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## SPRING STATEMENT

With all changes to the tax system mentioned in Labour's first budget back in the Autumn, the Spring Statement didn't contain much of note for us to report on. We therefore just thought we would touch on a few other important bits that either relate to the recently completed 2024/25 Tax Year or to the calculation of your profits for that period.

## USE OF HOME CALCULATION

HMRC are beginning to look into and clamp down on Use of Home claims. Now in the past, a good chunk of you have had a fairly arbitrary amount put through without a 'proper' calculation being completed. For 2024/25 (the tax year just finished) we will therefore be reverting to a calculation based method to ensure a reasonable and realistic claim is being made. So how will this work? Well, we will need you to provide us with the following information and figures:

- Mortgage Interest for the year (please provide your mortgage interest certificate) or annual rent if your property is not owned
- Utility Bills; this includes Gas, Electricity and Water.
- Council Tax
- House Insurance
- Is the property shared with a spouse/partner or any other adults if you co-habit?
- Number of rooms in the property, discounting any kitchens and bathrooms
- How many hours on average you work at home per week?



With the above details, we will then add all the costs together to get an annual cost. This is then divided by the number of rooms you have in the property excluding kitchens and bathrooms, and then further adjusted to take into account the hours worked per week. The end result will be the amount used unless it is less than the HMRC standard allowance of £312, in which case we will use HMRC's allowance.

Unfortunately, for quite a few of you, this may mean a reduced Use of Home claim going forward.

## MAKING TAX DIGITAL FOR INCOME TAX SELF ASSESSMENT (MTD FOR ITSA)

We know we have mentioned this before but the reality of MTD for ITSA is almost upon us. For some, this will be mandated from 1 April 2026 with your turnover from both Self-Employment and Rental in the 2024/25 tax year being the determining factor. If your combined turnover for the year is over £50,000, this will mean you, and we will be in touch to set you up in preparation.

Even if your combined turnover is below the initial £50,000 turnover and therefore do not need to register for MTD for ITSA from 1 April 2026, you are not out of the water. Those with a combined turnover of over £30,000 (which will be based on your 2025/26 figures), will be next to register, this time from 1 April 2027. Annual checks will then be required and should you at any point surpass the £30,000 turnover threshold, registration will be necessary.

It is anticipated that the threshold will be lowered further in the future to include those earning more than £20,000, but at the time of writing, a date for this change has not been announced. However, the government has stated they expect this to be before the end of the current parliament.

The government also remains committed to the future introduction of MTD for ITSA to partnerships but as yet, no timeframe has been given.

MTD for Corporation Tax may also be mandated at some point but this is not expected in the near future.

## CLASS 2 NI & CHILD BENEFIT FOR STATE PENSION YEARS

Now that the window for paying any missing contribution years towards your National Insurance record has passed, we need to look forward towards future years and what will be necessary for those that are self-employed.

You may remember that the previous Conservative government 'scrapped' Class 2 NI meaning that from 2024/25 all self-employed individuals with profits exceeding £6,725 (the Lower Earnings Limit) will not have to pay any Class 2 NI with this deemed paid at 0%. This will also mean you will be credited with a contributing year on your National Insurance record. However, for those with profits less than £6,725, you will need to voluntarily pay Class 2 NI in order to have a contributing year. The rate was frozen for 2024/25 at £3.45/week meaning an annual payable amount of £179.40. Should you expect your profits to be below the above mentioned threshold and want/need a contributing year, please do indicate to us on your Tax Return Information Form (you will notice a new section for this) that you wish to pay voluntarily, by ticking the relevant box.

There is however a caveat here for parents claiming Child Benefit. Those that are will be in receipt of NI credits until your youngest child is 12, even if you are not earning. This means that it may be worth thinking which parent claims the Child Benefit to ensure both parties get as many contributing years as possible.

The other thing to consider is if one party will be earning over £80,000 and therefore have to pay all of it back to HMRC. If you know this will be the case, you are able to make a claim but opt out of receiving payments. You will therefore receive nothing but still receive your NI credits. This can be done at any time even if a claim is already in place by going to the following webpage: <https://www.gov.uk/child-benefit-tax-charge/stop-child-benefit>

## FIXED ASSET REGISTERS

Something we hold for the vast majority, if not all, clients is a Fixed Asset Register. The reason for this is to ensure that all Capital items are logged in case of sale and/or ceasing trade. We try to keep this as up to date as possible but over time, as I'm sure you can imagine for clients who have been with us for numerous years, the odd item may be missed or even not listed as sold when it has been so. What we are planning to do therefore, is send out the register we hold for you and ask you to amend or annotate as necessary to make it more accurate where possible. We only need this to contain Capital Assets claimed through your accounts but if you wish to add other non-claimed assets to the Register, for our records, that may be helpful should a future sale ever generate a Capital Gains Tax position.

## OTHER NEWS

### Bills

As ever, business costs continue to rise and when added to the increase in Employer NI costs which we have to bear, so therefore will our prices. It is always our aim to keep any such rises to a level below inflation and so in most cases, any increase will be relatively small. That just leaves me with the usual reminder that 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.

### Deadlines

EMTACS will continue to have our own deadline in place for both guaranteed filing and the overtime surcharge we add to invoices. As with recent years, this will remain at **31 October** for all 2024/25 Tax Returns. Please can you therefore make sure all your documents are sent to us in enough time to arrive before this deadline.

### 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

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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