STREETS®
CHARTERED ACCOUNTANTS

Keeping you informed

Newsletter
Autumn 2023

INTRODUCTION

The UK economy continues to be plagued by inflation and increasing interest rates. Food and non-alcoholic beverages inflation was over 15% in the year to June 2023.

Soon, we will be contemplating higher energy bills as winter draws closer, and mortgage rates continue to rise.

Which is why we should all do our best to keep informed of news and changes that will affect our personal and business finances. Hopefully, readers will find some of the articles in our newsletter relevant to their circumstances.

And don't forget, if you need more information on any of the topics we have published, please, pick up the phone. We can help.

BUSINESS

Launch of My Charity Commission Accounts

The Charity Commission's new My Charity Commission Account service went live on 31st July.

Accordingly, the new service, which most charities have now been invited to sign up for, was available from the end of July 2023.

The regulator has described My Charity Commission Account as charities' 'front door' into the Commission, through which they will submit any remaining Annual Returns for 2022 and all Annual Returns for 2023 onwards and engage with the regulator's wider digital services.

Charities will no longer be able to file annual returns through pre-July systems. Since 31st July, all online services will be accessible with a My Charity Commission Account log-in.

Charities that did not submit their 2022 annual return by the end of July 2023 will need to start again via their My Charity Commission Account.

The Annual Return for 2023 was launched in late August via the My Charity Commission Account.

This represents a significant change for charities.. The regulator had prepared for any disruption that trustees may experience during the transition, including making additional staff available in its Contact Centre.

The roll-out of the new service began with charities' named contacts, ensuring that all charities were able to access the Commission's digital services, including to file their Annual Returns.

In the months ahead, the service will be extended to all individual trustees. This will facilitate a more direct relationship between the regulator and trustees, helping to ensure they are supported in their role and equipped to run their charities more effectively.

Just a minute

A reminder that owners and directors of limited companies have a duty to record certain transactions and decisions they make in the form of written minutes. In some situations, this obligation extends to include the filing of forms with Companies House.

Section 248 of the Companies Act 2006 says:

1. Every company must cause minutes of all proceedings at meetings of its directors to be recorded.
2. The records must be kept for at least ten years from the date of the meeting.
3. If a company fails to comply with this section, an offence is committed by every officer of the company who is in default.
4. A person guilty of an offence under this section is liable on summary conviction to a fine not exceeding level 3 on the standard scale and, for continued contravention, a daily default fine not exceeding one-tenth of level 3 on the standard scale.

To clarify, level 3 of the standard scale is £1,000.

Which begs the question, when do directors need to formalise meetings in this way? Regular meetings are not mandatory unless required by a shareholders' agreement and/or articles of association (the company's rule book), but it is recommended to convene board meetings to approve corporate changes and significant transactions. These could include major acquisitions or disposals, approving annual accounts, changing shareholdings, voting dividends or other changes to directors' remuneration packages.

At these meetings, minutes must be kept and as noted above, retained for at least ten years.

VAT & DUTIES

What is a car for VAT purposes?

As most VAT registered traders will know, the VAT charged on the purchase of a car cannot be reclaimed from HMRC. In which case, what is a car for VAT purposes?

The answer may not be as simple as you think.

The following definitions are reproduced from the Gov.uk website.

A car for VAT purposes is any motor vehicle of a kind normally used on public roads which has three or more wheels and either:

- is constructed or adapted mainly for carrying passengers; or
- has roofed accommodation to the rear of driver's seat that's fitted with side windows or that's constructed or adapted for the fitting of side windows.

The following vehicles are not cars for VAT purposes:

- vehicles capable of accommodating only one person or suitable for carrying 12 or more people including the driver;
- caravans, ambulances and prison vans;
- vehicles of not less than three tonnes unladen weight;
- special purpose vehicles, such as ice cream vans, mobile shops, hearses, bullion vans, and breakdown and recovery vehicles; and
- vehicles with a payload of one tonne or more.

A qualifying car is a car that's not been subject to the full input tax block. This means that your business or any previous owner has recovered the input tax on the purchase in full. Such cars will be sold on a normal tax invoice with VAT charged on the full selling price.

Commercial vehicle converted into a car

You can convert a commercial vehicle into a car for VAT purposes. But if you recover VAT on the purchase of the vehicle you must account for output tax when the conversion is completed. The value for VAT purposes is the value of the vehicle at the time the conversion is completed, including the cost of the conversion. You can recover VAT on any parts bought for the conversion.

Examples of some of the ways in which you might convert a commercial vehicle into a car include:

- fitting a side window or windows in a van to the rear of the driver's seat
- fitting a rear seat or seats to a van — even without side windows
- removing seats from a 12 seater vehicle

Car converted into a commercial vehicle

In some cases, you may convert a vehicle defined as a car into a commercial vehicle. This can be done, for example, by removing rear seats, seat belt mountings, and windows permanently or by adding additional seats so that the vehicle can legally seat 12 or more people. You can

only recover the VAT on the car if it was bought specifically for this conversion and not used as a car.

VAT Cash Accounting

The basic method of calculating the VAT you owe or that is due back from HMRC, is to calculate the difference between the VAT you have added to your sales and the VAT that has been added to your purchases and expenses.

If output tax (VAT added to sales) is more the input tax (VAT added to purchases and expenses) you would pay this difference to HMRC, and vice versa. This is called the accruals basis.

A major disadvantage of using this method may occur if you offer credit to your customers and the total owed is more than the credit terms you receive from your suppliers. In summary, if your debtors (amounts owed by customers) are more than your creditors (amounts owed to suppliers), then you may be paying VAT to HMRC before you receive the amounts owed, including VAT, from your customers.

To counter this disadvantage, you can elect to use the VAT Cash Accounting method. If you are eligible, see terms below, you will only pay VAT when monies are received from customers. But beware, you can only claim back VAT you have paid to suppliers rather than claiming when their invoice is received.

We can help you calculate if the use of Cash Accounting for VAT would work in your favour. You can use Cash Accounting if your business is registered for VAT and your estimated VAT taxable turnover is £1.35 million or less in the next 12 months. VAT taxable turnover is the total of everything sold that is not VAT exempt.

You cannot use Cash Accounting if:

- you use the VAT Flat Rate Scheme - instead, the Flat Rate Scheme has its own cash-based turnover method;
- you are not up to date with your VAT Returns or payments; or
- you have committed a VAT offence in the last 12 months, for example VAT evasion.

You cannot use it for the following transactions (you have to use standard VAT accounting instead):

- where the payment terms of a VAT invoice are 6 months or more;
- where a VAT invoice is raised in advance;
- buying or selling goods using lease purchase, hire purchase, conditional sale or credit sale;
- importing goods into Northern Ireland from the EU, or
- moving goods outside a customs warehouse.

You must leave the scheme if your VAT taxable turnover is more than £1.6 million.

NIC & PENSIONS

Deadline for NIC top-ups extended

Taxpayers now have until 5 April 2025 to fill gaps in their National Insurance record from April 2006 that may increase their State Pension - an extension of nearly two years - the government announced 12 June 2023.

Extending the voluntary National Insurance contributions deadline until 2025 means that people have more time to consider whether paying voluntary contributions is right for them and ensures that no-one misses out on the possibility of boosting their State Pension entitlements.

The original deadline was extended to 31 July 2023 earlier this year, and tens of thousands of people have taken advantage to pay voluntary contributions to HMRC since then. The revised deadline is expected to enable tens of thousands more to do the same.

Individuals who are planning for their retirement could benefit from this opportunity to complete gaps in their National Insurance record. Other people who may benefit include those who may have been:

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

Paying voluntary contributions does not always increase your State Pension. Before starting the process, eligible individuals with gaps in their National Insurance record from April 2006 onwards should check whether they would benefit from filling those gaps in contributions.

Automatic enrolment

Under the Pensions Act 2008, every employer in the UK must place certain staff into a workplace pension scheme and contribute towards it. This is called 'automatic enrolment'.

If you employ at least one person you are an employer and you have certain legal duties.

What you need to do next will depend on whether you are about to start your automatic enrolment duties or whether you're coming back for re-enrolment.

Ongoing duties for employers include:

1. Monitor the ages and earnings of your staff every time you pay them to see if they need to be put into a pension scheme - work out who to put back into your pension scheme.
2. Check you're paying at least the minimum contribution levels into your pension scheme - making contributions to your pension scheme.
3. Manage requests to join or leave your pension scheme and keep accurate records.
4. You must keep records of how you've met your legal duties.
5. Every three years you must carry out your re-enrolment duties and complete your re-declaration of compliance.

Full details can be obtained from The Pensions Regulator website at https://www.thepensionsregulator.gov.uk/en

EMPLOYMENT & PAYROLL

The meaning of earnings

For tax purposes, the word 'earnings' in relation to an office or employment means:

- any salary, wages or fee;
- any gratuity or other profit or incidental benefit of any kind obtained by the employee if it is money or money's worth; or
- anything else that constitutes an emolument of the employment.

The second and third bullets ensure that all money payments that are similar to salaries, fees and wages are taxed as earnings. Examples are bonuses, commissions, tips, overtime pay and extra money earnings of any kind.

Non-cash earnings

Employees may receive a gratuity or profit from the employment that does not take the form of money. These amounts count as earnings if they are money's worth.

Monies worth is defined for these purposes as something of direct monetary value to an employee, or something that is capable of conversion into money.

Other benefits in kind may be taxed under special provisions that deem them to be earnings, or that direct that they are taxed as employment income.

Earnings for NICs purposes

The word 'earnings' is defined differently for NICs purposes. The NICs definition says that earnings includes any remuneration or profit derived from employment.

In most cases, a payment that counts as earnings for tax purposes will also be earnings for NICs purposes. But the different definitions may lead to marginal differences between tax and NICs. So, in a disputed case, it's important to consider the tax and NICs definitions separately. Do not assume that the tax definition invariably applies for NICs, or vice versa.

Save As You Earn (SAYE)

SAYE is a savings-related share scheme where you can buy shares with your savings for a fixed price.

You can save up to £500 a month under the scheme. At the end of your savings contract (3 or 5 years) you can use the savings to buy shares.

The tax advantages are:

- the interest and any bonus at the end of the scheme is tax-free; and
- you do not pay Income Tax or National Insurance on the difference between what you pay for the shares and what they're worth.

You might have to pay Capital Gains Tax if you sell the shares.

You will not pay Capital Gains Tax if you transfer the shares:

- to an Individual Savings Account (ISA) within 90 days of the scheme ending; or
- to a pension, directly from the scheme when it ends.

If you do not transfer your shares to a pension immediately when the scheme ends, you can still transfer them up to 90 days later. You may have to pay Capital Gains Tax if they go up in value between when you buy them and when you transfer them.

Overdrawn directors' loans

Under the current economic difficulties there is a temptation on the part of small company directors to draw any additional funds they need and post the withdrawals to their director's loan account with their company.

As you would expect this action has tax consequences. The main issues are:

- If you don't repay the overdrawn loan within 9 months of the end of your Corporation Tax accounting period, you will be obliged to pay Corporation Tax at 32.5%. When the loan is eventually repaid you can claim this tax back, but not any interest charges you may have paid.
- If you did not pay your company interest at or above the official rate on any overdrawn balance, the discounted interest will be treated as a benefit in kind.
- If your company agrees to write off or release the loan, your company will need to deduct Class 1 NIC through the company's payroll.

If you are a shareholder and director and you owe your company more than £10,000 at any time in the year, your company must treat the loan as a 'benefit in kind' and deduct Class 1 National Insurance.

PERSONAL

Interesting tax facts about interest received

Perhaps the only plus of high inflation is that eventually, the bank are obliged to pay higher rates of interest on depositors' savings accounts.

In which case, is the interest you receive subject to tax?

The short answer is yes, but for most of us interest received may be tax-free.

As with most things subject to tax, the answer is complicated.

For example, you may receive up to £5,000 in bank interest and pay no tax on it but to fully qualify, your income from other sources – wages etc. – needs to be £12,570 or lower.

In effect, every £1 of other, non-interest income above your personal tax allowance, £12,570 during 2023-24, reduces your starting rate for interest of £5,000 by £1.

If your earnings from other sources are in excess of £17,570 you may still be able to claim a second form of tax relief called the Personal Savings Allowance (PSA). The amount you receive will depend on the Income Tax band your top slice of income is taxed.

- If you are a basic rate taxpayer your PSA is £1,000.
- A higher (40%) rate taxpayer, your PSA is £500.
- And if your top slice of income is taxed at 45%, the additional rate of Income Tax, your PSA is nil.

The PSA covers interest received from:

- bank and building society accounts
- savings and credit union accounts
- unit trusts, investment trusts and open-ended investment companies
- peer-to-peer lending
- trust funds
- payment protection insurance (PPI)
- government or company bonds
- life annuity payments
- some life insurance contracts

Savings in tax-free accounts like Individual Savings Accounts (ISAs) and some National Savings and Investments accounts do not count towards your allowance.

The good news is that HMRC should automatically take these factors into consideration when they work out your overall Income Tax position each tax year.

Offshore tax settlements

UK residents who were named in the leaked Pandora Papers are being given the chance to correct their tax affairs by HMRC.

HMRC is writing to UK residents named in the files of 14 offshore financial service providers. These providers specialise in companies, trusts, and foundations in low, or no tax, jurisdictions.

The letters, which started going out June 2023, warn recipients to report all their overseas income or gains on which they owe UK tax or face penalties of up to 200% of any tax due or prosecution.

During 2021 and 2022, the International Consortium of Investigative Journalists released more than 11 million records from 14 offshore service providers, this is known as the Pandora Papers.

As soon as these papers were released, HMRC began reviewing the data, which is the largest ever release of financial documents, surpassing the 2016 release of the Panama Papers, to find UK residents with untaxed offshore assets.

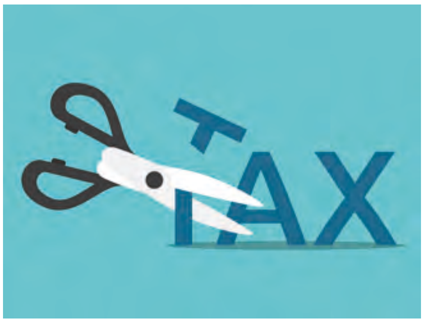
Recipients of these letters can make disclosures under the Disclosure Facilities made available by HMRC. It is important that individuals use the correct disclosure facility. If individuals aren't clear about which facility to use, HMRC would recommend getting professional tax advice.

Business Relief for Inheritance Tax

Business Relief reduces the value of a business or its assets when working out how much Inheritance Tax has to be paid.

Any ownership of a business, or share of a business, is included in the estate for Inheritance Tax purposes.

You can qualify for Business Relief of



either 50% or 100% on some of an estate's business assets, which can be passed on:

- while the owner is still alive; or
- as part of the will.

As the executor of the will or administrator of the estate, you can claim Business Relief when you're valuing the estate.

You should fill in both forms:
IHT400 (Inheritance Tax account) or schedule IHT413 (Business or partnership interests and assets).

You must use the market value of the business or asset when calculating relief at 50%.

You can claim relief on property and buildings, unlisted shares, and machinery.

Plea for Self-Assessment information

Readers are probably aware that the deadline for filing their 2022-23 Self-Assessment tax return is the 31 January 2024.

Plenty of time…

But there is an argument that having your return processed well before 31 January 2024 is advisable, otherwise you may be faced with a sizeable tax payment on the same date, 31 January 2024, with no time to organise funding of the payment.

Even HMRC agrees with this advice. In a press release issued on 26 July 2023 they said:

"Self-Assessment customers could take advantage of four key benefits when filing their tax return early, HM Revenue and Customs (HMRC) has revealed.

The four benefits to filing early are:

- *Planning: find out what you owe for the 2022-23 tax year as soon as you have filed, which allows for more accurate financial planning.*
- *Budgeting: spread the cost of your tax bill with weekly or monthly payments using HMRC's Budget Payment Plan.*
- *Refund: Check if you're due a refund in the HMRC app once you've filed.*
- *Help: you can access a range of online guidance and information to help you file your return and get help if you are unable to pay your bill in full by the 31 January deadline. You may be able to set up a Time to Pay plan."*

If your return for 2022-23 has not been processed and you still have to sort through your papers so that we can crunch the numbers for you, can we request the missing information sooner rather than later.

Banning scam calls

Plans to ban cold calls for financial products such as sham cryptocurrency schemes, mortgages and insurance have been set out with the launch of a consultation, marking the next step in delivering the government's Fraud Strategy.

The 8-week consultation, published on 2 August, will cover proposals to ban cold calls offering any financial products to clamp down on fraudsters seeking to trick people into buying fake investments. Once in force, people receiving a cold call, offering these types of products will know that it is a scam, and fewer people will become victims.

Fraudulent investment schemes represent a significant threat to the UK economy, consumers, and society, with victims losing £750 million between 2022-23, according to data from the City of London Police.

A specialist team which provides support to victims of fraud, known as the National Economic Crime Victim Care Unit, has also been rolled out to all 43 police forces across England and Wales since the Fraud Strategy was announced.

Reducing Capital Gains Tax Allowances

The current Chancellor has decided that the 2022-23 tax-free allowance for Capital Gains Tax (CGT) purposes was too high. For 2022-23 the allowance was £12,300 for individuals and £6,150 for trusts.

These allowances are reduced to £6,000 (individuals) and £3,000 (trusts) for the current tax year, 2023-24.

And in the following year, 2024-25, to £3,000 (individuals) and £1,500 (trusts).

As we have advanced warning of these changes, if you are contemplating the disposal of an asset that would be subject to CGT when sold, then selling sooner rather than later may save you tax.

MISCELLANEOUS

Set up a charity

There are six crucial steps to successfully setting up a charity, each involving careful planning and adherence.

1. Find trustees for your charity - you usually need at least 3.
2. Make sure the charity has 'charitable purposes for the public benefit'.
3. Choose a name for your charity.
4. Choose a structure for your charity.
5. Create a 'governing document'.
6. Register as a charity if your annual income is over £5,000 or if you set up a charitable incorporated organisation (CIO).

Different rules apply when setting up a charity in Scotland and Northern Ireland.

To qualify for tax relief your charity needs to be recognised by HMRC.

FINANCIAL CALENDAR

October 2023

5 Deadline to notify HMRC of chargeability to Income Tax or CGT for 2022/23.

14 Due date for CT61 return and CT payment for quarter to 30 September 2023.

31 Deadline to submit 2022/23 Self Assessment tax return if filed on paper.

November 2023

2 Submit employer forms P46 (car) for quarter to 5 October 2023.

December 2023

30 Last day to submit 2022/23 tax return online to have unpaid tax of up to £17,000 collected through the 2024/25 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 2024

14 Due date for CT61 return and CT payment for quarter to 31 December 2023.

31 Submit 2022/23 Self Assessment return online. Pay balance of 2022/23 Income Tax and CGT plus first payment on account for 2023/24.

February 2024

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

March 2024

31 Last minute planning for 2023/24 tax year. Make sure to use any CGT and IHT annual allowances and exemptions.

April 2024

5 Last day of tax year (6 April 2024, first day of new tax year).

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

May 2024

3 Submit employer forms P46 (car) for quarter to 5 April 2024.

31 Last day to issue 2023/24 P60s to employees.

July 2024

5 Final date to agree 2023/24 PAYE Settlement Agreements (PSA).

6 Last date for returns of expenses and benefits (forms P11D, P9D and P11D(b)) for 2023/24 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 2023/24 (forms 34, 35, 39, 40 and 42).

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

22 Class 1A NICs for 2023/24 due (19th if paid by cheque).

31 Due date for second payment on account of 2023/24 Income Tax and Class 4 NICs.

31 Last day to pay 2022/23 tax to avoid second automatic 5% surcharge (unless late payment agreed with HMRC).

August 2024

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

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 2023 for year ending 31 December 2022.

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.

STREETS®
CHARTERED ACCOUNTANTS

We are a top 40 UK firm of chartered accountants, tax specialists and business advisors.

Check out our app!

It is feature rich with tools such as our document portal, mileage tracker, rates and allowances, the latest topical news and other resources. Includes payslip, loan and savings calculators.

Search for “Streets Chartered Accountants” in your favourite app store!

Listen to our business podcast.

The Streets Sessions, via anchor or your preferred streaming platform.’

Connect with us

info@streetsweb.co.uk

streetsweb.co.uk

streets-chartered-accountants

@streetsacc

streets-chartered-accountants

streetsacc1