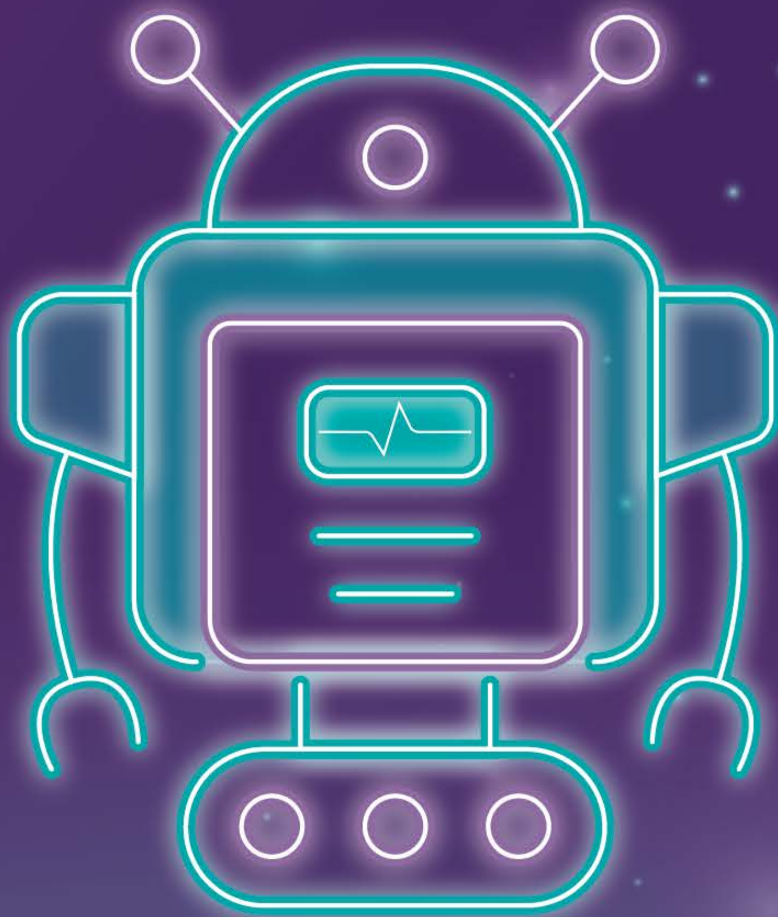
ammu
accounting matters



tax matters

2024 - 25

15 actions to take before 6 April 2025

1. Pay what you can into your pension.

2. Make the most of your ISA allowance.

3. Check you are making the best use of tax-free savings and dividend allowances.

4. Use your IHT gifting allowances to avoid unnecessary Inheritance Tax liabilities.

5. Avoid paying Capital Gains Tax by utilising your annual CGT exempt amount by making any available disposals.

6. If you are selling a home, check if you have Capital Gains Tax (CGT) to pay.

7. Check your PAYE Tax Code is correct – simple but costly mistakes do happen!

8. Utilise your personal allowance in full: you can transfer 10% of the personal allowance to your spouse to reduce their tax bill.

9. Transfer certain income streams to your partner to maximise the tax-free savings and dividend income limits.

10. Make sure you tell HMRC which property should be treated as your main home for Capital Gains tax purposes.

11. Contribute to your child's Junior ISA.

12. Consider the timing of dividends and bonuses to minimise tax rates.

13. If you are aged over 55, take advice about the options for drawing your pension savings.

14. Plan your capital gains to utilise capital losses.

15. Consider investing in an EIS-qualifying company, SEIS or VCT to reduce your income tax liability and amounts chargeable to IHT.

Not every action is relevant to your unique circumstances so always seek expert financial advice.

welcome

Welcome to our comprehensive guide to managing your financial and tax affairs! I understand that recent years have presented numerous financial challenges. Also, as new tax band rates are introduced and income changes, the higher rate taxpaying status is becoming ever more common. I can reassure you I am here to help you stay on top of your tax planning and be confident in a more secure financial future.

In this guide, you will find expert advice from myself and my colleagues on income and investment, business tax matters, and planning tips for couples, company directors, and employees.

My goal is to help you navigate the complexities of tax planning and be your trusted adviser. Whether you're preparing to pass on your wealth, retire, or start a new business, Ammu's Accounting team is here to offer bespoke guidance tailored to your specific needs.

So, take a few moments to read the 4th edition of Ammu Accounting's Tax Matters, and discover how our expert advice and insights can help you maximise your financial potential.

I look forward to hearing from you to arrange a consultation.

Emily Wilson
corporate + personal tax associate

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personal + family matters

Scottish tax

As you are aware income tax is a partially devolved tax in Scotland. The Scottish Government is responsible for setting the rates and bands each year for non-savings income. In the last Scottish Government's budget statement a new tax band was created meaning Scotland now has six different income tax rates (detailed below).

Currently, the Scottish Rate of Income Tax (SRIT) applies to non-savings income - directly affecting those who earn through employment, pensions, self-employment, and property income.

If you're a UK resident who splits their time between Scotland and the rest of the UK, it's especially important to consider your residency position carefully.

The UK Government continues to set the rates for all other income and allowances and reliefs that apply. For example, your personal allowance (£12,570) and other allowances such as those applicable to savings and dividends are set by the UK Government and apply to Scottish taxpayers on the same basis as all UK taxpayers.

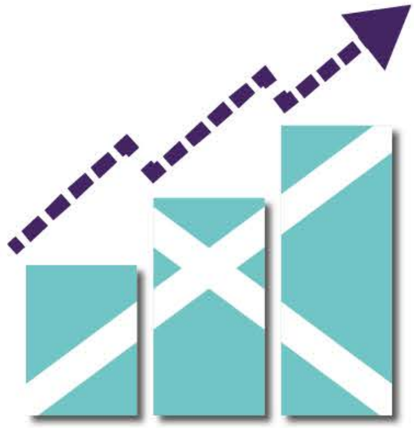
income tax

In Scotland, the starter, basic, intermediate and higher rate bands will be unchanged for 2024/25. A new tax band called the advanced rate band will apply a 45% tax rate on annual income between £75,000 and £125,140. The top rate will rise by 1% to 48% on all income over £125,140.

income thresholds

The starter, basic and intermediate thresholds will rise with inflation, the higher rate (42%) will still kick in at £43,662. The advanced rate (45%) applies on the next slice from £75,001 up to £125,140. The top rate (48%) threshold will remain at £125,140.

For 2024/25 to 2027/28, the personal allowance will remain at £12,570.



income tax rates for 2024-25:

See 2024-25 tax rates table for the full UK and Scottish tax rates, reliefs and allowances available to download at:

https://ammu.uk/wp-content/uploads/2024/05/65ad726d-3c13-411d-8636-82c5921e58d4.pdf

UK taxpayers excluding Scottish taxpayers' 24/25

24/25 non-dividend, non-savings income 20% basic rate on taxable income up to £37,700. 40% higher rate on next slice of income over £37,700. 45% additional rate on income over £125,140.

income tax savings for couples

If you're in a couple, switching income from one spouse to the other can help save tax.

All individuals should make sure they use their personal allowance and, as much as possible, reduce income charged at higher, advanced or top rates.

5 planning tips

1. For the under 75s, making pension contributions can reduce the amount of income tax paid at the higher, advanced or top rates and prevent or reduce the withdrawal of the personal allowance.

2. Couples may be able to reduce their income tax bill by transferring income-producing investments between themselves before 2024/25, although CGT may be payable if they are not married or in a civil partnership.

3. Couples can make the most of their £500 dividend tax free allowance in 2024/25 and single taxpayers can receive up to £1,000 of savings income tax free. There is no such savings allowance for additional rate taxpayers.

4. If you have little or no earnings or pension income, you might also benefit from a 0% tax rate on up to the first £5,000 of taxable savings income. Again, shifting assets between a couple can help minimise tax. A £1,000 tax-free allowance is available for income from property, such as where a parking space is let out, so joint ownership could result in a modest tax saving.

5. The marriage allowance allows spouses or civil partners who are non-taxpayers to transfer 10% of their personal allowance to the intended recipient, provided the recipient pays tax at no more than the basic rate, and can be claimed up to four tax years back. i.e. back to 2021/22.

inheritance tax planning

Most inheritance tax (IHT) planning is not related to the tax year end, but this is as good a time as any to review your position.

The IHT nil rate band will remain at £325,000 until 2027/28. The Residence Nil Rate Band (RNRB) likewise stays at £175,000 and the RNRB taper continues to apply until April 2028 if the value of a deceased person's estate is greater than £2 million.

IHT is payable if a person's assets on death, plus gifts made in the seven years before death, add up to more than the nil rate band, currently £325,000. The residence nil rate band is also available where a residence is left to direct descendants – £175,000 in 2024/25.

Consider Lifetime gifting as a way of reducing the value of your estate.

Gifts totalling up to £3,000 in a tax year are exempt from IHT. If you didn't use this exemption in 2023/24, you can make IHT-free gifts of up to £6,000 before 6 April 2025.

Leaving assets/money to a charity in your will can reduce the total amount of IHT that will be paid on your estate as gifts to charity are free of IHT. If 10% of your net estate is left to charity, then the rate of IHT payable will be reduced from 40% to 36%.

Regular gifts out of excess income can also be exempt, with the amount of excess income determined each tax year. You need careful documentation to prove that you make the gifts from income rather than capital.

planning points

Up until April 2026 the freeze on the IHT nil rate and residence nil rate bands remains. As the value of property and assets rise, more estates are likely to be liable for IHT.

- Consider tax efficiency when passing on wealth to ensure maximum benefits for beneficiaries.
- Utilise inter-generational planning strategies to minimize potential tax liabilities.
- Protect the intended beneficiaries from unnecessary expenses.

useful link: www.gov.uk/inheritance-tax – HMRC guide to IHT.

capital gains tax: disposing of property

The higher rate of capital gains tax (CGT) for residential property disposals was cut from 28% to 24% from 6 April 2024.

If your disposals so far this tax year have resulted in a net loss, the decision on whether to dispose of investments to realise gains before the tax year end will hinge on the amounts involved.

Depending on your level of income, timing your disposals either before or after the end of the tax year could result in more of your gains being taxed at 10% rather than 20% (or at 18% instead of 24% for residential property disposals).

Transferring assets between married couples or civil partners before disposal could save CGT, particularly where one partner has an unused annual exempt amount, has not fully used their basic rate tax band or has capital losses available. You should leave as much time as possible between the transfer and the disposal.

CGT is normally payable on 31 January after the end of the tax year in which you make the disposal. You could therefore delay a major sale until after 6 April 2025 to give yourself an extra 12 months before you must pay the tax.

For non-exempt residential property disposal, a payment on account of CGT must be made within 60 days of completion

planning points

- Timing your disposals is particularly important if disposals in this tax year have resulted in a net loss. Depending on the level of your income, making a disposal either side of the tax year end could save or cost you tax.
- If qualifying shares or assets become virtually worthless you can claim the loss against your capital gains without disposing of the asset by making a negligible value claim.
- Backdate the loss relief to either of the two tax years before the one in which you make the claim, provided that you owned the asset in the earlier tax year, and it was already of negligible value. The deadline for backdating a claim to 2022/23 is 6 April 2025.

cgt – separation and divorce

For disposals from 6 April 2024 separating spouses or civil partners have up to three years after the year they cease living together to make no gain/no loss transfers. No gain/no loss treatment also applies to assets that separating spouses or civil partners transfer between themselves as part of a formal divorce agreement. A spouse or civil partner who retains an interest in the former matrimonial home has the option to claim private residence relief (PRR) when the property is sold.

When couples divorce or dissolve a civil partnership some individuals who have transferred their interest in the former matrimonial home to their ex-spouse or civil partner are entitled to receive a percentage of the proceeds when that home is eventually sold. They can then apply the same tax treatment to those proceeds, when they are received, that applied when they transferred their original interest in the home to their ex-spouse or civil partner.

capital gains tax (cgt) annual exempt amount

The CGT annual exempt amount for individuals and personal representatives will be £3,000 for 2024/25. The annual exempt amount for most trusts will be £1,500 (minimum £300).

For the full range of property transaction taxes applicable in Scotland and to see UK tax rates 2024-25 visit:

https://ammu.uk/wp-content/uploads/2024/05/65ad726d-3c13-411d-8636-82c5921e58d4.pdf

cryptoassets

Changes will be introduced to CGT self-assessment tax return forms for 2024/25 to require amounts in respect of cryptoassets to be separately identified.

case **study:**

capital gains tax for Peter's rental property

background

Peter, a resident of Scotland, bought his first home while he was still at university. After finishing university, he met his wife and bought their marital home. He then decided to rent out his first property. After some years, Peter decided to sell the rental property and contacted Ammu Accounting, to provide an estimated capital gains tax (CGT) calculation.

solution

Upon examining the situation, we discovered that the rental property was Peter's primary residency during his time at university. This meant that he was eligible for certain tax reliefs, which could help to minimise his CGT liability. Furthermore, recent legislative changes allowed his wife to also benefit from these reliefs if Peter transferred half of the property to her. Transferring capital assets between spouses occurs at no gain / no losses, which means that there would be no tax impact on this transfer.

outcome

Ammu was able to help both Peter and his wife utilise their tax allowances and optimise the tax reliefs available to them. As a result, Peter was able to save £8,200 in total. This was achieved by correctly calculating Peter's taxable gain and ensuring that both he and his wife claimed the relevant tax reliefs and exemptions.

conclusion

Peter's experience demonstrates the importance of seeking professional advice when dealing with the complexities of capital gains tax on rental properties. By working with an experienced tax expert, Peter was able to make the most of his tax allowances and reliefs, ultimately saving a significant amount of money.

pensions, savings & investments

pensions

In 2023 the **Pension Lifetime Allowance** was abolished to incentivise people to work longer. You may now be able to contribute up to £180,000 in 2024/25. However, before taking any action, advice is essential.

You can take up to 25% of your pension as a tax-free lump sum. However, the tax-free element from pensions will be capped at £268,275, the remaining pension funds will be subject to income tax when drawn.

Annual allowance remains at £60,000. The Annual Allowance is the amount you can pay into a pension annually while benefiting from tax relief. So, for every £80 you pay into a personal pension the UK government adds another £20. At present, individuals will still be able to carry forward any unused allowance from the previous three tax years.

The Annual Allowance includes your own personal contributions as well as contributions from your employer if you're employed. Higher and additional rate taxpayers can claim back further tax relief through Self-Assessment.

High earners are limited to the level of pension contributions they can make. When an individual has an adjusted income of £260,000 and above, their annual pension allowance is tapered.

To encourage older workers to remain in work the MPAA is £10,000.

The MPAA is triggered if a worker, aged above 55, has already drawn more than the 25% tax-free lump sum from their defined contribution pension pot and continues to pay into a pension scheme. The MPAA restricts the amount you can pay into a defined contribution pension while benefiting from tax relief.

drawing benefits

Many people aged 55 and over (57 from 6 April 2028) can draw their pension savings flexibly. Withdrawals above the tax-free amount are liable to income tax at your marginal rate. You should take advice before accessing pension savings as there are several options, each with their own pros and cons, and they will generally have a long-term effect on your financial position.

If you are already drawing your benefits from a pension fund that is not guaranteed and are considering reducing your withdrawals, you should be aware that this should also reduce the amount of income tax that you will pay.

pension contribution tax relief

In 2025/26, a new system will be introduced so that HMRC can make 20% top-up payments in respect of contributions made from 2024/25 onwards directly to low-earning individuals saving in a pension scheme using a Net Pay Arrangement. At present such contributions may not benefit from any tax relief and these top-ups will help align their outcomes with equivalent savers using Pension Relief at Source to save into pension schemes.

pension top-up payments

A net pay arrangement is where pension contributions are deducted from pay before tax is calculated. Lower-paid employees contributing to an occupational pension scheme under a net pay arrangement do not currently benefit from any tax relief if their earnings are below the personal allowance. However, HMRC's top-up payments will be introduced from tax year 2024/25 onwards, with the top up not paid until after the end of the tax year.

- The intention is that HMRC will notify those who are eligible and invite them to provide the necessary details for the top-up to be paid direct to their bank account. The requirement to claim the top-up, however, runs the risk of non-take up.
- As an example, someone qualifying with savings of £500 into an occupational pension scheme for a tax year should receive a subsequent top-up from HMRC of £500 at 20% = £100. The same rate will apply for Scottish taxpayers.
- If part of a person's pension savings already benefits from tax relief due to earnings exceeding the personal allowance, a top-up payment can still be given for the proportion not benefiting.
- Top-ups will be taxable, although this will not mean any additional income tax for many recipients given their level of earnings.

Although top-ups are only estimated to be an average of just over £50 a year, more than a million employees should benefit – most of them women.

Don't lose your personal allowance! Your personal allowance of £12,570 is reduced by £1 for every £2 of income over £100,000. You may be able to make a pension contribution or a charitable gift to bring your income below £100,000.

planning points

- You can pay up to your entire annual earnings into a pension scheme in any one tax year, but the tax relievable amount is capped by the annual allowance plus any unused allowances brought forward.
- Tax relief on pension contributions is normally at least 20%, with higher and additional rate taxpayers receiving relief at 40% or 45%. In Scotland, intermediate, higher and top rate taxpayers receive relief at 21%, 42%, 45% or 48% respectively.
- You may be able to make much larger pension contributions in 2024/25 as the annual allowance is £60,000.
- The value of tax relief is greatest where it exceeds the eventual tax on benefits. For example, where a higher rate taxpayer becomes a non or basic rate taxpayer in retirement.
- Limiting your contributions to amounts that qualify for tax relief at the higher rates will give you the most benefit.
- Effective relief can be as high as 67.5% in Scotland, where the personal allowance is being withdrawn, and can be even higher if tax credits or Universal Credit payments are being withdrawn.
- You could set up a pension for your partner or children since they don't need earnings to contribute up to £3,600 in a personal pension. Even if they do not pay any tax, they can still benefit from 20% tax relief.

Always seek professional advice before contributing into a pension scheme.

Investing in pensions.

Useful link: www.gov.uk/plan-retirement-income – information about pensions and pensioner benefits.

savings & other tax efficient investments

ISAs

individual savings account (isa) subscription limits

The ISA annual subscription limit for 2024/25 will remain at £20,000 and the corresponding limit for junior ISAs (JISAs) and child trust funds (CTFs) will stay at £9,000.

savings rate band

The 0% band for the starting rate for savings income for 2024/25 will remain at its current level of £5,000.

dividend tax

The dividend allowance will reduce to £500 for 2024/25. The rates of tax on dividends above the dividend allowance will remain unchanged.

Always seek expert financial advice before making any financial decisions.

charitable reliefs

From 15 March 2023 UK charity tax reliefs and exemptions are restricted to UK charities and community amateur sports clubs (CASCs). The change affects income tax, CGT, corporation tax, IHT, stamp duty, SDLT, SDRT, annual tax on enveloped dwellings (ATED) and diverted profits tax. Non-UK charities and CASCs that HMRC had accepted before 15 March 2023 as qualifying for charity tax reliefs have a transitional period until April 2024.

case **study:**

non-disclosure of rental income

background:

Nancy, a retiree in Scotland, purchased a rental property in Glasgow with the intention of using it as her nest egg for retirement. She decided to let the property to her nephew, who was attending university in the area. Believing that no tax was due on any profit since the property was let to a family member, she did not disclose the rental income on her tax returns. Another accountant had confirmed her belief.

challenge:

Nancy was unaware that the advice she had been given was incorrect until she realised her mistake and contacted Ammu Accountancy for a second opinion. The challenge was to review her income/expenses over the years and determine the tax liability due in respect of the previous tax years.

solution:

The Ammu tax team reviewed Nancy's income and expenses over the letting period and the income from prior years. We discovered that due to her financial activity, we could mitigate the years payable to tax, and no disclosure was due. We provided her with advice on her rental income and her tax obligations moving forward. Our team also helped her understand the importance of disclosing all income on her tax returns, regardless of who the tenant is.

outcome:

Nancy's tax liability issue was successfully resolved and avoided penalties for non-disclosure of rental income.

conclusion:

Nancy's case is an example of how misunderstandings regarding tax obligations can lead to a non-disclosure of income, which can result in penalties and other legal consequences. Consulting a professional accounting firm can help individuals avoid such issues, ensure they comply with all tax regulations and avoid a stressful situation.

business matters

tips for business planning

- As experienced accountants, we would like to emphasise the importance of having a solid budget in place and steady cashflow to help guide your business through today's unpredictable economic and political landscape.
- At Ammu Accounting, our experienced Chartered Accountants and Chartered Management Accountants are dedicated to helping our clients navigate these challenges by taking care of compliance, tax, and financial data interpretation.
- To build a solid foundation for any business we recommend formulating an annual budget that you regularly review. This approach provides a clear understanding of your company's financial standing and prospects, even in uncertain times.
- Consider a range of scenarios—what should, could, or might happen—allowing you to weigh investment options and make informed decisions. Keeping a keen eye on budgets is essential for businesses to remain flexible and responsive to rapidly changing market conditions.
- Using our extensive business knowledge to assist senior management in making informed decisions, we are always looking to the future to steady the ship and identify opportunities for improvement.
- Our team ensures clients optimise tax reliefs, allowances, and planning opportunities, helping you budget for a successful tax year in 2024-25.
- We are proud of our team, which boasts a broad range of expertise and qualifications, enabling us to support our diverse client base with all accounting and tax matters.
- Our teams extensive knowledge in compliance and strategic financial management ensures every business has the best chance of success, even in the face of uncertainty.
- Remember the team at Ammu Accounting are ready to help ensure that you are maximising the tax reliefs, allowances and planning opportunities that are available to you and the business, and we can help you to budget for a good tax year in 2024-25.

Meet our team at https://ammu.uk/meet-the-team/

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case **study:**

engineering firm achieves growth through financial clarity

overview:

Our client, a civil engineering firm, overcame financial challenges using our Management Information solutions. Facing profitability concerns and limited financial visibility, the owner turned to us. Our tailored strategies enabled informed decisions, leading to a 15% revenue boost and a 30% pre-tax profit.

challenge:

The owner of the company faced challenges in understanding financial performance and ensuring profitability. Despite tendering for projects, past tenders hadn't been as profitable as expected. Additionally, the owner primarily relied on annual financial statements without clear monthly profitability insights.

solution:

The company engaged Ammu to comprehensively address these challenges. Our team ensured the basics were correct first:

1. Redesigned Xero reports to split income and costs by project, retrospectively for a solid comparison base.
2. Created a costing model to identify profitable projects.
3. Analysed equipment to calculate the correct charge-out rate per hour.
4. Measured labour efficiency to accurately cost labour in tenders.
5. Calculated the overhead rate to cover all costs in tenders.

results:

With these measures in place, we worked with our client to fully understand the business finances to:

- Create an annual profit and cash forecast.
- Set up quarterly meetings to compare actual performance against targets.
- Updated targets based on current performance and projected changes.

The company's finances improved with enhanced visibility and better financial understanding, leading to informed decisions and strategic planning. This resulted in significant growth, including a 15% revenue increase and a 30% rise in pre-tax profit, highlighting the success of our interventions.

conclusion:

Through our collaborative and tailored financial solutions, our client's company made significant strides in financial management and operational efficiency.The leadership team could address immediate challenges but also plan and pursue sustainable growth opportunities effectively.

corporation tax rates

Corporation tax is charged at 25% (main rate) and 19% (small profits rate) for 2024. The Patent Box deduction formula will be amended to ensure the correct amount of relief is given for claimants that are subject to the small profits rate.

capital allowances – incentives to invest

Companies incurring qualifying expenditure on the provision of new plant and machinery from 1 April 2023 until 31 March 2026 will be able to claim a 100% first-year allowance for main rate expenditure, or a 50% first-year allowance for special rate expenditure. These temporary allowances may be extended beyond 31 March 2026.

The £1 million limit for the annual investment allowance is permanent.

The first-year allowance for electric vehicle charge points is extended until 31 March 2025 for corporation tax and 5 April 2025 for income tax.

Planning Point

Dividend tax allowance fell from 6 April 2023 and will fall again in April 2024. You may be able to save tax if your company pays you a dividend in the current tax year.

case **study:**

fostering employee commitment in the competitive world of tech

background

Ilosta is a pioneering company in the field of engineering, having developed cutting-edge technology using a physics-based AI algorithm to enhance the reliability and extend the lifespan of engineering structures.

Ilosta, existing clients of Ammu, accessed additional funding through the Glasgow City Council's Business Growth programme, which enabled them to explore and implement an employee incentive scheme.

challenge:

A key component of Ilosta's success was built on a foundation of highly skilled employees. To continue the stellar growth the founder of Ilosta wanted to retain and reward the senior team. The founder was eager to find an effective way to retain talent in a tax efficient way for the business and employees.

solution:

Ammu helped Ilosta devise a Management Incentive (EMI) scheme. This was a good solution as the EMI scheme is aimed at providing tax-advantage benefits to the senior staff, to incentivise their long-term commitment to the company.

This is a popular scheme that over 14,000 UK companies embrace as employing staff with a vested interest in the success of the company will help a company outperform the competition.

It works by giving Ilosta employees the right to buy a set number of shares at a set price decided now. The employees have the right to buy at a set time in the future based on prescribed restrictions. Restrictions are flexible, for example they can be based on length of service, sales targets and designated as 'Exit

Only' as in on the sale of the company. Put simply, as the Ilosta share price increases so does the employees' return on investment.

Getting the correct company valuation by experienced professionals, is critical both for the business and existing investors while also ensuring the employees get the best value for the share options.

ammu's role included:

- Conducting a comprehensive valuation of shares and submitting company valuation to HMRC.
- Liaising with solicitors who deal with legal formalities, creating a share pool and reporting to Companies House and while Ammu liased with HMRC within stipulated deadlines.
- Submitting the VAL231 form and ensuring compliance with HMRC regulations.
- Facilitating the finalisation of share options and notifying HMRC within the 92-day period from date share options are granted.

results:

The EMI scheme introduced by Ammu brings 3 key benefits:

Employee Benefits: Employees could benefit from a lower capital gains tax rates at 10% instead of the standard 20%, under Business Asset Disposal Relief (formally known as Entrepreneurs Relief), when they sell their shares. Additionally, there will be no immediate tax liability on receiving the shares if the exercise price matches the market value at the time the share price is granted.

Company Benefits: Ilosta benefits from Corporation Tax relief, which aligned with the market value of the shares at the time they are exercised compared to the price employees paid.

Cultural Impact: The introduction of the EMI scheme helps reinforce a culture of ownership and commitment among senior employees, directly contributing to Ilosta's growth and in turn the attractiveness to prospective buyers.

conclusion:

The strategic implementation of the EMI scheme by Ammu Accountancy not only resolved Ilosta's challenge of retaining key employees but also leveraged financial employee incentives to continue its growth trajectory and market competitiveness.

This client relationship between Ammu and Ilosta, highlighted the effectiveness of tailored financial strategies in employee retention and business expansion.

who is eligible for EMI scheme.

If you are UK company with fewer than 250 employees and assets less than £30m and not majority owned you are likely to be eligible for EMI Scheme.

As always there are exceptions and your organisation cannot be included if it is the following sectors: banking, property development, ship building, farming or legal services.

Glasgow City Council's (GCC) business growth programme

Ammu is proud to be part of Glasgow City Council's Business Growth Programme, a multi-lot framework that aims to encourage and support growth in the Glasgow business ecosystem. The £1.9million programme, funded by the UK Government through the UK Shared Prosperity Fund, will provide consultancy services to Glasgow-based SMEs and Social Enterprises.

Further information can be found here https://www.glasgowchamberofcommerce.com/glasgow-business-growth-programme/

Other funding options are available to support business and we can discuss suitable options.

3 considerations for company directors:

1. Switching a company car to an electric or hybrid model could mean significant tax savings for you and tax and NICs savings for your company, as well as reducing other costs.

2. If you hold share options, you should consider your tax position both before and after the tax year end when deciding whether to exercise them now or in a future tax year.

3. Directors who are shareholders may be able to reduce NICs by taking dividends rather than salary.

directors' loan accounts (DLA)

When a director borrows money from their company (a close company), it creates a directors' loan account. If the loan is not repaid within nine months after the end of the company's accounting period, the company is liable to pay a tax charge at 33.75% (as of April 2022). This is not the same as the dividend tax rate but rather a penalty for not repaying the loan on time.

dividend tax rates:

As of April 2022, the dividend tax rates increased by 1.25%, leading to new rates of 8.75%, 33.75%, and 39.35% for basic, higher, and additional rate taxpayers, respectively.

repayment

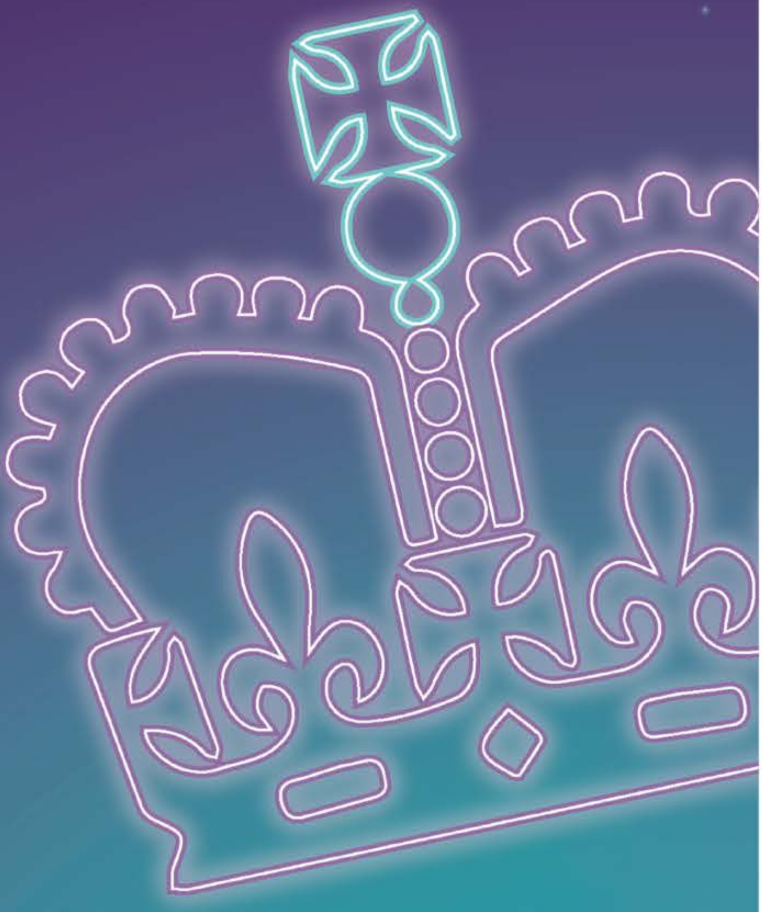
A loan cannot be repaid just before the deadline, to be immediately followed by a replacement loan.

It might be cheaper, in tax terms, to simply leave a director's loan outstanding. This could be the situation if the only way to repay it is by taking a bonus that, apart from being taxed, will also mean both employee and employer NICs are payable. The repayment could take several forms:

- A dividend but this could be impractical if there are other shareholders who – not being in the same overdrawn loan position – don't wish to receive additional dividend income.
- Clearing a loan before the tax charge is due is generally preferable, there is no reason dividends cannot be used to clear a loan over several years.
- The director could introduce funds into the company, for example from a property disposal.
- the director transferring assets to the company, with the value transferred then credited to their director's loan account.
- Other tax considerations come into play when it comes to a car or property, but, for example, a personal loan owed to the director can be assigned to the company.

Please get in touch with us if you wish to discuss the options available to you.

VAT



VAT thresholds

From 1 April 2024 the value added tax (VAT) registration threshold increased from £85,000 to £90,000. The deregistration threshold increased from £83,000 to £88,000.

planning ahead

Make sure you submit your VAT returns and pay any VAT by the due dates to avoid penalties and interest. If you can't pay on time, contact HMRC early to make a time to pay arrangement.

late payment interest & penalties, and repayment interest rules

Technical changes are being made to ensure interest is charged on late payments of VAT and that penalties are applied as intended. In particular, businesses that use annual accounting will not be charged late payment interest or penalties on instalments that they pay late, but only on any balancing payment they fail to pay on time.

Remember since 1 January 2023, a new points-based penalty applies to late VAT returns.

Talk to a member of our team early to avoid late payments and penalties.

income tax basis period reform

From 6 of April 2024 a basis period reform was introduced that impacts how sole traders and partners calculate their taxable profits. This tax reform mandates that all individuals will be taxed on profits arising in the year up to 5 April.

Individuals with a year-end that doesn't match up to the tax year will have a longer taxable period (the transition year) when completing their 2023/24 tax return.

Transition Year Details:

- Calculate profits from end of 2022/23 to 5 April 2024.
- Deduct overlap profits from opening years.
- Possible spike in taxable profits, especially for incomes £100,000-£125,140.

Managing transition profits:

- Spread over five years or tax all in 2023/24.
- Consider cash flow, tax bands, and future rates.

Cash flow management: HMRC allows spreading profits over five years.

The sooner you get in touch the simpler the adjustment will be.

national insurance contributions (NICs)

The upper earnings limit, upper secondary thresholds and upper profits limit will remain aligned to the unchanged higher rate threshold at £50,270 for 2023/24 to 2027/28. The main rate of Class 1 employee national insurance contributions (NICs) was cut from 10% to 8% with effect from 6 April 2024 and the main rate of Class 4 self-employed NICs will also be reduced from 9% to 6%. The maximum annual saving is £1,131.

company car tax

The company car tax rates for electric and ultra-low emission cars will increase by one percentage point in each of 2025/26, 2026/27 and 2027/28. These will be subject to a maximum percentage of 5% for electric cars and 21% for ultra-low emission cars. The rates for all other bands of vehicles will be increased by one percentage point for 2025/26 up to a maximum percentage of 37%; they will then be fixed for 2026/27 and 2027/28.

salary sacrifice

The higher rates of NICs make salary sacrifice arrangements more attractive than ever, especially regarding employer pension contributions. A company car salary sacrifice arrangement also works well for full electric and certain hybrids.

A typical arrangement might mean an employee – earning £75,000 a year – sacrificing £5,000 of their salary, with the employer then contributing this amount into the employee's pension scheme. The employee saves over £2,200 in tax and NICs, with the employer saving more than £690 in NICs.

Salary sacrifice will not, however, suit everyone. For lower-paid employees, a salary sacrifice arrangement cannot reduce normal earnings to below the rate of National Minimum/Living Wage.

Higher paid employees need to be aware that a lower base salary will normally mean a lower level of potential mortgage borrowing.

research & development (R&D) tax credits

R&D tax credits

R&D Tax Credits, sometimes referred to as Tax Relief, are a key part of the government's strategy to support and reward innovation in the UK. It is an effective way for companies to be rewarded for investing in improving existing products, inventing next generation products, improving processes, and solving complex problems.

changes to R&D tax credit scheme

Some of the changes being introduced are quite complex (and in parts not yet fully defined). We will keep a close eye on how they evolve as they are introduced. Do talk to us for clarification if you have any questions.

For expenditure incurred after 1 April 2023, for SMEs the uplift on qualifying R&D expenditure will be cut from 130% to 86% and loss making companies will only be able to claim a credit rate of 10% (reduced from14.5%). For larger SMEs which are profitable, some of the reduction in uplift will be offset by increased corporation tax rates.

An R&D tax credit rate of 14.5% will be available to loss-making SMEs whose R&D expenditure constitutes at least 40% of their total expenditure. For larger companies and grant-funded projects the payable tax credits (RDEC scheme) will increase from 13% to 20%.

The R&D tax credits reform begun for accounting periods starting on or after 1 April 2023 introduce two new categories of qualifying expenditure for R&D relief:— data licences and cloud computing services.

Some extra administrative requirements have been introduced before claims will be considered to be eligible by HMRC:

- Companies will have to inform HMRC of their intention to make a claim for R&D relief using a new digital form unless they have claimed R&D reliefs in the previous three years. For example, if the period of account in which you incur R&D costs runs from 1 January 2024 to 31 December 2024:
    - the first day of the accounting period is 1 January 2024
    - the end date of the accounting period is 31 December 2024
    - you must submit the claim notification form between 1 January 2024 and 30 June 2025
- A digital additional information form will have to accompany all claims made on or after 1 August 2023.
- The previously announced restriction on some overseas expenditure will come into effect from 1 April 2024 instead of 1 April 2023.

additional administrative requirements

Some extra administrative requirements have been introduced before claims will be considered to be eligible by HMRC. The rules changed for companies who have an accounting period on or after 1 April 2024.

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new R&D tax credit rules for accounting Periods starting 1 April 2024

Previously there were two schemes – SME and RDEC. These will now be merged so there is only one scheme.

The main points of the new scheme are:

- It applies to claim periods starting on or after 1st April 2024
- It gives an expenditure credit of 20%, in the same way as the current RDEC
- The merged scheme uses the current SME PAYE/NIC cap rules
- Subcontractor costs are allowable for all claimants, including Large Companies
- Overseas contractor costs are not allowable, unless exempt from the ban
- Payments for EPWs only qualify if they are subject to UK PAYE

Please note the definition of R&D and what constitutes eligible activities has not changed.

We will keep a close eye on how the changes evolve. Do talk to us for clarification if you have any questions.

new relief rates

New relief rates apply to expenditures incurred from 1 April 2023. If your accounting period spans this date, you will need to separate costs before and after to apply the correct relief rates. Here's a breakdown of the new rates:

SME R&D Tax Relief Table

Financial Position	Relief before 1 April 2023	Relief from 1 April 2023	Change
Loss Making	33.35%	18.6%	-44.23%
Breaking Even	18.85%	8.6%	-54.38%
Profitable	24.7%	16.34% - 21.5%*	33.85% to-12.96%

*depending on corporation tax rate

making your first claim

If your company hasn't claimed R&D Tax Relief before or in the last three years, you need to submit a claim notification form to HMRC to alert them of your intention to file for R&D Tax Relief.

Planning Point

Your business might be entitled to a valuable R&D tax credit – even if it doesn't make a taxable profit. You might be surprised what expenditure may now qualify and how much it could be worth to you.

Visit ammu's R&D Tax Credit Hub for helpful resources

submitting your claim

Before submitting a claim you should consider if your activity will be eligible for R&D tax reliefs. Talk to a member of our team who can work with your technical team to clarify if your project is eligible. We are on hand ***to liaise with HMRC so everything will be taken care of.***

digitisation

artificial intelligence (AI)

embracing the future: AI innovations at ammu accountancy practice

At AMMU, we believe in reimagining client service through AI. By integrating AI, we aim to deliver more accurate, efficient, and personalised financial services. We are excited about AI's potential to transform accountancy and are committed to using cutting-edge technology to support your success. Join us as we enhance your experience with innovative solutions. Here's how we are leveraging AI to benefit you:

1. automated data entry and processing

AI-powered tools are transforming the way we handle data. Automated data entry systems significantly reduce the time and effort required to input financial information. This not only minimises human error but also ensures that your accounts are up-to-date and accurate, allowing us to focus more on strategic planning and advisory services.

2. enhanced financial analysis

Our AI-driven analytical tools can process vast amounts of financial data swiftly and accurately. These tools help us uncover deeper insights into your financial performance, identify trends, and forecast future outcomes with greater precision. This empowers you to make informed decisions based on real-time data analysis.

3. personalised client service

AI enables us to provide a more personalised service experience. By analysing your specific financial patterns and preferences, we can tailor our advice and services to better meet your needs. For instance, AI can help us anticipate when you might need additional support or identify opportunities for tax savings and investment.

4. advanced fraud detection

With the rise of digital transactions, fraud detection is more critical than ever. Our AI systems continuously monitor financial activities to detect unusual patterns or anomalies that could indicate fraudulent activity. This proactive approach helps protect your assets and ensures the integrity of your financial data.

5. efficient compliance and reporting

Keeping up with regulatory changes can be challenging. Our AI solutions are designed to stay current with the latest regulations and compliance requirements. This ensures that your business remains compliant, reduces the risk of penalties, and simplifies the reporting process.

6. smart document management

Managing and retrieving financial documents can be time-consuming. AI-powered document management systems organise and categorise your documents, making it easier to access the information you need when you need it. This streamlined approach saves time and improves efficiency.

7. AI-powered advisory services

Beyond routine accounting tasks, we are exploring AI to enhance our advisory services. Predictive analytics can provide valuable insights into market trends, financial risks, and opportunities. This allows us to offer more strategic and forward-thinking advice, helping your business to thrive in a competitive environment.

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ammu
accounting matters

At ammu accounting our unique blend of Chartered Accountants, Chartered Management Accountants, Tax experts and payroll experts enables us to support you, your business and employees with everything you need during the cost of living crisis and beyond. Visit ammu.uk to find out more.

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