

## In this issue:

- Concrete Plans This Time • The Budget & Autumn Statement • Minimum Wage
- Crypto & Gold • Making Tax Digital • State Pension • Self-Employed vs Limited Co. • Other News

## CONCRETE PLANS THIS TIME

With the shake up of UK politics seeming to have settled, we now have a Spring Budget to add to our November Autumn Statement. The uncertainty and swift back tracking all seems to have been completed but what does that leave us with? Firstly, a lot of changes since our last bulletin along with a few new details, all of which will be outlined below. Here's hoping from an ease and understanding point of view, that the goalposts are being concreted in, rather than open to further movement.



## THE BUDGET & AUTUMN STATEMENT

### Personal Tax-Free Allowance & Tax Threshold

The Government had previously frozen the Personal Allowance at £12,570 until 2026. This has now been extended for a further two years to 2028, as has the higher rate tax threshold of £50,270. There are a couple of changes though; the first is that the planned reduction in basic rate down to 19% was scrapped and will instead, stay at the current 20% rate. The other is the reduction in the 40% additional rate threshold, which will now stand at £125,140 rather than the £150,000 that it was previously. The above does not affect those living in Scotland. The current rate bands will remain fixed, as will the threshold for the additional 41% tax threshold, remaining at £150,000.

### National Insurance Threshold and Rates

The increase in the National Insurance threshold along with the scrapping of the Social Care Levy has, as you know, created an unusual year in terms of NI threshold and the rate payable. This anomaly will just be for 2022/23, with the rate returning back to normal for the current 2023/24 tax year and the threshold fully aligning with the income tax Personal Allowance of £12,570.

As a reminder, for 2022/23, the Class 4 NI threshold will be £11,908 and will be payable at 9.73%. For profits over and above £50,270, this will be payable at 2.73%. 2023/24 on the other hand, will have a Class 4 NI threshold of £12,570 and the rates will return back to 9% and 2% respectively. The threshold will also be fixed at this rate until 2028.

Changes to Class 2 NI are also in force and kicked in on 6 April 2023. Those self-employed individuals with profits more than the Lower Earnings Limit (LEL) of £6,396 will be asked to pay Class 2 automatically. The difference going forward however, is that those over this threshold but below the Personal Allowance of £12,570 will fall within a 0% band, meaning no Class 2 NI will be paid but you will still be credited as having contributed for the year. Those with profits over £12,570 will pay the flat rate of £179.40 (£3.45/week, up from £3.15/week). If your profits are below the LEL, you will also need to pay £179.40 voluntarily in order for it to count as a full year of contributions.

### Dividend Tax

Due to the Social Care Levy, Dividend Tax rose from 7.5% to 8.75% for 2022/23 for basic rate payers; from 32.5% to 33.75% and 38.1% to 39.35% for higher and additional rate payers respectively. Even though the Social Care Levy has since been scrapped, these new percentages will remain in place for 2023/24. The one change comes in the shape of the Dividend Allowance. This will be reduced from £2,000 down to £1,000 in 2023/24 and then down to £500 in 2024/25. This will mean for some, extra taxable dividends, which will be added as the top slice and therefore taxable at the individuals highest rate of tax.

### Other Thresholds

As mentioned previously, Corporation Tax rises came into effect as of April 2023 and affect companies with profits over £50K. Those making larger profits, over £250K, will be taxed at 25%. 19% will continue to apply for companies with profits less than £50K, with marginal relief for profits up to £250K. These profits however will have an effective rate of tax of 26.5% in order to bring the total paid in line with the 25% rate at the £250K mark.

The annual Capital Gains Allowance will remain at £12,300 for 2022/23 but will be reduced down to £6,000 for 2023/24 and then further reduced down to £3,000 from 2024/25. The rates payable will however remain the same at 10%/20% for assets and at 18%/28% for property.

The annual Pension Allowance is one thing going in the other direction. This has risen from £40,000 to £60,000 for contributions from 2023/24 with higher earners benefiting from a rise in the reduced threshold, up from £4,000 to £10,000. The lifetime allowance for contributions which was set at £1,073,100, has been abolished.

The VAT thresholds for 2023/24 will once again remain at the same level. VAT Registration will be required if your turnover exceeds £85,000. If you are already VAT registered, your turnover will need to drop below £83,000 in order to de-register.

## MINIMUM WAGE

As with most years, the National Minimum Wage and National Living Wage has increased and for those of you employing others, this is something to be aware of. From April 2023, this has had quite a rise and has increased to £10.42 per hour for those aged 23 and over. Increases for other ages are also in place and these can be seen by going to the following web address: <https://www.gov.uk/government/publications/minimum-wage-rates-for-2023>

## CRYPTOCURRENCY & GOLD

With this being newly confirmed in the 2021/22 tax year, please do not forget to let us know if you have crypto or gold investments. The calculations required to work out any Capital gains due on such investments are not always easy, but in most cases, details still need to be declared to HMRC by adding them to your Tax Return. Please see our Spring 2022 bulletin for a reminder of how these will be taxed.

## MAKING TAX DIGITAL

Back on the MTD train, a bit like actual trains, more delays. The most recent plan was for this to be introduced for Income Tax from 6 April 2024 but once again this has been pushed back and will now not be introduced until April 2026 at the earliest. All self-employed businesses or landlords with turnover above £50,000 (again increased from the original plan of £10,000) will need to follow the rules at April 2026 with individuals over £30,000 joining in April 2027. Those trading as companies and general partnerships should have a little longer, as the MTD date for these entities has not yet been confirmed.

We have however started to prepare for MTD. Whilst completing your most recent accounts, you may have been asked about changing your accounting period, to bring it in line with the Tax Year. For some, we may have made this change but for others who were either not asked or we did not change, will most likely be asked again. Although MTD has been pushed back, the years in which we can change the year end and deal with it all within that year has not altered. 2022/23 will be the final year under the current basis period rule with 2023/24 being deemed a transitional year. Any transitional profits for the extended period will automatically be spread evenly over a 5 year period. An election can be made for more to be treated as arising in a certain tax year and this will reduce the amount remaining for use in each of the forthcoming years.



## STATE PENSION

To qualify for a full State Pension, you need 35 years of full contributions. For some this will be fine, as contributions will have been made each year either via employment or self-employment. Others though may have missing years, which could be due to being contracted out in the past or due to having low profits and not being asked to pay Class 2 National Insurance. If you have missing years, you can make these up by making voluntary contributions, but there is a deadline for doing so for years that are beyond 6 years in the past. The deadline was 5 April 2023 but this has been extended to 31 July 2023 partly due to HMRC not being able to deal with the volume of callers. Any payments made will be at the lower 2022/23 rate rather than the 2023/24 rate. As to whether missing years need to be filled in will be different for all of you and will be determined by how many full years you currently have, how long you have until state Pension age and your current working situation. If you are unsure if you need to act, please log in to your government gateway to access your NI record and give us a call to discuss.

The State Pension itself has been given a large increase. In April 2023 the State Pension has increased by 10.1%, in line with inflation, meaning a healthy rise for those of you already at state retirement age.

## SELF-EMPLOYED VS LIMITED COMPANY (AGAIN!)

You will remember us mentioning that there is no hard and fast rule to determine which method of trading is best and this is because each individual circumstance is different. With the new Corporation tax rates however, it may no longer be as beneficial to trade as a Limited Company as it used to be but having said that there will still be some cases in which this is optimal for tax purposes.

For those trading as a Limited Company with downward trending profits, it may be worth thinking about reverting back to Self-Employment. If this is you, feel free to give us a call to discuss your individual case.

On the other hand, if you are self-employed with upwards trending profits and/or expect a forthcoming significant jump in turnover, transferring to a Limited Company may still be worth while. Again, give us a call to discuss if this is you.

## OTHER NEWS

As mentioned in the Autumn Bulletin, our old email address, mail@emtacs.co.uk, is no longer in use or accessible. We have a new email address, info@emtacs.co.uk, for generic queries, but feel free to continue to email your main contact at EMTACS on their own personal email address or call us on 0115 9815001.

### Bills

With costs continuing to rise, unfortunately so will our prices. We hope you understand this is something we would rather not have to do but with energy costs as well as the cost of living and other business costs increasing, it will unfortunately lead to rises in our fees. As always, it's our aim to keep any such rises to a level below inflation. The more analysis and prep work done by yourselves prior to sending, the more likely it will be that your accounts take less time to complete, therefore leading to a smaller bill.

### Off-the-Shelf Software

The one caveat to this is software. Although in some cases a necessity or helpful addition, it is a common misconception that using a software package decreases the work load required by an accountant. Software packages are quite often hard to use and if spending is not always categorised correctly, it can take quite some time to amend at this end, therefore not reducing the time taken to complete your accounts. Income will also still need to be cross referenced to bank statements as usual. Our stance on software and it's usage can differ due to circumstance but in the majority of cases, a spreadsheet and/or cashbook is still the best option.

### Deadlines

As almost all of you will be aware by now, EMTACS have had our own personal deadlines in place to help ensure Tax Returns are completed in time for 31 January each year. The first of these was to guarantee completion and filing with our second deadline being when we add an overtime surcharge.

Due to numerous clients still sending in their information late, we find ourselves needing to do more and more overtime each year to get as many of these filed as possible. We have therefore decided that going forward, and starting this year for the 2022/23 Tax Returns, we will amalgamate these deadlines so that the guarantee date and overtime surcharge addition take place at the same time. This will sit midway between the previous two deadlines, at **31 October**. This will remain the same each year unless we notify you otherwise in future correspondence. Please therefore make sure your documents are sent in enough time to arrive with us before this deadline.

### Tax Return Information Form

Each year we receive a fair number of Tax Return Information Forms that do not contain a name or email addresses. Yes, in most cases we know or can work out who has sent them but please can we ask that your name is completed each year to avoid any confusion. The email address is also important to ensure we have the most up to date contact details should we need to get in touch for any reason.

### Banking

With MTD on the horizon, now may be a good time to simplify your banking and set up a dedicated bank account for your business income and spending. This will not only help with accounting going forward, but will enable you to stay on top of your business finances on a day by day basis.

### Wanting to get rid?

For those of you perhaps wanting to get rid of some paperwork, you can now dispose of anything up to and including the 2016/17 tax year, maintaining the last 6 years' worth as required.

### Standing Order

Don't forget we still offer a monthly standing order as a means of paying our bill and spreading the cost. If you would like to set this up, please contact the office on 0115 9815001 for details and to ascertain what the monthly payment should be set at.

This newsletter is for guidance only and no actions should be taken on information in it without first consulting with us.

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