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LAST CONSERVATIVE BUDGET?

Another year, another budget and with it, the usual electoral year carrot, albeit without much substance. Tax changes that are going to be implemented as per the recent budget and/or the Autumn Statement issued back in November last year are outlined below. I'm sure there will be more carrots but as always just before a general election, these will be held back and included in the election manifesto.



THE BUDGET & AUTUMN STATEMENT

Personal Tax-Free Allowance & Tax Threshold

The Personal Allowance is currently frozen at £12,570 and we have been told previously that this will be the case until 2028. There has been no amendment to this and so, expect this to remain the plan.

National Insurance Threshold and Rates

Back in the Autumn, Jeremy Hunt confirmed that National Insurance was to be reduced. Those of you who are employed will have seen a 2% reduction in Class 1 NI taking effect from 1 January 2024, reducing the Employee NI rate from 12% down to 10%. The self-employed were also set to enjoy a reduction of 1% in Class 4 NI, down from 9% to 8%, taking effect in April 2024. The recent budget however has made further adjustments to these percentages. Class 1 Employee NI has again been decreased by 2%, meaning from April 2024, this will drop to 8%, saving the average earner on £35,400/year, across both cuts, around £913 a year. The self-employed Class 4 NI has also seen a similar cut, meaning the planned 8% is no longer relevant and instead this will be charged at 6% on profits over and above the £12,570 threshold. This, so the government say, will save the average self-employed individual with profits of £28,000, £650 a year. The NI threshold of £12,570 will remain fixed at this amount, again until 2028.

Class 2 NI is also set to change from 6 April 2024. Currently, for 2023/24, self-employed individuals with profits more than the Small Profits Threshold (SPT) of £6,725 but below the Personal Allowance of £12,570 fall within a 0% band, meaning no Class 2 NI is payable, but you are still credited as having contributed for the year. Those with profits over £12,570 pay the flat rate of £179.40. However, moving forward in to the 2024/25 Tax Year, Jeremy Hunt stated Class 2 NI will be scrapped. Now, the word scrapped is not strictly true but for all individuals with profits over and above the SPT, no Class 2 will be payable as the 0% band has been extended. The one thing unchanged and the reason that scrapped is the wrong word, is that if your profits are below the SPT, you will still need to pay voluntary Class 2 NI at the annual rate in order for it to count as a full year of contributions. The small silver lining is that the SPT and the annual amount are unchanged at £6,725 and £179.40 respectively.

Dividend Tax

As discussed in our last bulletin, the Dividend allowance is once again decreasing in 2024/25, this time down to £500. This, for some, will mean extra taxable dividends added as the top slice of their income and therefore taxable at the individuals highest rate of tax. Dividend Tax remains at 8.75% for basic rate payers; 33.75% for higher rate payers and 39.35% additional rate payers.

Other Thresholds

The annual Capital Gains Allowance will decrease from £6,000 to £3,000 from 2024/25 onwards. The rates payable however have had a minor change, with higher rate payers only paying 24% on property rather than 28% previously. The rate for assets within the basic and higher rate bands, 10%/20%, and property at basic rate of 18% remain the same.

The VAT threshold has finally had a tweak, and so for 2024/25, VAT Registration will be required if your turnover exceeds £90,000. This is up £5,000 on the previous threshold. If you are currently VAT registered and thinking about de-registering, your turnover will need to drop below £88,000 to allow you to do so.

The only other thing to have changed is the High Income Child Benefit Charge (HICBC). Up to and including 2023/24, Child Benefit would start to be repaid if an individual earned more than £50,000, with it being repayable in full if this exceeded £60,000. These thresholds have increased with the starting point for repayment now sitting at £60,000 and the point at which all Child Benefit is repaid is £80,000. This helps a little for parents, but the anomaly whereby a household can earn up to £120,000 (if split evenly between both earners) and keep all Child Benefit, compared to a single parent earning £80,000 and having to repay it all, still exists. The government recognises the issues that have been raised around the unfairness in how the HICBC is currently charged and in response plans to administer the HICBC on a household rather than individual basis by April 2026. The will consult on this in due course.

SCOTTISH INCOME TAX RATES

Scottish Income Tax including the rates and bands are set by the Scottish Parliament. They currently differ from the rest of the UK and are set to change again. Therefore, for those of you based in Scotland, the rates and bands that will apply from 6 April 2024, are as follows:

| Bands | Band name | Rate |
|--------------------|---------------------|------|
| £12,571 - £14,876 | Starter Rate | 19% |
| £14,877 - £26,561 | Scottish Basic Rate | 20% |
| £26,562 - £43,662 | Intermediate Rate | 21% |
| £43,663 - £75,000 | Higher Rate | 42% |
| £75,001 - £125,140 | Advanced Rate | 45% |
| Above £125,140 | Top Rate | 48% |



MINIMUM WAGE

The National Minimum Wage and National Living Wage have again increased and this may be relevant to those of you who employ others. From April 2024, this has risen to £11.44 per hour, and the main rate now includes anyone 21 and over, rather than 23 and over as it was previously. 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-2024>

FURNISHED HOLIDAY LETTINGS

The Chancellor announced that the furnished holiday lettings (FHL) regime will be abolished. This regime gives extra tax reliefs for costs incurred in furnishing holiday lets. FHL reductions currently apply to properties which are available for holiday letting for at least 210 days a year and which are let for at least half that time. Just to name a few benefits, which will all be removed, holiday let landlords can claim capital gains tax reliefs for traders, are eligible for plant and machinery capital allowances for items such as furniture, equipment and fixtures, can fully deduct interest incurred on borrowings and the profits count as earnings for pension purposes. The FHL regime however, will be abolished from April 2025 meaning 2024/25 is the last year these benefits can be taken advantage of.

COMPANIES HOUSE FEES

From 1 May 2024, Companies House are changing their fees for things such as Incorporation, Dissolution and Confirmation Statements. This will be relevant for those of you who already trade or are thinking of trading, as a Limited Company. Companies House's fee for Incorporation will be increasing from £10 to £50, Dissolution from £10 to £33 (digital), or £44 (paper) and Confirmation Statements from £13 to £34. The latter of these is an annual charge, initially paid by ourselves and recharged via our invoice along with the yearly accounting fee.

HMRC BITS & BOBS

HMRC, in all but very few cases, have now stopped sending out letters. We have had numerous queries recently about when HMRC will send their demand for tax due at the end of January. As most now pay via bank transfer, these letters have been stopped and so unless you receive notification of a change to your tax calculation from HMRC, the amount due is that stated by ourselves and the Tax Calculation that we send to you with your Tax Return. This can be paid at any time after filing but is always best to be kept until around Christmas time, as it has been known to be refunded if paid too far in advance of the deadline.

Refunds are another area in which letters seem to have been stopped. Instead HMRC now upload these documents digitally to individual government gateways. Due to this, we would advise all clients to check their government gateways on a relatively frequent basis to monitor correspondence and act upon anything that may be necessary. Anything you do not understand, or think is vastly different to what you expected, forward it to us and we will do our best to explain and/or look into it.

STATE PENSION AGAIN

As mentioned previously, to qualify for a full State Pension, you need 35 years of full contributions and we recommended that you check your NI record to see your current state of play. If you did not act upon this and still have missing years, you can make these up by making voluntary contributions. You can always contribute up to the last 6 years but if you wish to go further back, there is a deadline to do so. The deadline was initially 5 April 2023 but was then extended to 31 July 2023. The good news is that this was once again extended, now to 5 April 2025. As to whether it is worthwhile paying for missing years 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 still need to act, give us a call, and we will be happy to discuss.

The State Pension has again been given a large increase this year. In April 2024 the State Pension will increase by 8.5%, taking the full State Pension to £221.20/week.

OTHER NEWS

As mentioned in previous bulletins, our old email address, mail@emtacs.co.uk, is no longer in use or accessible. The new email address is info@emtacs.co.uk and can be used for generic queries. Feel free however to continue to email your main contact at EMTACS on their personal email address or call us on 0115 9815001.

Staffing

Some of you will have already had the pleasure of meeting our new member of staff, but for those of you who have not, we would like to introduce Katy Coultas to EMTACS. Katy is a chartered accountant with over 15 years of experience dealing with self-employed individuals, Limited Companies and both Personal and Corporation Tax. Katy will be covering all these areas for EMTACS and also taking on some of Alan's workload as he drops down to 3 or 4 days a week as of April 2024. Welcome Katy!

Bills

Sadly, again this year there will be an inflationary rise to our prices. As ever, we continue to try to keep prices as low as possible but unfortunately rises are something we are unable to avoid. 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 bill at the lower end of the price range.

Deadlines

As has been the case for many a year now, EMTACS have our own personal deadlines in place to help ensure Tax Returns are completed in time for 31 January each year. Both deadlines, guaranteed filing and the overtime surcharge, will remain at **31 October** for all 2023/24 Tax Returns. Please therefore make sure all your documents are sent in enough time to arrive with us before this deadline.

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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