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TAX NEWS

JUNE 2024

Welcome to the June edition of Tax News!
We hope that you find our selection of tax tips and updates useful and informative.

TAX DIARY

DATE	WHAT'S DUE
01 June	**Corporation tax payment** for year to **31/8/23** (unless quarterly instalments apply)
19 June	**PAYE & NIC** deductions, and **CIS return and tax,** for month to 5/06/24 (due 22/06 if you pay electronically)
01 July	**Corporation tax payment** for year to **30/9/23** (unless quarterly instalments apply)
05 July	**Last day** for agreeing **PAYE settlement agreements** for 2023/24 employee benefits
05 July	Deadline for **agents** and **tenants** to submit returns of rent paid to non-resident landlords and tax deducted for 2023/24.
06 July	Deadline for forms **p11D** and **P11D(b)** for 2023/24 taxy tears. Also, deadline for notifying HMRC of shares and options awarded to employees.
19 July	**PAYE & NIC** deductions, and **CIS return and tax,** for month to 5/07/24 (due 22/07 if you pay electronically)
31 July	50% payment on account of 2024/2025 tax liability due

HOW CAN YOU SAVE ON CAPITAL GAINS TAX?

Over the last two years, the tax-free allowance for capital gains tax has been cut by over three-quarters. For the tax year that recently began on 6 April 2024, the Annual Exempt Amount has been reduced to £3,000 (£1,500 for trustees).
These reductions mean that more and more of us are likely to be affected by capital gains tax.

What is capital gains tax?

You could think of capital gains tax as a tax you pay when you make money from selling something that has increased in value. This "something" could be anything from a house to shares or even a piece of art. So, let's say you bought shares for £500 and sold them later for £1,000. The £500 profit you made could be subject to capital gains tax.

How much tax you pay depends on a few things. Firstly, it depends on what you are selling and how much profit you have made. Secondly, it depends on how much money you make overall in a year. For instance, if you earn more, you might pay a higher rate of tax on your gains. Thirdly, the total amount of gain you make in a tax year is reduced by the Annual Exempt Amount. However, not all gains are taxed. For instance, if you sell your main home or certain types of investments like ISAs, you might not have to pay any tax on the profit.

Are there ways you can reduce capital gains tax?

There are a few things you could think about doing to help reduce the amount of capital gains tax:

- As mentioned above, the rate of tax you pay depends on how much money you make overall. Reducing the income you are taxed on might mean you can pay capital gains tax at a lower rate. (E.g. making pension contributions can reduce your income for tax purposes.)
- Where an asset can be separated into different parts (a portfolio of shares would be a good example) you might be able to split the sale between two tax years. *(E.g. you might sell some shares on 5th April, and then more shares on 6th April. This could give you two years' worth of allowances to spread your gain against.)*
- If you have no plans to sell off assets during a tax year, you could sell some of them to use up your Annual Exempt Amount, and then immediately buy them back within an ISA. Any future gains you make on those assets will then be tax-free.
- The Annual Exempt Amount can be combined for jointly owned assets, so you may be able to split your assets with your spouse or civil partner. You can also transfer assets between you without having to pay capital gains tax. If your spouse or civil partner pays income tax at a lower rate than you do, or perhaps has made a loss on selling other assets, this might be a way of reducing the capital gains tax you pay as a couple.

As experienced tax advisers, we have tools that can help you calculate what capital gains tax you might have to pay and can provide personalised advice on the steps that may help you reduce that tax. Why not talk to us to make sure you're following the rules and not paying more tax than you need to?

REPORT EMPLOYEE BENEFITS ON FORM P11D BY 6 JULY

P11d forms for reporting expenses and benefits in kind provided to employees and directors in 2023/24 need to be submitted by 6 July 2024. Note that paper forms are no longer acceptable; the return must be made online using PAYE Online for employers or commercial software.

Remember that reimbursed expenses no longer need to be reported where they are incurred wholly, exclusively and necessarily in the performance of the employee's duties. Dispensations from reporting are no longer required, although HMRC would expect internal controls to be in place to ensure that the expenses qualify.

Note also that trivial benefits of no more than £50 provided to employees need not be reported. This typically covers non-cash gifts to employees at Christmas and on their birthdays and can include gifts of food and alcohol. Again, the employer needs to keep a record of the benefit provided and the justification. It should not be provided as a reward for past or future service.

For help and advice on P11D forms, please don't hesitate to get in touch and we'll be happy to help.

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SHOULD EMPLOYEES REIMBURSE THEIR EMPLOYER FOR PRIVATE FUEL?

Where a company car is provided for use by an employee or director there is a benefit in kind taxable on the employee based on the original list price of the vehicle multiplied by the CO2 emissions percentage for that vehicle. There is an additional benefit in kind where private fuel is paid for by the employer, which also needs to be reported on form P11d unless the employer has arranged with HMRC to deal with the tax on the benefits via monthly payroll.

Note that unless the employee fully reimburses the employer for private mileage, the additional benefit in kind is based on a notional list price of £27,800 multiplied by the CO2 emissions percentage for that vehicle. That could be as much as 37%, £10,286 for a car with high CO2 emissions. That would mean £4,114 income tax for a higher rate taxpayer. That would be an awful lot of fuel! In addition, there would be £1,419 class 1A national insurance contributions payable by the employer.

The table below sets out the HMRC advisory fuel rates that apply from 1 June 2024. These are published quarterly these days due to the volatility in petrol and diesel prices in recent years.
Note that this is an all or nothing benefit and, unless there is full reimbursement, there is an additional taxable benefit. The deadline for reimbursing private fuel is 6 July 2024 for the 2023/24 tax year.

ADVISORY FUEL RATE FOR COMPANY CARS

The table to right sets out the HMRC advisory furl rates from 1 June 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.

Where there has been a change the previous rate is shown in brackets. You can also 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 8p (9p) per mile.

Engine Size	Petrol	Diesel	LPG
1400cc or less	14p (13p)		11p (11p)
1600cc or less		13p (12p)	
1401cc to 2000cc	16p (15p)		13p (13p)
1601 to 2000cc		15p (14p)	
Over 2000cc	26p (24p)	20p (19p)	21p (21p)

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Employees using their own cars

For employees using their own cars for business purposes the Advisory Mileage Allowance Payment (AMAP) tax-free reimbursement rate continues to be 45 pence per mile (plus 5p per passenger) for the first 10,000 business miles, reducing to 25 pence a mile thereafter. Note that for National Insurance contribution purposes the employer can continue to reimburse at the 45p rate as the 10,000 threshold does not apply.

Input VAT

Within the 45p/25p payments the amounts in the table (left) represent the fuel element. The employer is able to reclaim 20/120 of the amount as input VAT provided the claim is supported by a VAT invoice from the filling station. For a 2500cc petrol-engine car, 4 pence per mile can be reclaimed as input VAT (24p x 1/6).

2023/24 EMPLOYMENT-RELATED SECURITIES RETURNS DUE BY 6 JULY

The deadline for reporting shares and securities and share options issued to employees for 2023/24 is 6 July 2024. This is the same as the deadline for reporting expenses and benefits provided to employees on form P11d for 2023/24.

Employers must submit their employment related securities annual returns online and attach the appropriate spreadsheet template if they have something to report. HMRC provide templates on their website that may be downloaded in order that the information may be entered and uploaded. Note that there are different templates for each of the four tax-advantaged employee share schemes – Company Share Option Plan (CSOP), Enterprise Management Incentives (EMI), Save and You Earn (SAYE) share options and Share Incentive Plans (SIP). In addition, employers need to report any other employment-related securities (non tax-advantaged) issued to employees and directors.

We can of course assist you with the completion of the reporting obligations and with the valuation of the securities concerned. Call us today for any assistance.

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HMRC OFFICIAL RATE OF INTEREST REMAINS AT 2.25%

HMRC have announced that the official rate of interest will remain at 2.25% for 2024/25, despite the Bank of England Base Rate currently standing at 5.25%. The official rate of interest is used to calculate the income tax charge on the benefit of employment related loans and the taxable benefit of some employment related living accommodation. These rates used to fluctuate in line with base rate, and changed several times a year, but in recent years HMRC has fixed the rate for the whole tax year making the calculation of the taxable benefit easier to compute.

For those employers including beneficial loans on form P11d for 2023/24 the official rate to be used is 2.25%. The charge applies where the amount of the loan exceeds £10,000.

SHOULD DIRECTORS/SHAREHOLDERS TAX ADVANTAGE OF THIS LOWER RATE?

As mentioned above the HMRC rate of interest on beneficial loans looks very attractive compared to the Bank of England Base rate of 5.25%, and much higher rates charged by banks for unsecured loans.

Note that where loans are made to participators (broadly shareholders) of a close company there is potentially a special tax charge on the company on any loan still outstanding 9 months after the end of the accounting period. The charge is currently 33.75%, the same as the higher rate of tax on dividend income. This tax charge is only repaid to the company after the loan to the participator is repaid or written off.

For example, Fred, the managing director and controlling shareholder of Bloggs Ltd is loaned £100,000 interest free on 6 April 2023. No repayments are made in the year ended 31 March 2024. The company would need to show a taxable benefit in kind on Fred's 2023/24 P11d of £2,250 (2.25%) If Fred repays the loan in full before 31 December 2024 there would be no special charge on the company although Fred would be assessed on the beneficial loan for the 9 months that the loan was in existence in 2024/25.

Note that there are anti- "bed and breakfast" rules to counteract the situation where the loan is readvanced by the company. The anti-avoidance would not apply where the loan is cleared by crediting a bonus or dividend to Fred's loan account.

If however, only £60,000 was repaid by Fred before 31 December 2024 leaving £40,000 outstanding then there would be a tax charge on the company of £13,500 (assuming 33.75% dividend rate continues) which would be payable in addition to the company's corporation tax liability for year ended 31 March 2024. The company would show a taxable benefit in kind on Fred's 2024/25 P11d based on the official rate of interest on beneficial loans for 2024/25.

If the company then decides to write off or waive the outstanding loan in year ended 31 March 2025 the £13,500 would be refunded. However, Fred would be assessed on the £40,000 as an income distribution (dividend) arising at the date of waiver in 2024/25.

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ARE YOU AN EARLY BIRD?
SELF-ASSESSMENT TAX RETURNS

HM Revenue & Customs (HMRC) have released figures showing that 295,250 Self Assessment tax returns were filed in the first week of the new tax year. Almost 70,000 were filed on the first day – April 6th.
This seems to suggest an increasing trend for filing tax returns early. Last year, 246,210 returns were filed in the opening week.

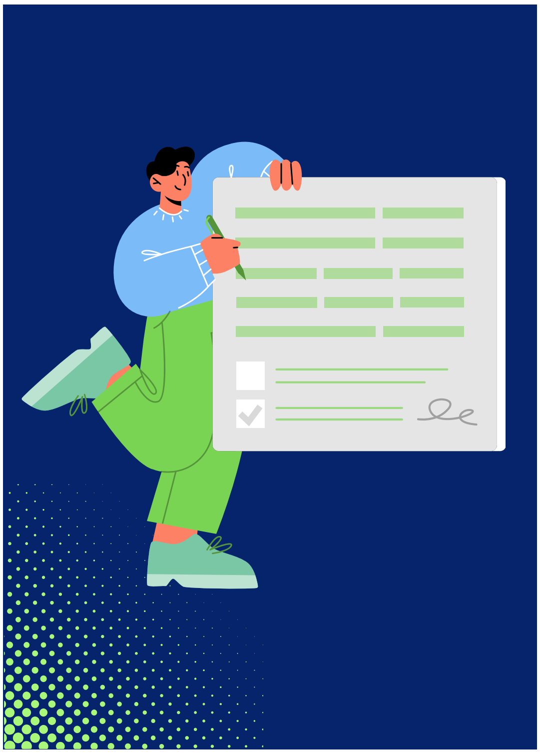
Tax returns do not need to be filed until 31 January 2025, however filing early does bring advantages. You get more time to budget and plan for paying your tax bill as well as peace of mind from knowing an essential task has been ticked off your to-do list.

However, it is especially good if you have overpaid tax since tax refunds will be paid as soon as the return has been processed, Therefore, the earlier the tax return is filed, the earlier a refund can be received.

You may need to complete a tax return for the 2023 to 2024 tax year if:

- You are self-employed with an income over £1,000.
- You received any untaxed income in the year over £2,500.
- You rent out one or more properties.
- You claim Child Benefit but you or your partner's income is above £50,000.
- You are a partner in a partnership business.
- Your taxable income from savings and investments is more than £10,000.
- Your taxable income earned from dividends is more than £10,000.
- You have paid Capital Gains Tax on assets sold for a profit above the Capital Gains threshold.

If you would like help in completing your tax return, please do not hesitate to contact us at any time. We will be happy to help you!



WE'RE TAX EXPERTS.
AND WE'RE HERE TO HELP.

At Wellway, we're able to help minimise your tax liability, and maximise your peace of mind.
For any questions or concerns regarding tax, contact us today to see how we can help.