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Accounting and Tax Services

Newsletter - February 2023

Hello and welcome to another issue of my mini newsletter.

Mini budget and Autumn statement 2022

Since the last newsletter there have been an unprecedented three different Chancellors of the Exchequer. Nadhim Zahawi lasted a mere 2 months, Kwasi Kwarteng even less, but he did have a mini-budget reversing some of Rishi Sunak's policies and announcing some quite radical changes, however less than 2 months later many of those were reversed in Jeremy Hunt's Autumn Statement. The following are the items that are now happening or due to happen. (Note rates below are for England and may be different elsewhere in the UK)



- 1 The National Insurance rise of 1.25% was cancelled from November (having risen in July), however the change in the tax rates on dividends which also went up 1.25% did not fall back down and remains at 8.75% for basic rate and 33.75% for higher rate taxpayers.
- 2 The cut in basic rate income tax to 19% will no longer happen in April 2023 and no date has currently been set for when it may happen.
- 3 The personal allowance remains at £12,570, and the 20% rate band stays at £37,700 meaning generally higher rate taxes start when income exceeds £50,270.
From April 2023 the 45% tax rate threshold will be lowered from £150,000 to £125,140.
- 4 The nil band for dividends is to be cut from £2,000 to £1,000 from April 2023 and again a year later to just £500.
- 5 The Capital Gains annual exempt amount will be reduced from £12,300 now to £6,000 from April 2023 and £3,000 from April 2024.
- 6 Other allowances such as the VAT registration threshold (£85,000), Employers NIC threshold (£9100) and Inheritance tax nil rate bands are all being frozen for several years.
- 7 The state pension triple lock has been protected and new state pension will rise to £203.85pw (for those retired after 6/4/16 - different rates apply for those in the previous scheme)

Company Taxation

As previously announced the higher rate of Corporation Tax starts from 1/4/23 and will be 25% for companies with profits over £250,000. Small Companies with profits under £50,000 will continue to pay at 19% and there will be a taper relief for those inbetween.

It should be noted that where there are Associated Companies the £50,000 band will be shared between those Companies, so if you are running 2 companies then each will only have a 19% band of £25,000. This could be detrimental to you if one of the Companies has low profits or even losses and you should rethink if you actually need separate Companies.

The definition of an Associated Company is quite complex and basically means Companies under the control of each other or controlled by the same person or persons - this may include Companies run by spouses, parents, children and siblings unless substantial commercial independance can be shown (no financial, organisational or economic links).

Companies that are not trading (usually, but not always fully Dormant) are excluded, but that must be for the whole accounting period.

Reminders

- a** Hopefully you are not one of the 600,000 who did not manage to file your self-assessment tax return by the end of January. Remember that you will incur a 5% penalty on any self-assessment tax outstanding at the end of February. If you have difficulties with payment you can avoid the 5% penalty by setting up a Time To Pay arrangement with HMRC to pay by installments - details here: www.gov.uk/difficulties-paying-hmrc/pay-in-instalments
- b** National Minimum Wage (NMW) increases - from 1st April the NMW for those aged over 23 will rise to £10.42 per hour. For 21-22 year olds the rate will be £10.18. There are other minimum rates for those under aged 20 and under and apprentices. www.gov.uk/national-minimum-wage-rates
- c** **ATED** - If you are a Company that owns a residential property worth over £500,000 then remember to file your ATED return 30 April. There are reliefs for let properties but the return still needs to be filed to claim these.
- d** **CGT property returns** - also a reminder if you are an individual who sells a residential property where CGT is payable then you have 60 days from completion to file a return with HMRC and pay the tax due. Approximately 20% of cases did not last tax year and incurred penalties.
- e** **Pre-tax year end actions** - as the year end nears on 5/4/23 there is a final chance to consider if there is an opportunity to:
 - (i) utilise your annual CGT allowance if you have assets you plan to sell
 - (ii) contribute to your pension and/or ISA if you have unused allowances



Making Tax Digital for Income Tax (MTDITSA)

Following increasing pressure from HMRCs own Administrative Burdens Advisory Board as well as professional bodies and others the start date of MTDITSA has been delayed again for 2 more years to April 2026.



Additionally the income threshold for that start date has been raised from £10,000 to £50,000 with those earning over £30,000 being mandated to join the following year.

As a reminder MTDITSA requires eligible businesses (most sole traders) and landlords to keep digital records and file basic tax returns quarterly using compatible software.

Basis period reform For unincorporated traders including partnerships that do not have a business year end between 31 March to 5 April then the change to a tax year basis is still going ahead. The profits for 2023/24 will be based on the period from the year ending in 2022/23 up to the 5 April 2024 (potentially up to 23 months) less a deduction for unrelieved overlap profits.

Often overlap profits are low, as they are based on the profits when the business commenced, and so the amount of profit computed that exceeds the first 12 months profit (known as "transition profits") can be spread over 5 tax years as long as the business continues to trade.

And finally - a reminder that HMRC has wide powers to request data from third parties to check the tax position of taxpayers. The latest example of this is buy-to-let landlords, HMRC are obtaining information from the tenancy deposit protection schemes to identify landlords and estimate their rents (a deposit is usually 5 weeks rent).

As always I welcome any comments and please do get in touch if I can help with anything mentioned

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