CHP Accountants Limited *February 2024*

Clifton House
Four Elms Road
Cardiff CF24 1LE

Tel: 029 2046 4448
office@chpaccountants.co.uk
www.chpaccountants.co.uk

Tax E-News

Welcome to our latest monthly tax newswire. We hope you enjoy reading this newsletter and find it useful, please contact us if you wish to discuss any issues further. Note that unless specified otherwise the figures mentioned in this newsletter apply to the 2023/24 tax year, the last day of which is 5 April 2024. The chancellor has announced that the Spring Budget will take place on Wednesday 6 March and we cannot predict what the government might do in what is anticipated to be the final budget before a general election, but pre-election budgets often have tax giveaways so it is sure to be interesting (to us accountants, at least!).

YEAR END TAX PLANNING

It's never too late to undertake end of year tax planning. If you have spare cash, an obvious tax planning point would be to maximise your ISA allowances for the 2023/24 tax year (currently £20,000 for the over-18s, with Case ISAs available to the over16s). You might also want to consider increasing your pension savings before 5 April 2024.

USE A LIFETIME ISA (LISA) TO SAVE FOR YOUR FIRST HOME

Those aged between 18 and 40 can set up a Lifetime ISA (Individual Savings Account) to buy their first home or save for later life. You can put in up to £4,000 each year until you're 50. The government will add a 25% bonus to your savings, up to a maximum of £1,000 per year. Note that the Lifetime ISA limit of £4,000 counts towards your £20,000 annual ISA limit.

You can withdraw money from your ISA if you're:

- buying your first home,
- aged 60 or over, or
- terminally ill, with less than 12 months to live.

However, you'll pay a withdrawal charge of 25% if you withdraw cash or assets for any other reason (an unauthorised withdrawal), which recovers the government bonus you received on your original savings.

PENSION PLANNING

Under the current rules, the government adds to your pension contributions at the basic rate of tax, currently 20%. For instance, if you save £4,000 in a personal pension, the government tops this up to £5,000. If you are a higher rate taxpayer there is a further £1,000 tax relief when your tax liability is calculated, reducing the net cost to £3,000.

Additional pension contributions can be particularly effective if your income is between £100,000 and £125,140 which is the band of income where your £12,570 personal allowance is tapered away to nothing. The loss of the income tax allowance means that the extra tax payable within this band of income (known as the "marginal rate") is at the rate of 60%, because the 'regular rate' of 40% is made worse by the loss of the personal allowance. The gross value (eg £5,000) of pension contribution would reduce your taxable income and saves tax at the marginal rate of 60% for this band of income, meaning that the net cost of getting £5,000 into your pension scheme is even lower, at £2,000.

You might also want to consider increasing your pension savings before 5 April 2024, as the unused annual pension allowance from 2020/21 lapses after three years.

CHP Accountants Limited *February 2024*

Clifton House
Four Elms Road
Cardiff CF24 1LE

Tel: 029 2046 4448
office@chpaccountants.co.uk
www.chpaccountants.co.uk

CAPITAL GAINS TAX PLANNING

You might wish to consider bringing forward capital gains to before 6 April 2024 where you haven't used your £6,000 Capital Gains Tax (CGT) annual exemption. This exempt amount reduces to just £3,000 for gains made in 2024/25. However if you are selling residential property and CGT is payable don't forget that you have to report the gain to HMRC and pay the CGT due within 60 days of the sale. Please consult us if you are considering selling residential property.

CAPITAL EXPENDITURE PLANNING

Unless the business year end is 31 March or 5 April, the end of the tax year is not a significant date as far as capital allowances are concerned. In order for new equipment to attract capital allowances, the expenditure must be incurred on or before the end of the accounting period. Limited companies buying new (not second hand) equipment are entitled to fully expense the cost of most acquisitions against business profits. There is no financial limit on expenditure qualifying for this "full expensing" relief.

Unincorporated businesses are entitled to 100% write off for the first £1 million spent on new and used equipment in a 12 month period. This "annual investment allowance" (AIA) is also available to limited companies buying second hand equipment. The AIA does not apply to motor cars but there is a special 100% tax relief if you buy a new zero-emissions motor car.

Where equipment is bought under a hire purchase contract, the capital allowances outlined above are available on the full cost of the asset provided it has been brought into use by the end of the accounting period. This is despite the fact that the payments may be spread over a number of years.

GET READY FOR MORE R&D CHANGES

On top of the major changes to research and development (R&D) tax relief that took effect from 1 April 2023, there are yet more changes that take effect from 1 April 2024.

The main change from 1 April 2024 is that most companies carrying out qualifying R&D will be entitled to a 20% expenditure credit. The 20% is calculated on the amount of qualifying expenditure. Qualifying expenditure is extended to include subsidised expenditure from 1 April 2024, although R&D carried out overseas will no longer qualify unless the work cannot be undertaken in the UK.

"R&D intensive" companies that make trading losses will continue to be entitled to a tax refund instead of the expenditure credit. The definition of "R&D intensive" is reduced from 40% to 30% from 1 April 2024, which means a company that spends at least 30% of total expenditure on qualifying R&D.

R&D tax relief continues to be a complex area and we can work with you to help you prepare a valid claim.

DON'T FORGET TO PAY YOUR PERSONAL TAX BILL

2022/23 income tax, CGT, class 2 and 4 NIC liabilities should have been paid by 31 January 2024 unless you have agreed a payment plan with HMRC. Note that if a balance is still unpaid at the end of February 2024 for the 2022/23 tax year, a 5% surcharge penalty is added in addition to the normal interest charge unless a payment plan has been agreed. Its not too late to set up a Time To Pay agreement with HMRC and you can do this from your online Personal Tax Account if you have one, or by phoning HMRC on 0300 200 3820

CHP Accountants Limited *February 2024*

Clifton House
Four Elms Road
Cardiff CF24 1LE

Tel: 029 2046 4448
office@chpaccountants.co.uk
www.chpaccountants.co.uk

ADVISORY FUEL RATE FOR COMPANY CARS

The table below sets out the HMRC advisory fuel rates from 1 March 2024. These are the suggested reimbursement rates for employees' private mileage using their company car.

Where the employer does not pay for any fuel for the company car, these are the amounts that can be reimbursed in respect of business journeys without the amount being taxable on the employee.

Engine Size	Petrol	Diesel	LPG
1400cc or less	14p (14p)		10p (10p)
1600cc or less		13p (13p)	
1401cc to 2000cc	16p (16p)		12p (12p)
1601 to 2000cc		15p (15p)	
Over 2000cc	26p (26p)	20p (20p)	18p (18p)

Where there has been a change the previous rate is shown in brackets. You can continue to use the previous rates for up to 1 month from the date the new rates apply.

Note that for hybrid cars you must use the petrol or diesel rate. For fully electric vehicles the rate is 9p per mile.

DIARY OF MAIN TAX EVENTS
FEBRUARY/MARCH 2024

Date	What's Due
1 February	Corporation tax for year to 30/4/2023 unless quarterly instalments apply.
19 February	PAYE & NIC deductions, and CIS return and tax, for month to 5/2/24 (due 22/2 if you pay electronically).
29 February	5% penalty imposed on 2022/23 income tax, CGT, class 2 and 4 NIC still unpaid at this date unless a payment plan has been agreed with HMRC
1 March	Corporation tax payment for year to 31/5/23 (unless quarterly instalments apply)
6 March	Budget Day
19 March	PAYE & NIC deductions, and CIS return and tax, for month to 5/03/24 (due 22/03 if you pay electronically)

Content accurate as of 31 January 2024