

Tax E-News

Welcome to our monthly newswire. We hope you find this newsletter informative and please contact us to discuss any matters further.

September 2022

BACK TO SCHOOL – CHILDCARE VOUCHERS OR TAX-FREE CHILDCARE ACCOUNT?

There continues to be poor take-up of the Childcare Account, which benefits from a government contribution of up to a maximum of £2,000 if your funding of the account is £8,000.

The scheme applies to children under 12 and the account can be used to pay nursery fees, breakfast clubs, after school clubs and registered childminders. In contrast childcare vouchers may be used to pay for childcare up to age 16. Despite the PAYE and NIC advantages not all employers provided childcare



vouchers.

Childcare Accounts are available to both employees and the self-employed. To be eligible the parent generally needs to be working and earning at least the National Minimum Wage or Living Wage for 16 hours a week on

average. For a 3 month period they need to earn at least £1,976 but they are not eligible if their adjusted net income is more than £100,000 a year.

INTERACTION WITH CHILDCARE VOUCHER SCHEMES

Tax-free childcare accounts will gradually replace childcare voucher schemes as no new schemes could be set up after 4 October 2018. Those within voucher schemes continue to be eligible until their child is aged 16, assuming the employer is willing to continue operating the scheme. Many organisations provided the vouchers by way of salary sacrifice and there were tax and NIC advantages. However, with many employees working from home during the pandemic and the move to hybrid working many families found that they were not using all of their vouchers and chose to leave the scheme.

Note that the two schemes are mutually exclusive, and employers must stop giving their employees childcare vouchers with income tax and NIC relief if the employee informs them that they've started using the Tax-Free Childcare scheme.

The employer may need to stop or change the employee's salary sacrifice arrangement and must also update the employee's contract and their payroll software.

SELF-EMPLOYED NEED TO PLAN FOR BIG TAX BILLS IN 2024

The basis of assessment of self-employed profits are scheduled to change from 6 April 2024; note that companies are not affected by these changes. The new rules mean that profits (and losses) will be assessed based on the amounts arising between 6 April and 5 April instead of the profit/loss of an accounting period ending within the tax year. This means that where the business accounts do not coincide with tax year (any year-end other than 31 March or 5 April) the profits or losses will need to be apportioned. This is linked to the start of Making Tax Digital for Income Tax.

Transitional rules proposed for the 2023/24 tax year could result in large tax bills for some sole traders and partners, particularly those with a year end of 30 April. The profits of year ended 30 April 2022 will be taxed in 2022/23 under the current rules and profits arising between 6 April 2024 and 5 April 2025 will be taxed in 2024/25 under the new rules. But what about 2023/24?

The profits taxed in 2023/24 would be those for year ended 30 April 2023 plus the period 1 May 2023 to 5 April 2024 - in total 23 months profits!

The good news is that there will be a deduction for "overlap relief" (11 months for a 30 April year-end) which normally arose when profits were taxed twice at the start of the business - but those will typically be much lower than the extra 11 months being taxed in 2023/24.

The transitional provisions provide for the "excess" profits to be spread over the following 5 tax years to smooth out the excess tax bill, but if your business profits are particularly low in the year(s) ending 30 April 2022 or 30 April 2023 it could be an option to change your accounting year-end prior to the transition and we will be pleased to consider this for you.

ADVISORY FUEL RATE FOR COMPANY CARS

Engine Size	Petrol	Diesel	LPG
1400cc or less	15p (14p)		9p
1600cc or less		14p (13p)	
1401cc to 2000cc	18p (17p)		11p
1601 to 2000cc		17p (16p)	
Over 2000cc	27p (25p)	22p (19p)	17p (16p)



The figures in the table above are the HMRC suggested reimbursement rates for

employees' private mileage using their company car from 1 September 2022.

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 tax-free. Any change the previous rate is shown in brackets.

Note that for hybrid cars you must use the petrol or diesel rate. You can continue to use the previous rates for up to 1 month from the date the new rates apply.

PROPOSED CHANGES TO CGT ON SEPARATION

In response to a recommendation by the Office of Tax Simplification the government introduced draft legislation for inclusion in Finance Bill 2023 that extends the no gain/no loss rule when a couple separate.

The current no gain/no loss rule means that there is no CGT on transfers of assets between spouses or civil partners only up to the end of the tax year in which they separate. The divorce settlement or court order that transfers assets between the couple often takes place many months after the separation so may lead to CGT being payable.

The main proposal is that separating spouses or civil partners will be given up to three years after the year they cease to live together in which to make no gain/no loss transfers. In addition no gain/no loss treatment would also apply to assets transferred as part of a formal divorce agreement.

DIARY OF MAIN TAX EVENTS SEPTEMBER / OCTOBER 2022

Date	What's Due
1 September	Corporation tax for year to 30/11/21 unless pay by quarterly instalments
19 September	PAYE & NIC deductions, and CIS return and tax, for month to 5/9/22 (due 22 September if you pay electronically)
1 October	Corporation tax for year to 31/12/21 unless pay by quarterly instalments
5 October	Deadline for notifying HMRC of chargeability for 2021/22 if not within Self-Assessment and receive income or gains on which tax is due
19 October	PAYE & NIC deductions, and CIS return and tax, for month to 5/10/22 (due 22 October if you pay electronically)

Please contact a member of our team if you would like to discuss any of the issues raised.

Call: 029 2046 4448 Email: office@chpaccountants.co.uk