this and therefore it may be subject to change or political changes. Please speak to us before making any decisions on these rules.

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HMRC PUBLISH MORE DETAILS OF MTD FOR INCOME TAX REPORTS

Making Tax Digital for income tax self-assessment is scheduled to commence in 2026/27 for sole traders and property landlords with gross income of £50,000 or more, and the threshold then reduces to £30,000 from 2027/28.

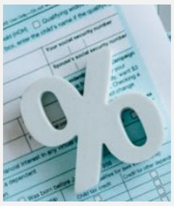
The government have now confirmed that the four quarterly returns that will need to be submitted will report cumulative income and expenses and that there will be no longer be an end of period statement. HMRC have published the detailed income and expenditure headings that need to be reported and have also confirmed that those businesses with turnover below the VAT registration threshold will be able to merely submit three line accounts, i.e. total sales, total expenses and profit or loss for the period.

There still remain a number of issues to be resolved before the new reporting obligation commences and we will work with you to ensure that your accounting system is compliant.

OFFICIAL RATE OF INTEREST FOR 2024/25 REMAINS AT 2.25%

HMRC have confirmed that the official rate of interest for employee and directors' beneficial loans remains at 2.25% for 2024/25, despite a Bank of England base interest rate of 5.25%.

This means that where the employer lends an employee more than £10,000, the taxable benefit would be the difference between 2.25% and the amount paid on the outstanding loan.



NEW R&D TAX RELIEF GUIDANCE AVAILABLE

For accounting periods beginning on or after 1 April 2024, a new merged scheme for research and development tax credit comes into force.

- The new merged scheme replaces the old RDEC and small and medium-sized enterprise (SME) schemes.
- The new scheme reduces the amount of benefit that would generally have been received under the old scheme.

Loss making R&D intensive SME companies can also benefit from additional support through Enhanced R&D Intensive Support (ERIS). Broadly speaking, if a company's R&D expenditure amounts to at least 30% of its total expenditure then it may qualify as R&D intensive.

HMRC has published guidance on how to claim, but if you need any help with an R&D claim or wonder if your business could make a claim, please contact us at any time and we would be happy to help you.

Guidance on the merged scheme and ERIS can be found here:
https://www.gov.uk/guidance/research-and-development-rd-tax-relief-the-merged-scheme-and-enhanced-rd-intensive-support

SHOULD YOU USE CASH ACCOUNTING?

Cash accounting was introduced as a measure to make it simpler for small businesses to prepare their accounts for tax purposes. It previously only applied to businesses with turnover up to £300,000 but, from 2024, will be the default method for sole traders and partnerships. It will not apply to partnerships with corporate members or limited liability partnerships.

Businesses affected will be able to opt out of cash accounting and prepare their accounts in accordance with Generally Accepted Accounting Practice (GAAP), which means making adjustments for accruals, prepayments and other differences. It will also be possible to subsequently opt back into cash accounting. There are transitional rules to ensure that income and expenses are not included twice or omitted.

Please contact us to discuss the impact that this change may have on your taxable profits.

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CHANGES TO THE BASIS OF ASSESSMENT

The method of taxing the profits of unincorporated businesses changed significantly in 2023/24 and will also change from 2024/25 onwards. This was originally intended to align with the introduction of **Making Tax Digital for Income Tax Self-Assessment (MTDITSA)** which will now start to be phased in from 2026/27.

Under the old basis of taxing profits, a sole trader or member of a partnership was taxed on their share of profits of the business's accounting period ending in the tax year. For 2022/23, the last tax year when that basis applied, profits of year ended 31 December 2022 would have been taxed that tax year. Unless that business changes its accounting date, the profits assessed in 2024/25 would be the profits arising between 6 April 2024 and 5 April 2025 i.e. 9 months of the profits from year ended 31 December 2024 plus 3 months of the profits for year ended 31 December 2025. As the 2024/25 self-assessment tax return needs to be filed by 31 January 2026, it is highly likely that the profits for the later period would need to be estimated and subsequently revised. As a result of this complication, many businesses decided to change their accounting year end to 31 March or 5 April so that it corresponds with the tax year.

The Transitional Year 2023/24

A further complication with the change in the basis of assessment is the calculation of profits in 2023/24, the "transitional year", which seeks to transition from the old 'current year' basis to the new tax year basis. The rules in 2023/24, where the business has a year end that doesn't correspond with the tax year, seek to tax the profits from the day after the end of the period taxed in 2022/23 until 5 April 2024. A business preparing accounts to 31 December each year would have a 15 month period from 1 January 2023 to 5 April 2024 potentially taxable in 2023/24. However, the 3 months' profits in the period 1 January 2024 to 5 April 2024, less any overlap relief, is not all taxed in 2023/24 but spread over 5 years, unless the taxpayer elects to be taxed on a higher amount.

If, in the above example, the sole trader makes profits of £120,000 in year ended 31 December 2024 then £30,000 less any overlap relief (typically from the early years when some profits were taxed twice) would be spread over 5 years. Assuming no overlap relief, an extra £6,000 profits would be added to the profits assessable from 2023/24 to 2027/28 unless the individual elects to be assessed on a higher amount, in which case the balance of the £30,000 would then be spread over the remaining years to 2027/28.

This is not at all straightforward and we can work with you to calculate the transitional profits and advise you of your tax liabilities going forward.

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