

# TAX NEWSLETTER

Welcome to our monthly newsletter. We hope you enjoy reading this newsletter and find it useful.

- Download our App! Go to our website [www.tnmca.com](http://www.tnmca.com)
- Ask us about management accounts
- Ask us about our virtual financial director service
- Are we being proactive enough for you?

April 2023

**On 15 March 2023, Chancellor Jeremy Hunt presented his first Budget to Parliament and set out a plan to reduce inflation, grow the economy and get government debt falling all whilst avoiding a recession and tackling labour shortages.**

**Below we set out some of the main points.**

## COST OF LIVING SUPPORT

### Energy Costs

The Energy Price Guarantee (EPG) brings a typical household energy bill in Great Britain down to around £2,500 per year. It has now been announced that the £2,500 EPG will be extended by 3 months to 30th June 2023, before increasing to £3,000 until the end of the EPG period on 31 March 2024. This extra 3 months at £2,500 will be worth £160 for a typical household.

In Northern Ireland, a similar scheme operates, reducing typical household energy bills to around £2,109 per year. This has also been extended at the same rate until 30th June 2023.

A new scheme for businesses, charities and the public sector has been confirmed. The Business Energy Bills Discount Scheme will run until 31 March 2024, giving non-domestic customers discounts on their gas and electricity bills.

### Childcare

Additional support is being provided towards childcare costs in what the government describe as a 'childcare revolution'. This includes 30 hours of free childcare for every child over the age of 9 months, with support being phased in until every eligible working parent of under 5s gets this support by September 2025.

For Universal Credit claimants, the government will also pay childcare costs in advance rather than arrears, when parents move into work or increase their hours. The maximum they can claim will also be boosted to £951 for one child and £1,630 for two children, an increase of around 50%.

### Benefits and State Pension

As confirmed at Autumn Statement 2022, the government will also increase benefits, including the State Pension, paid to recipients in the tax year to 5 April 2024 by 10.1%.



This increase in the State Pension means that most pensioners will receive £10,600 in 2023/24, where they have 35 qualifying years. Individuals are being urged to check their contribution record on their Government Gateway account and consider making Class 3 voluntary National Insurance (NI) contributions in respect of missing qualifying years. Normally it is only possible to make

voluntary NI contributions for the past 6 tax years, but until 31 July 2023, it is possible to go back as far as 6 April 2006 and pay additional contributions at the 2022/23 Class 3 rate of £15.85 per week.

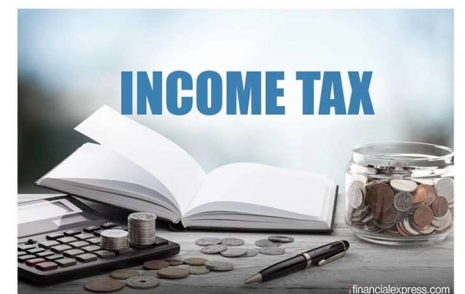
In-year Class 3 contributions for 2023/24 will increase to £17.45 per week.

## 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.



**Please contact a member of our team if you would like to discuss any of the issues raised.**

Call: 01384 261300 Email: mail@tnmca.com

# TAX NEWSLETTER

April 2023

## 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%

### Scotland

Individuals living in Scotland and classed as Scottish taxpayers have a slightly different banding system for "Other Income" (non-savings, non-dividend) as follows:

Band	Taxable Income	Tax rate in 2023/24
		<b>Other income</b>
Personal allowance	Up to £12,570	0%
Starter rate	£12,571 - £14,732	19%
Basic rate	£14,733 - £25,688	20%
Intermediate rate	£25,689 - £43,622	21%
Higher rate	£43,623 - £125,140	42%
Top rate	Over £125,140	47%

The application of income tax to savings and dividends income is the same as for the rest of the UK.

### 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.

### Pension Tax Relief

There was good news in the Budget for those saving in a personal pension. The current pension lifetime allowance (LTA) charge is being abolished from 6 April 2023.

The LTA has caused some high earners, particularly doctors, to retire early as tax charges apply on crystallisation of pension funds if the LTA (currently £1,073,100) is exceeded. Individuals may be able to receive 25% of their pension savings as a tax-free lump sum when they become entitled to their pension benefits.

**Please contact a member of our team if you would like to discuss any of the issues raised.**

# TAX NEWSLETTER

April 2023

This is currently capped at 25% of the LTA and going forwards, for most individuals, will remain capped at £268,275.

Another pension limit increased by the Chancellor in the Budget was the pension Annual Allowance (AA) which increases from £40,000 to £60,000 from 6 April 2023. The AA applies to the combined pension input by the individual and, in the case of employees, their employer. Pension contributions in excess of the AA result in a tax charge on the individual, although they may take advantage of unused AA amounts from the 3 previous tax years.

For those with high incomes, the AA is tapered. From 6 April 2023, where a taxpayer's adjusted income exceeds £260,000 (increasing from £240,000), the AA is tapered by £1 for every £2 in excess of £260,000, down to a minimum of £10,000 (increasing from £4,000).

The Money Purchase Annual Allowance (MPAA) replaces the AA when an individual starts to flexibly access a defined contribution pension scheme. The MPAA will increase from £4,000 to £10,000 on 6 April 2023.

Note that an individual's pension contributions can be very tax efficient depending on their level of income.

The taxation rules for pensions are complex as there have been numerous changes in recent years so please talk to us about your pension contribution strategy.

## Tax Efficient Savings

There were no changes to the annual limits for Individual Savings Accounts (ISAs), Child Trust Funds or the Junior ISA. These limits remain at £20,000, £9,000 and £9,000 respectively.

## CAPITAL GAINS TAX

In the Autumn Statement, the Chancellor announced that the £12,300 annual tax-free capital gains tax exemption (or allowance) will be reduced to just £6,000 in 2023/24 and only £3,000 in 2024/25.

This change will mean that those disposing of capital assets will pay more tax, where the new lower allowance is exceeded.

Couples who are in the process of separating, or who have commenced divorce proceedings, need to be aware of new rules taking effect from 6 April 2023 concerning the transfer of capital assets between them as a result of their separation.

If you are planning any capital disposals, please contact us to discuss the best strategy for the disposal.

## INHERITANCE TAX

In the 2023 Autumn Statement, the inheritance tax nil rate band was frozen at £325,000 until April 2028. The residence nil rate band will also remain at £175,000 and the residence nil rate band taper will continue to start at £2 million.

If you anticipate your estate giving rise to inheritance tax in the future, please contact us to discuss measures that could potentially be put in place, alongside asset distribution within your family.

## VAT

The VAT registration and deregistration thresholds continue to be frozen at £85,000 and £83,000 respectively, instead of increasing each year in line with inflation. This will remain the case until March 2026.

Since 1 January 2023, a new penalty regime has been in operation for late VAT return submission and late payment of VAT. The new system is designed to target more persistent offenders, with penalties escalating quickly where defaults reoccur.

## BUSINESS TAXES

### National Insurance Contributions (NIC) for the self-employed in 2023/24

Self-employed individuals are required to pay Class 2 and Class 4 NICs if their profits exceed £12,570. These NICs are usually collected with the individual's income tax self-assessment payments.

For 2023/24, Class 2 NICs are calculated at £3.45 per week and Class 4 NICs are calculated at 9% on profits between £12,570 and £50,750, and at 2% on profits over £50,750.

### Making Tax Digital (MTD) for Income Tax

Under MTD for Income Tax, businesses will keep digital records and send a quarterly summary of their business income and expenses to HMRC using MTD-compatible software. These requirements will not be phased in until April 2026, starting with sole traders and property landlords with gross income over £50,000. Other individuals subject to Income Tax will follow at a later stage.

### Tax Relief for expenditure on plant and machinery

The Annual Investment Allowance (AIA), giving 100% tax relief to unincorporated businesses and companies investing in qualifying plant and machinery, is now permanently set at £1million. The super-deduction, which gives enhanced 130% relief for new qualifying plant and machinery acquired by companies, will end on 31 March 2023.

Please contact a member of our team if you would like to discuss any of the issues raised.

Call: 01384 261300 Email: mail@tnmca.com

# TAX NEWSLETTER

April 2023

As a replacement for the super-deduction, 'full expensing' (effectively 100% tax relief, called a 'First Year Allowance' (FYA)) will be available to companies incurring expenditure on new qualifying plant and machinery between 1 April 2023 and 31 March 2026. The qualifying criteria is quite broad although there are exclusions, including cars and features integral to a building (for example, heating systems). With regard to 'integral features', a smaller 50% FYA will be available. Subsequent disposals of assets on which one of these FYAs has been claimed will trigger a clawback of tax relief at a rate of 100% or 50% of the disposal proceeds, depending on the rate of the original relief. These new FYAs will mainly be of interest to companies that have already fully utilised their £1million AIA.

The separate 100% FYA for electric vehicle charge points remains available for unincorporated businesses and companies until Spring 2025.

## Unincorporated Businesses and their Accounting year-ends

Unincorporated businesses that prepare annual accounts to a date other than 31 March or 5 April will soon need to adopt a new process for how the profits or losses arising in those accounts are reported to HMRC.

At present, 'basis period' rules apply that broadly allow annual accounts that end in a tax year to act as the basis of profits or losses arising in that tax year.

This new system starts with transitional rules in the tax year ending on 5 April 2024 (2023/24). Going forwards, actual profits or losses arising in a tax year must be reported to HMRC, but this does not necessarily require a change in accounting year-end.

Unfortunately, this will make it harder for some self-employed individuals to predict their income tax liabilities, but we will be on hand to help you.

## **CORPORATE TAXES**

### New Rates from 1 April 2023

From 1 April 2023, the rate of Corporation Tax will increase to 25% if a company's profits exceed £250,000 a year. The current 19% rate will however continue to apply where profits are no more than £50,000 a year.

Where a company's profits fall between £50,000 and £250,000 a year, the profits are taxed at the higher 25% rate, but a 'marginal relief' is given to reduce the liability, with the effective rate being closer to 19% for those with profits just over £50,000.

Companies in the same corporate group (or otherwise connected by association) must share the £50,000 and £250,000 thresholds between them, making the 25% rate more likely to apply.

### Research & Development (R&D) Reliefs

From 1 April 2023 a raft of changes is coming to the R&D tax relief regime and claimant companies should consider obtaining updated advice if they've not already done so. The key changes are:

- The Research and Development Expenditure Credit (RDEC) available to non-SME companies will be increased from 13% to 20%.
- For SME companies, R&D tax relief rates will be reduced from 230% to 186%.
- For loss-making SME companies, the current payable credit of 14.5% will only be available for companies whose R&D expenditure constitutes at least 40% of their total expenditure. For R&D claimants that don't meet the new 40% test, the payable credit

will be reduced from 14.5% to 10% of the eligible loss.

- Qualifying R&D expenditure will be expanded to include data licences and cloud computing services.

- New claimants (those who have not made a claim in the previous 3 years) will be required to inform HMRC of their intention to make a R&D claim within 6 months of the end of the accounting period to which the claim relates.

From 1 August 2023, additional information requirements will need to be fulfilled when making a R&D claim.

### Creative Industries Tax Reliefs

The government continues to support the creative industries by reforming and enhancing film, TV and video games tax reliefs. The government will also extend the temporary higher rates of theatre, orchestra, and museums and galleries tax reliefs for 2 further years until April 2025.

## **EMPLOYMENT TAXES**

### National Insurance Contributions (NICs)

Like the main income tax bandings, employer and employee NIC thresholds are now also frozen until 5 April 2028. This broadly means that employers' NIC will continue to apply at 13.8% to earnings in excess of £9,100 a year (£175 per week) and employees will continue to pay 12% on earnings between £12,570 and £50,270 and 2% thereafter.

### Company Cars and Other Benefits

Employees are required to pay income tax on certain non-cash benefits. For example, the provision of a company car constitutes a taxable 'benefit in kind'. Employers also pay Class 1A NIC at 13.8% on the value of benefits.

**Please contact a member of our team if you would like to discuss any of the issues raised.**



# TAX NEWSLETTER

April 2023

The set percentages used to calculate company car benefits are fixed until 5 April 2025 before slight increases apply to most car types, including electronic and ultra-low emission, from 6 April 2025.

More imminently, the figures used to calculate benefits-in-kind on employer-provided vans, van fuel (for private journeys in company vans), and car fuel (for private journeys in company cars) will increase in line with the Consumer Price Index (CPI) from 6 April 2023. These will become:

- Van benefit £3,960
- Van fuel benefit £757
- Car fuel benefit multiplier £27,800

## Share Options

From 6 April 2023, the Company Share Option Plan (CSOP) employee share options limit will increase from £30,000 to £60,000. Additionally, restrictions on the types of shares eligible for CSOP options will be lifted.

Simplifications will also be made to the process to grant Enterprise Management Incentive (EMI) options. From 6 April 2023, there will no longer be a requirement for the company to set out any restrictions to the shares being acquired in the option agreement and the employee will no longer have to sign a working time declaration.

## National Minimum Wage

The hourly rates applicable from 1 April 2023 are:

- Over 23 £10.42
- 21 to 22 £10.18
- 18 to 20 £7.49
- Under 18 £5.28
- Apprentice £5.28

## INVESTMENT ZONES

The Government will establish 12 'Investment Zones' across the UK, including a promise to have at least one each in Scotland, Northern Ireland and Wales.

Each successful zone will have access to £80m funding over 5 years and benefit from a package of tax reliefs. These include relief from Stamp Duty Land Tax (SDLT), enhanced capital allowances for plant and machinery, enhanced structures and buildings allowances and relief from secondary Class 1 National Insurance Contributions (NICs) for qualifying employers on the earnings of eligible employees up to £25,000 per annum.

## VENTURE CAPITAL SCHEMES

The Government is increasing the generosity and availability of the Seed Enterprise Investment Scheme for start-up companies. The amount of investment that companies will be able to raise under the scheme will increase from £150,000 to £250,000. The gross asset limit will be increased from £200,000 to £350,000 and the investment must be made within 3 years (increased from 2 years) of trade commencing. In a bid to support these changes, the annual investor limit will be doubled to £200,000. The changes take effect from 6th April 2023.

## IN CONCLUSION

Combined with the many mini-budgets and statements made towards the end of 2022, this Budget brings change; good, bad, and often to be determined with time. What is clear is that 2023 remains a year of opportunity and we are here to work alongside you and help you grow.

## DIARY OF MAIN TAX EVENTS

### APRIL / MAY 2023

Date	What's Due
01/04	Corporation tax payment for year to 30/06/22 (unless quarterly instalments apply)
05/04	2022/23 tax year ends on 5 <sup>th</sup> April. 2023/24 tax year begins on 6 <sup>th</sup> April
19/04	PAYE & NIC deductions, and CIS return and tax, for month to 05/04/23 (due 22/04 if you pay electronically)
01/05	Corporation tax payment for year to 31/07/22 (unless quarterly instalments apply)
19/05	PAYE & NIC deductions, and CIS return and tax, for month to 05/05/23 (due 22/05 if you pay electronically)

Please contact a member of our team if you would like to discuss any of the issues raised.