Autumn 2024

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CHARTERED ACCOUNTANTS

helping you achieve your personal & financial goals

Financial news that's relevant to you.

INTRODUCTION

On the 30 October 2024, the Chancellor, Rachel Reeves, will present her first Budget to parliament. Unfortunately, we were unable to extend our publication of this newsletter to include a summary of the Budget tax changes.

It is likely to be a mixed bag of public expenditure reductions and tax increases to plug the apparent £22bn so-called "black-hole" in the government's finances.

This newsletter is the usual mixed bag of updates and tips, but it also includes a few suggestions for pre-empting certain tax changes if action is taken before 30 October 2024.

Watch out for our Budget update announcements at the end of October.

BUSINESS

Abolition of Holiday Lets tax breaks

The new government has confirmed its intention to complete the change to the taxation of Furnished Holiday Let (FHL) businesses. The details are summarised below.

The measure will have effect:

- on or after 6 April 2025 for Income Tax and for Capital Gains Tax; or
- from 1 April 2025 for Corporation Tax and for Corporation Tax on chargeable gains.

This change will remove the tax advantages that current FHL landlords have received over other property businesses in 4 key areas by:

- applying the finance cost restriction rules so that loan interest will be restricted to basic rate for Income Tax;
- removing capital allowances rules for new expenditure and allowing replacement of domestic items relief;
- withdrawing access to reliefs from taxes on chargeable gains for trading business assets;

- no longer including this income within relevant UK earnings when calculating maximum pension relief.

After repeal, former FHL properties will form part of the person's UK or overseas property business and be subject to the same rules as non-furnished holiday let property businesses.

The following specific transitional rules will apply:

- Businesses with FHL properties will no longer be eligible for more beneficial capital allowances treatment but will instead be eligible for 'replacement of domestic items relief' in line with other property businesses — where an existing FHL business has an ongoing capital allowances pool of expenditure, they can continue to claim writing-down allowances on that pool — any new expenditure incurred on or after the operative date must be considered under the property business rules.
- Under current rules a loss generated from a FHL property business can only be carried forward and used against future profits of that same FHL business — after the changes, former FHL properties will be part of the person's UK or overseas property business as appropriate — that property business will then include the amalgamated profits and losses of all the properties in that business.
- Persons may have losses to carry forward from their FHL business after repeal — losses generated from this FHL business will be permitted to be carried forward and be available for set off against future years' profits of either the UK or overseas property business as appropriate.
- Under current rules FHL properties are eligible for roll-over relief, business asset disposal relief, gift relief, relief for loans to traders, and exemptions for disposals by companies with substantial shareholdings — after the changes eligibility for the reliefs will cease — however, where criteria for relief includes conditions that apply in a future year these specific rules will not be disturbed where the FHL conditions are satisfied before repeal.
- In relation to business asset disposal relief, where the FHL conditions are satisfied in relation to a business that ceased prior to the commencement date, relief may continue to apply to a disposal that occurs within the normal 3-year period following cessation.
- There is also an anti-forestalling rule — this will prevent the obtaining of a tax advantage through the use of unconditional contracts to obtain capital gains relief under the current FHL rules — this rule applies from 6 March 2024.

Responding to a personal data breach

The Information Commissioner's Office has a simple guide that explains what you need to do in the 72 hours following a data breach.

The seven step approach advocated is set out below:

Step one: Don't panic

It's understandable if you're concerned about what happens next. But we're here to help you understand what happened and to prevent it happening again.

Step two: Start the timer

By law, you've got to report a personal data breach to the ICO without undue delay (if it meets the threshold for reporting) and within 72 hours.

Step three: Find out what's happened

Pull the facts together as quickly as possible.

Step four: Try to contain the breach

Your priority is to establish what has happened to the personal data affected. If you can recover the data, do so immediately. Also, you should do whatever you can to protect those who will be most impacted.

Step five: Assess the risk

You should now assess what you feel the risk of harm is to those affected, whether that's your customers, members or service users.

Step six: If necessary, act to protect those affected

If possible, you should give specific and clear advice to people on the steps they can take to protect themselves, and what you're willing to do to help them. If you don't think there's a high risk to the people involved, you don't have to let them know about the incident.

Step seven: Submit your report (if needed)

If the breach is reportable, you can report it online.

The ICO have a help line you could call, 0303 123 1113, or view online advice at https://ico.org.uk/for-organisations/advice-for-small-organisations/72-hours-how-to-respond-to-a-personal-data-breach/

Advice to charities re public disorder

The charity commission has offered the following guidance to charities following recent public disorder events. The main points are summarised below:

- Are you operating in an area which has seen or is at risk of unrest? If so and you wish to continue to operate what changes could be made to mitigate any risk to your staff, visitors or beneficiaries?
- Have you reviewed the entry points to your property for weaknesses should there be unrest? Can you restrict access/improve secure entry to the property?
- Are different entrances available?
- Do you have alternative exit routes from the property if required? Are these clear and communicated to staff visitors on

arrival?
- Should an incident occur do you have a clear procedure in place for what staff / visitors should do to stay safe? Is everyone briefed on this procedure and is it clear who will issue instructions should an incident occur?
- Do you need to have first aid trained staff or volunteers onsite?
- Have you contacted the local police force community liaison team to agree contact points for sharing of specific risks or to seek specific advice and guidance on operating?

Some risks may be specific, or time bound such as an alert from police of a specific risk / threat based on their monitoring of social media or intelligence. You may therefore want to consider:

- Who in your charity / how your charity continually reviews the latest advice, guidance or alerts from police forces or other local authorities including monitoring of social media channels.
- If you are at higher risk do you need a procedure at the start of each day to assess risk and a clear channel or method to communicate with staff or beneficiaries prior to start of operations on whether or not they should attend site.
- Ensuring you have a clear process or nominated person responsible for acting upon any urgent alert or risk.

Charities should not hesitate to call emergency services if their staff, volunteers or beneficiaries face abuse, feel threatened, or are in danger.

Connected persons

In certain circumstances HMRC may be able to increase the tax on transactions where connected persons are involved.

HMRC defines connected people as including:

- your brothers, sisters, parents, grandparents, children and grandchildren, and their husbands, wives or civil partners
- the brothers, sisters, parents, grandparents, children and grandchildren of your husband, wife or civil partner - and their husbands, wives or civil partners
- business partners
- a company you control
- trustees where you are the 'settlor' (or someone connected to you is)

For example, you cannot deduct a loss from giving, selling or disposing of an asset to a family member unless you are offsetting a gain from the same person. This also applies to 'connected people' like business partners.

PERSONAL

Road fuel costs still too high

The Competition and Markets Authority (CMA) has published an update on the widespread action it is taking to ensure that people can get the best possible choices and prices in the face of ongoing cost of living pressures.

New analysis highlights how the cost to drivers of weakened competition in the fuel sector persists, but competition in the groceries sector appears to be more effective in bearing down on retail margins.

In its recent monitoring update, the CMA found:

- Retailers' fuel margins – the difference between what a retailer pays for its fuel and what it sells at – are still significantly above historic levels.
- Supermarkets' fuel margins are roughly double what they were in 2019.
- The total cost to all drivers from the increase in retail fuel margins since 2019 was over £1.6bn in 2023 alone.
- Competition among fuel retailers is failing consumers, just as it was in July last year when the CMA published its

road fuel market study.

The CMA is currently monitoring developments in the fuel market using information provided voluntarily by fuel retailers. It has created a temporary price data-sharing scheme, and it is positive that some major players have started to integrate this into consumer-facing products, like apps. However, the current scheme covers only 40% of fuel retail sites and is not comprehensive enough to be used by map apps or sat-navs to bring accurate, live information to people – and this is what would have a substantial impact on the market.

The proposed introduction of the Digital Information and Smart Data Bill by the new government could provide the legislative basis to set up a compulsory and comprehensive scheme that would change this – which the CMA would welcome.

Change to taxation of non-doms

The government has confirmed changes to the tax treatment of non-domiciled individuals from April 2025.

The government will remove preferential tax treatment based on domicile status for all new foreign income and gains (FIG) that arise from 6 April 2025. To replace the remittance basis of tax, the government will introduce an internationally competitive residence-based regime, providing 100% relief on FIG for new arrivals to the UK in their first four years of tax residence, provided they have not been UK tax resident in any of the 10 consecutive years prior to their arrival.

From 6 April 2025, the protection from tax on income and gains arising within settlor-interested trust structures will no longer be available for non-domiciled and deemed domiciled individuals who do not qualify for the 4-year FIG regime.

The government intends to conduct a review of offshore anti-avoidance legislation, including the Transfer of Assets Abroad and Settlements legislation, to modernise the rules and ensure they are fit for purpose. The intention for this review will be to remove

ambiguity and uncertainty in the legislation, make the rules simpler to apply in practice and ensure these anti-avoidance provisions are effective.

Further details on the review will be provided in due course. It is not anticipated that this review will result in any changes before the start of the 2026/27 tax year.

A form of Overseas Workday Relief will be retained. Officials will engage with stakeholders on the design principles for this tax relief and further details will be confirmed at the Budget, 30 October 2024.

How dividends are taxed

You can presently receive up to £500 in dividends and you will pay no tax, this is called your dividend allowance. And any dividends covered by your Personal Allowance (your annual tax-free income for 2024-25 is £12,570) are also tax-free.

You will pay no tax at all on dividends received from shares in an ISA.

How much tax you do pay on dividends, in excess of your dividend allowance and Personal Allowance, will depend on where the dividends sit in the Income Tax bands.

The dividend tax rates are as follows. As part of your:

- basic rate band - 8.75%
- higher rate band - 33.75%
- additional rate band - 39.35%

Dividend paperwork

If you pay dividends from you own limited company, for each dividend payment the company makes you must write up a dividend voucher showing the:

- date
- company name
- names of the shareholders being paid a dividend
- amount of the dividend

You must give a copy of the voucher to recipients of the dividend and keep a copy for your company's records.

Also, to pay a dividend you must:

- Hold a director's meeting to declare the dividend, and
- Keep minutes of the meeting even if you are the only director.

And finally:

Your company must not pay out more in dividends than its available profits from current and previous financial years.

Your Personal Tax Account

You can set up and use a personal tax account to:

- check your Income Tax estimate and tax code
- fill in, send and view a personal tax return
- claim a tax refund
- check your Child Benefit
- check your income from work in the previous 5 years
- check how much Income Tax you paid in the previous 5 years
- check and manage your tax credits
- check your State Pension
- check if you'll benefit from paying voluntary National Insurance contributions and if you can pay online
- track tax forms that you've submitted online
- check or update your Marriage Allowance
- tell HMRC about a change of name or address
- check or update benefits you get from work, for example company car details and medical insurance
- find your National Insurance number
- find your Unique Taxpayer Reference (UTR) number

- check your Simple Assessment tax bill

You can set up your personal tax account with HMRC at https://www.gov.uk/personal-tax-account.

Beat the Budget

There is still a short period until the formal Budget is presented to parliament on 30 October 2024. If you are reading this newsletter before this date and are interested in considering possible Capital Gains Tax or Inheritance Tax related transactions before that date, please call so we can consider your options.

VAT & DUTIES

Private school fees and VAT

HMRC have now published the draft legislation that will seek to subject private school fees to VAT at 20%.

On 29 July 2024, the Chancellor announced that as of 1 January 2025, all education services and vocational training supplied by a private school, or a connected person, for a charge will be subject to VAT at the standard rate of 20%. Boarding services provided by a private school, or a connected person, will also be subject to VAT at 20%.

It has also been announced that fees invoiced or paid on or after 29 July 2024 that relate to the school terms after 1 January 2025 will be subject to the standard rate of VAT at the beginning of that term.

School fees paid before 29 July 2024 will follow the VAT treatment in force at the time of the normal tax point for these supplies, where the fee rate for the relevant term has been set and was known at the time of payment.

Schools that do not currently make any taxable supplies, such as renting out their facilities, will be able to register with HMRC starting from 30 October 2024, the date of the Autumn Budget. Schools that already make taxable supplies can choose to voluntarily register for VAT before 30 October if they so wish.

In addition, HMRC confirms that the government will remove private schools' eligibility for charitable rates relief under business rates in England. However, the government will consider how to address the potential impact of these changes in cases where private school provision has been specified for pupils through an Education, Health and Care Plan. The government will engage with schools before setting out a final proposal in due course. This is intended to take effect from April 2025, subject to Parliamentary passage.

VAT - Option to tax land and buildings

Supplies of land and buildings, such as freehold sales, leasing or renting, are normally exempt from VAT. This means that no VAT is payable, but the person making the supply cannot normally recover any of the VAT incurred on their own expenses.

But you can opt to tax land. For the purposes of VAT, the term 'land' includes any buildings or structures permanently affixed to it. You do not need to own the land to opt to tax. Once you have opted to tax all the supplies you make of your interest in the land or buildings will normally be standard-rated, and you will be able to recover any VAT you incur in making those supplies.

When you opt to tax, you can specify an area of land or a 'building'. Commonly, you will specify a 'building' because that is the prominent feature of the land. If you specify:

- a building, the option to tax will continue to apply to the land on which the building stood if the building is demolished and to any future buildings constructed on the land; and
- land, the option will apply to any buildings on the land and future buildings constructed on the land.

In both circumstances, you can specifically exclude new buildings from the effect of an option to tax.

But beware

If you do opt to treat a building as taxable for VAT purposes you will not only need to charge VAT on rents charged but also on the disposal proceeds if you sell the property.

This will cause no cash flow difficulties for a potential buyer if they are registered for VAT as they can simply claim back the VAT added to your sale price. But buyers who are not registered for VAT, banks for example, will not be able to claim back the VAT which will effectively increase their purchase cost by 20%.

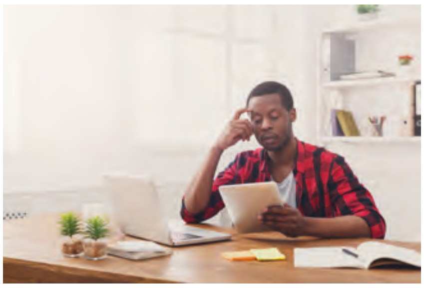
How is fuel duty charged on petrol?

The fuel drivers buy at the pumps is taxed in two ways: fuel duty and VAT. Fuel duty is currently levied at a flat rate of 52.95p per litre whilst VAT is charged at 20% on both the underlying product price and the duty.

The last permanent change to fuel duty was at the Budget 2011. Since then, inflation has consistently reduced the real value of fuel duty revenues and press speculation has an increase spotlighted for the forthcoming budget.

The Office for Budget Responsibility (OBR) has commented on this issue (March 2024) and is adding weight to speculation that fuel duty, and therefore fuel prices at the pumps, will increase. They have said:

"Fuel duties are levied on purchases of petrol, diesel and a variety of other fuels. They represent a significant source of revenue for government. In 2023-24, we expect fuel duties to raise £24.7 billion. That would represent 2.2 per cent of all receipts and is equivalent to £850 per household and 0.9 per cent of national



income."

There are numerous motoring organisations that will lobby against any fuel duty increases, but the over-riding needs to raise revenue may win the day.

Check a UK VAT number

If you receive an invoice to cover a purchase from a registered business for UK VAT purposes, and it subsequently transpires that the business has given you a false or bogus VAT number, then HMRC are entitled to disallow any deduction - from the payments you make to them – for the input tax shown on the invoice.

To avoid this happening to you it is possible to check and see if the VAT number provided by a new supplier is genuine. To do this simply access the online checker at https://www.gov.uk/check-uk-vat-number.

NIC & PENSIONS

Top-up NIC contributions

If you are aware that you have not made sufficient NIC contributions to qualify for the State Pension or other benefits you can make voluntary contributions to make up the shortfall.

For example, this could be because you were:

- employed but had low earnings;
- unemployed and were not claiming benefits;
- self-employed but did not pay contributions because of small profits; or
- living or working outside the UK.

If you have gaps in your National Insurance record, check if you are eligible for National Insurance credits before deciding to pay voluntary contributions.

You may want to pay voluntary contributions because:

- you are close to State Pension age and do not have enough qualifying years to get or increase your State Pension;
- you know you will not be able to get the qualifying years you need to get the full State Pension during your working life;
- you are self-employed and have annual profits of less than £6,725;
- you live outside the UK, but you want to qualify for certain benefits or the State Pension; or
- you are not eligible for National Insurance credits.

Applying for NIC credits

You get one of these types of credits if you are eligible:

- Class 1 - these count towards your State Pension and may help you qualify for some other benefits, for example New Style Jobseeker's Allowance.
- Class 3 - these count towards your State Pension only.

You can transfer your credits that you got from registering for Child Benefit to your spouse or partner who is living with you if you have paid a year's National Insurance contributions (called a 'qualifying year' for State Pension).

Loss of higher rate pension relief?

Will the forthcoming Budget reduce the Income Tax relief available to taxpayers paying Income Tax at the 40% and 45% rates?

Presently, higher and additional rate Income Tax payers can claim 20% or 25% additional tax relief for personal pension contribution they make, in addition to the 20% basic rate relief administered by pension funds.

There has been speculation that relief will be limited to a total 30% or perhaps the new Chancellor, desperate to raise funds to plug the £22bn deficit, will limit tax relief to the 20% basic rate.

It would be unusual for Budget legislation to be backdated, i.e., effective to a date before the Budget announcement on the 30 October, but the Chancellor could make changes from 30 October.

As any changes would reduce tax relief, and if you have planned to make pension contributions at some point this tax year, it makes sense to make your 2024-25 personal contributions – subject to the usual rules – before the 30 October 2024.

Please discuss this option with your pension's advisor before making any payments.

EMPLOYMENT & PAYROLL

National Minimum Wage work time

For all types of work, include time spent:

- at work and required to be working, or on standby near the workplace (but do not include rest breaks that are taken);
- not working because of machine breakdown, but kept at the workplace;
- waiting to collect goods, meet someone for work or start a job;
- travelling in connection with work, including travelling from one work assignment to another;
- training or travelling to training; and
- at work and under certain work-related responsibilities even when workers are allowed to sleep (whether or not a place to sleep is provided).

Do not include time spent:

- travelling between home and work;
- away from work on rest breaks, holidays, sick leave or maternity leave;
- on industrial action; or
- not working but at the workplace or available for work at or near the workplace during a time when workers are allowed to sleep (and you provide a place to sleep).

FINANCIAL CALENDAR

Every month:

1 Annual Corporation Tax due for companies with a year ending nine months and a day earlier, e.g. tax due 1 October 2025 for year ending 31 December 2024.

14 Quarterly instalment of Corporation Tax due for large companies (depending on accounting year-end).

19 Pay PAYE/NIC and CIS deductions for period ending 5th of the month if not paying electronically. Submit CIS contractors' monthly return.

22 PAYE/NIC and CIS deductions paid electronically should have cleared into HMRC bank account.

30/31 Submit CT600 for a year ending 12 months earlier. Last day to amend CT600 for a year ending 24 months earlier.

If the due date for payment falls on a weekend or Bank Holiday, payment must be made by the previous working day. Electronic payments sent using the Faster Payments Service (FPS) are able to clear into HMRC's account on a non-banking day – a Saturday, Sunday and most Bank Holidays.

File accounts with Companies House for private companies with a year ending nine months earlier and for public companies with a year ending six months earlier.

October 2024

5 Deadline to notify HMRC of chargeability to Income Tax or CGT for 2023/24.

14 Due date for CT61 return and CT payment for quarter to 30 September 2024.

31 Deadline to submit 2023/24 Self Assessment tax return if filed on paper.

November 2024

2 Submit employer forms P46 (car) for quarter to 5 October 2024.

December 2024

30 Last day to submit 2023/24 tax return online to have unpaid tax of up to £17,000 collected through the 2025/26 PAYE code. The amount of debt that can be coded out in a year ranges from £3,000 to £17,000 based on a graduated scale.

January 2025

14 Due date for CT61 return and CT payment for quarter to 31 December 2024.

31 Submit 2023/24 Self Assessment return online. Pay balance of 2023/24 Income Tax and CGT plus first payment on account for 2024/25.

February 2025

2 Submit employer forms P46 (car) for quarter to 5 January 2025.

March 2025

31 Last minute planning for 2024/25 tax year. Make sure to use any CGT and IHT annual allowances and exemptions.

April 2025

5 Last day of tax year (6 April 2025, first day of new tax year).

14 Due date for CT61 return and CT payment for quarter to 31 March 2025.

May 2025

3 Submit employer forms P46 (car) for quarter to 5 April 2025.

31 Last day to issue 2024/25 P60s to employees.

July 2025

5 Final date to agree 2024/25 PAYE Settlement Agreements (PSA).

6 Last date for returns of expenses and benefits (forms P11D, P9D and P11D(b)) for 2024/25 to reach HMRC. Relevant employees to receive copies of forms P11D and P9D.

6 Last date to submit annual returns for employee share schemes and employment-related securities for 2024/25 (forms 34, 35, 39, 40 and 42).

14 Due date for CT61 return and CT payment for quarter to 30 June 2025.

22 Class 1A NICs for 2024/25 due (19th if paid by cheque).

31 Due date for second payment on account of 2024/25 Income Tax and Class 4 NICs.

31 Last day to pay 2023/24 tax to avoid second automatic 5% surcharge (unless late payment agreed with HMRC).

August 2025

2 Submit employer forms P46 (car) for quarter to 5 July 2025

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