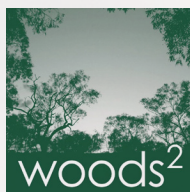


AUTUMN STATEMENT 2023



BUSINESS
GROWTH
ACCOUNTANTS

Tax Efficient Savings

The annual limits for Individual Savings Accounts (ISAs), Child Trust Funds and the Junior ISA remain at £20,000, £9,000 and £9,000 respectively in 2024/25. The lifetime ISA annual subscription limit also remains unchanged at £4,000 (excluding the government top-up bonus).

The government is making changes to simplify ISAs and provide more choice, meaning it will be easier to choose the best ISA accounts and move money between them. This involves digitalising the ISA reporting system to make it more effective, as well as expanding the investment opportunities available in ISAs.

INHERITANCE TAX

The inheritance tax nil rate band continues to be 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 £2million. Despite prior rumours to the contrary, there has been no change to inheritance tax rates.

Pension tax relief

Annual allowances determine the maximum amount that an individual can save into their pension pots in a tax year before tax relief starts to be withdrawn by way of pension tax charges.

These allowances will remain fixed in 2024/25 at their 2023/24 rates, being the £60,000 annual allowance applicable in most circumstances and the £10,000 money purchase annual allowance for those who have flexibly accessed their pension pot. The annual allowance is reduced for those with a high income of more than £260,000.

PENSION REFORM

The government has announced a comprehensive package of pension reforms that aim to provide better outcomes for savers, drive a more consolidated pensions market and enable pension funds to invest in a diverse portfolio.

With people (especially younger generations) changing jobs more frequently than used to be the case, the government wants to tackle the long-standing problem of “small pot” pensions that accumulate with each short to medium term employment. There will be a call for evidence on a ‘lifetime provider model’ which would allow individuals to have contributions paid into their existing pension scheme when they change employer, providing greater agency and control over their pension.

CAPITAL GAINS TAX

The capital gains tax annual exemption is set to drop to £3,000 in 2024/25, down from £6,000 in 2023/24. This change will mean that those selling capital assets such as property or shares will pay more tax, where the new lower annual exemption is exceeded. Capital gains tax rates range from 10% to 28% in 2023/24, depending on the tax status of the seller and the type of asset sold.

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

CORPORATE TAXES

Rates from 1 April 2024

From 1 April 2024, the rate of Corporation Tax will continue to be 25% if a company's profits exceed £250,000 a year. The small profits rate of 19% will 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% the closer profits are to £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. A similar rule applies to the £1.5million threshold which, if exceeded, means that companies are required to pay their corporation tax earlier and in instalments.

Research & Development (R&D) Reliefs

For company accounting periods commencing on or after 1 April 2024, a new R&D scheme for limited companies will come into effect, merging the current R&D Expenditure Credit (RDEC) scheme (for larger companies) with the Small and Medium Enterprise (SME) scheme. There



will also be a second new R&D scheme for 'R&D intensive SMEs'.

These are significant changes and come on top of a raft of changes already seen in 2023. HMRC say that further action may still be needed to reduce the unacceptably high levels of non-compliance with tax rules in the R&D sector.

Within the new rules there are new provisions in relation to:

- Who can claim relief when companies contract out R&D activities;
- The definition of qualifying expenditure, taking into account whether the R&D has been undertaken in the UK,
- The qualifying criteria for 'R&D intensive' companies, along with a new approach for companies who many fluctuate in and out of the status; and
- Restrictions on nominations and assignments of R&D relief payments.

Any company claiming (or considering claiming) R&D reliefs will need enhanced support to both ensure compliance and to adopt the new rules and framework. Please do get in touch if we can assist you with this.

Creative Industries

Film, TV and video games tax reliefs will be reformed into refundable expenditure credits. In particular, an Audio-Visual Expenditure Credit (AVEC) for film and TV programmes and a Video Games Expenditure Credit (VGEC) for video games. The credits will be available from 1 January 2024.

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, in 2024/25, employers' NIC will continue to apply at 13.8% to earnings in excess of £9,100 a year (£175 per week) and employees will pay at the reduced 10% rate on earnings between £12,570 and £50,270 and 2% thereafter.

For eligible employers, the employment allowance remains at £5,000 per year, reducing their employer's NIC liability by this sum. Eligible employers should remember to opt in on their payroll software to ensure that the allowance is received.

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.

The set percentages used to calculate company car benefits are fixed until 5 April 2026 before slight increases apply to most car types, including electronic and ultra-low emission, from 6 April 2026.

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

Annual Tax on Enveloped Dwellings (ATED)

The ATED annual charges will rise by 6.7% from 1 April 2024 in line with the September 2023 CPI.

cars) remain fixed at their 2023/24 levels in 2024/25. These are:

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

PAYE and Tax Returns

For individuals with income taxed only through PAYE, they currently only need to file a self-assessment tax return if their income exceeds £150,000. From 2024/25 this threshold will be removed altogether, removing up to 338,000 individuals from the self-assessment system.

Off-payroll Working (IR35)

Off-payroll working rules ensure that a worker who provides services through an intermediary company to a 'deemed employer' pays broadly the same income tax and NIC as an employee would. The rules are complicated and apply differently depending on the size and type of the deemed employing entity.

The new rules deal with cases where HMRC is collecting underpaid PAYE from the deemed employer and will allow them to give credit for any tax and NIC already paid by the worker and their intermediary. This is to avoid the potential of over-collection of tax.

TACKLING THE TAX GAP AND COLLECTING HMRC DEBT

The government continues to commit to a tax system that is easy for businesses and individuals to engage with, and where everyone pays their fair share.

A 'Tackling the Tax Gap' package of measures has been announced, with plans to raise £5 billion of tax revenue over the next five years. The government is investing in HMRC's ability to better target their debt collection activity, pursuing those with tax debts that can afford to pay, and providing support to those that are temporarily unable to pay. The government is also taking action against those who continue to bend or break the rules, by reducing opportunities for tax fraud in the construction industry and taking strong action against promoters of tax avoidance. Sentences for the most egregious forms of tax fraud will be doubled from 7 to 14 years.



TAX ADMINISTRATION FRAMEWORK

New measures will be introduced to strengthen HMRC's data gathering powers. From 2025/26:

- Employers will be required to provide data on employee hours paid as part of their PAYE reporting; and
- Shareholders in owner-managed businesses will be required to include on their self-assessment tax return their percentage shareholding and dividend income from their company (separately to any other dividend income they may receive).

These measures will build on previously announced HMRC powers that will enable them to access taxpayer data from online marketplaces (e.g. from airbnb) from 1 January 2024.

IN CONCLUSION

As we move into 2024, there are a lot of tax changes already scheduled, plus we can expect more with a Spring Budget and a general election on the horizon.

We are here to work alongside you and help you prosper so please do get in touch at any time.



Q & A'S POST AUTUMN STATEMENT

Will I be able to keep more of what I earn?

In a nutshell, yes, whether you are employed or self-employed.

Employees should notice an increase in take-home pay from January 2024 and the self-employed will see a reduction in 2024/25, possibly first affecting the 31 January 2025 payment on account.

Will my living costs go up or down?

The impact on costs will vary from person to person. There has been no change to the rates of VAT and alcohol duty is frozen until August 2024. There has been no change in fuel duty. Tobacco duty has increased meaning an additional 66p on a packet of 20 cigarettes. Air Passenger Duty is also seeing a small increase. The main news is that inflation is dropping and so costs should not continue to soar as seen recently.

What does this mean for my savings?

There is no change to taxation of savings or ISA limits but there will be reforms to ISAs from April 2024. These changes will allow much more choice and flexibility, allowing you to capitalise on the best market deals without having to wait to the end of the tax year.

How will my pension be affected?

The State Pension will rise by 8.5% in April 2024, one of the biggest ever increases.

There are no current changes to private pension income or the tax relief available for pension contributions.

What opportunities are there for me?

It is clear that the government is gearing up for technological and AI growth and encouraging skills development. Updated guidance will soon clarify that, within businesses, updating existing skills, or maintaining pace with technological advances, are allowable costs for tax purposes.

WAYS TO REDUCE YOUR 2023/24 TAX BILL

How income is taxed

You may receive earned income (e.g. wages, business profits or rental income), savings income (e.g. interest) or dividends.

Your income is taxed according to these allowances, bands and rates.

You're entitled to a tax-free personal allowance of £12,570, which may be withdrawn if your income exceeds £100,000. After deducting the personal allowance, taxable income is allocated to bands and taxed as follows:

Income tax bands and rates 2023/24: England, Wales and Northern Ireland

Band	Taxable income	Tax Rate		
		Earned income	Savings*	Dividends**
Basic rate	£0 - £37,700	20%	20%	8.75%
Higher rate	£37,701 - £125,140	40%	40%	33.75%
Additional rate	Over £125,140	45%	45%	39.35%

*A Personal Savings Allowance allows up to £1,000 to be taxed at 0%.

** A Dividend Allowance allows £1,000 to be taxed at 0%.

Income tax bands and rates 2023/24: Scotland

Band	Taxable income	Tax Rate Earned income
Starter rate	£0 - £2,162	19%
Basic rate	£2,163 - £13,118	20%
Intermediate rate	£13,119 - £31,092	21%
Higher rate	£31,093 - £125,140	42%
Top rate	Over £125,140	47%

Savings and dividend income is taxed according to the rates and bands for the rest of the UK (above).

How to reduce your tax bill

Are you a shareholder of your own limited company?

Work with us on a pre-year-end review of your dividends, salary and pension contributions to ensure an optimal tax position.

Have you made Gift Aid donations or personal pension contributions?

These payments save you tax at your highest income tax rate and can be a great way to cut your bill. Let's review your rates and payments before 5 April 2024.

Are you likely to have income in excess of £100,000?

Proactive tax planning could prevent you losing your tax-free personal allowance and prevent the 45% / 47% rates of income tax applying. Talk to us about your options before 5 April 2024.

Are you employed?

You may be able to claim tax relief for expenses such as business mileage, professional fees and working from home.

Are you self-employed?

Talk to us about the nature and timing of key expenditure and your choice of year end; both can be significant for your tax bill.

Do you have savings?

Make sure you are using Individual Savings Accounts to ensure the interest and dividends earned are exempt from tax.

Are you considering investing?

Investing in approved Venture Capital Scheme shares could reduce both your income tax and capital gains tax bills.

Will you be selling a capital asset, such as property or shares?

The capital gains tax annual exemption is £6,000 in 2023/24 and £3,000 in 2024/25. Planning the timing of your sale could lessen the amount of capital gains tax you have to pay.

PLEASE GET IN TOUCH TO DISCUSS THESE AND OTHER TAX PLANNING IDEAS FOR 2023/24.



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