dmc newsletter

SPRING 2024

WELCOME –

DMC news

Unbelievably it has been a year since we moved into our new offices and we have all settled in really well. As ever, the practice continues to grow and develop and we are pleased to introduce you to two new members of staff who joined us very recently.

Chris Ditcham

Chris joins us from another practice with a good couple of years accountancy experience. He is currently on the path to studying for the ACCA exams. Outside of work Chris is a very keen and experienced sailor. He is also a member of a local football team, so manages to keep fit.

Saskia Gunson

Saskia has decided to undertake a career change. After many years as a very successful maths and sports teacher, she has joined us in order to pursue a career in accountancy. She is already studying for her ACCA exams. When not at work Saskia is kept busy by her two young children and in any spare time she has, she enjoys running and cycling.

2023-24 transitional year for businesses

For sole traders and partnerships, the tax year 2023-24 will be the year when business profits **must** be assessed on a tax year basis for the first time. This may involve a change to the accounting year end and also could mean that additional profits are brought into tax. If this is the case, these "transitional" additional profits can be spread over 5 years to ease the tax burden.

We have worked hard to review all our clients who are affected and to obtain from HMRC details of historic overlap relief. This relief, where available, needs to be used and will help reduce the taxable profits. From 6th April 2024, most sole trader/partnership businesses will have 31st March/5th April year ends going forward to align with the tax year.

High Income Child Benefit

From 6th April 2024, the government will raise the threshold at which the High Income Child Benefit Charge kicks in from £50,000 to £60,000. There will be a tapered charge between £60,000 and £80,000. They have also announced that they will consult on moving (from April 2026) to a household based system rather than one based on individual incomes. If you have not yet claimed Child benefit because of the previous thresholds but can now do so, note that claims can only be backdated 3 months. New claims made on or after 6 April 2024 may result in backdated payments but will be taxed by reference to the new thresholds whereas existing claims re-starting need to start after that date to get the benefit. For more details see https://www.gov.uk/child-benefit/how-to-claim

National Insurance The main rate of Class 1 employee NICs (previously reduced from 12% to 10%) will be reduced further to 8% from 6 April 2024. The main rate of Class 4 NICs, paid by self-employed earners reduces to 6% from 6 April 2024.

From that same date the rules for Self-employed Class 2 NIC are that if making profits over £12,570 you will be treated as still having a qualifying year for contributory benefits, but without paying Class 2 NIC – so saving £192.40 in 2024/25. For those making profits between £6,725 and £12,570 there will not be a saving, as they are already being treated as paying Class 2 NIC without actually having to pay it. For those with profits under £6,725 they will still have to pay Class 2 NIC voluntarily to keep up their contributions record for benefits purposes so there is not quite a complete abolishment of Class 2.

Other Budget News

Non-domicile tax changes The government will abolish the current tax regime for non-UK domiciled individuals and replace it with a residence-based regime from 6 April 2025. Under the new regime, anyone who has been tax resident in the UK for more than four years will pay UK tax on their foreign income and gains (as well as their UK income and gains), regardless of their domicile status, with a four-year relief for new arrivals (provided they have been non-tax resident for the last ten years). There will be various transitional arrangements and a repatriation facility.

<u>Business Tax Matters</u>

There were no major changes to the tax treatment or tax rates applying to companies or business activities and the higher corporation tax rates applying from 1 April 2023 will remain. These higher rates together with the reduction in self-employed national insurance rates means reviewing the best way to trade by considering again the most tax efficient way of extracting profits from limited companies. There is no easy answer and we will look at each situation on its own merits.

Many companies will only be beginning to feel the effect of the increased Corporation tax over the coming year.

Most small and medium sized businesses are able to claim all their capital allowances using the annual investment allowance of £1m. Some larger businesses with purchases over this limit use the 'full expensing relief' provisions to claim allowances. The relief gives companies effective 100% capital allowances on most capital investment in plant and machinery, although this currently does not apply to assets that are leased. The government announced it would publish draft legislation on extending the 'full expensing relief' to leased assets.

VAT change - The turnover threshold for businesses will be increased from £85,000 to £90,000 from 1 April 2024.

<u>Personal Tax Matters</u>

Capital gains tax

Remember that from 6th April 2024, the annual exemption reduces from £6,000 to £3,000 (and from £3,000 to £1,500 for trusts and some estates).

However, as announced in the Budget, the rate of tax applying to residential gains that fall into the higher rate threshold for an individual will reduce from 28% to 24%. This also applies to all residential gains made by trusts and estates. The basic rate for residential gains of individuals remains the same at 18%.

Other property tax changes – Furnished holiday lettings

From April 2025, taxpayers will no longer be able to treat their holiday property rental business as a furnished holiday let (FHL).

FHLs benefit from certain tax advantages compared with other property businesses. These will cease to apply from April 2025 and transitional adjustments are likely to be required (e.g., to bring in a disposal value for assets where capital allowances have been claimed).

Draft legislation providing for this measure will be published in due course. It will include an anti-forestalling rule to prevent the obtaining of a tax advantage through the use of 'unconditional contracts' to obtain capital gains relief under FHL rules.

Stamp duty change

Stamp duty land tax 'multiple dwellings relief' (SDLT MDR) will be abolished from 1 June 2024. Property transactions with contracts that were exchanged on or before 6 March 2024 will continue to benefit from MDR regardless of when they complete. The same will apply to other purchases that are completed before 1 June 2024. This might create a bit of a rush to complete some potential sales.

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