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TAX NEWS • ISSUE 1 • JULY 2023



WELCOME

A warm welcome to the first in the series of a new newsletter to keep you up-to-date with a round-up of all the essential tax news and important deadlines.



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NEWSLETTER

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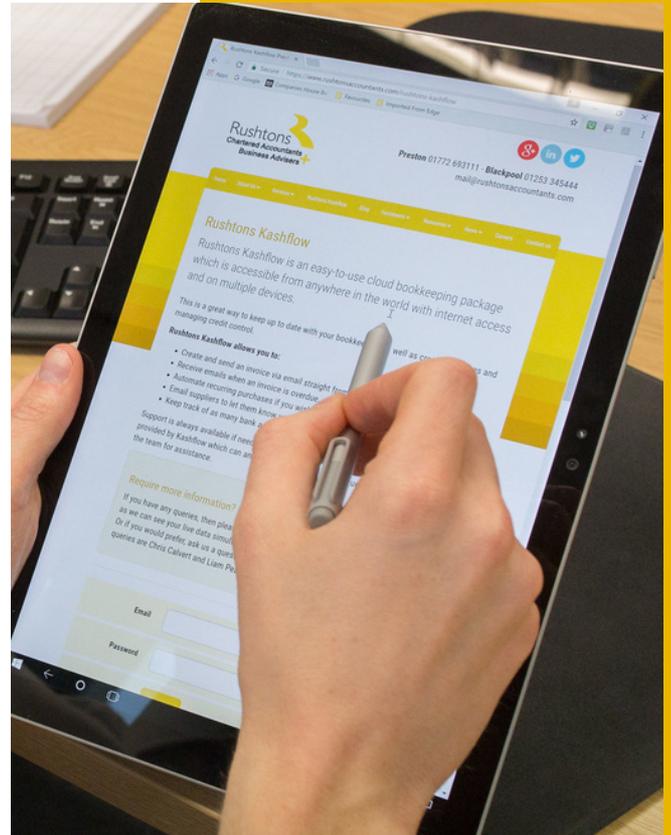
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HMRC PHASING OUT PAPER TAX RETURNS

FOR 2023/24

As well as moving more and more employer returns online, HMRC have announced they will be phasing out paper self-assessment tax returns and encouraging individuals (under the age of 70) to file online.

THE HMRC OFFICIAL RATE OF INTEREST INCREASED ONLY TO 2.5%



REFORM OF CIS

One of the Government's tax consultations concerns possible reforms to the Construction Industry Scheme (CIS), involving payments to sub-contractors. The scheme has been the subject of several changes since it was introduced in 1971 as a revenue protection scheme designed to address the risk presented by a sector with large numbers of workers paid in cash.

SUB-CONTRACTORS THAT MEET CERTAIN CRITERIA ARE PERMITTED TO BE PAID GROSS, WITHOUT TAX DEDUCTED AT SOURCE.

One of the conditions for gross payment status (GPS) is their business is compliant with direct tax obligations.

PENSIONS

PENSION LIFETIME ALLOWANCE

On the 6 April 2023 the lifetime allowance (LTA) was abolished. Individuals will continue to be able to receive 25% of their pension savings as a tax-free lump sum when they become entitled to their pension benefits. For most this will be capped at £268,275.

This is a complex area, taxpayers have been able to protect their LTA at a previous higher amount.

PENSIONS AND ESTATE PLANNING

A drawdown pension fund has become an important part of estate planning. The fund itself is not subject to inheritance tax and, where the pensioner dies under the age of 75, there is no charge when the beneficiary is taxed

Where an individual has both ISA savings and a drawdown pension fund, they would generally be advised to spend their ISA savings in priority to drawing down on their pension as the ISA is subject to inheritance tax, whereas their pension fund is not.



THIS IS AN AREA WHERE SPECIALIST ADVICE IS REQUIRED.

It should be noted where the pension fund is used to buy an annuity, the annuity will lapse on the death of the annuitant, unless a joint life annuity is purchased.

COMPANY CARS AND PRIVATE FUEL

The use of HMRC Advisory rates for VAT purposes.

Where employers reimburse their employees for using their own cars for business journeys the tax-free reimbursement rate continues to be:

45p for the first 10,000 business miles and 25p a mile thereafter. With an additional 5p per mile, per passenger.



COMPANY CARS AND PRIVATE FUEL

Provided the employee provides a fuel receipt the employer is able to reclaim input VAT on a portion of the amount reimbursed to the employee. The input VAT is 1/6th of the advisory fuel rate for the employee's vehicle.

The table sets out the HMRC advisory fuel rates that apply from 1 June 2023. These are published quarterly due to the volatility in petrol and diesel prices in recent years. Where the employer provides an employee with a company car, there may be an additional benefit in kind on the provision of fuel for private journeys. This needs to be reported on [form P11d](#).

Engine Size	Petrol	Diesel	LPG
1400cc or less	13p	-	10p
1600cc or less	-	12p (13p)	-
1401cc to 2000cc	15p	-	12p (11p)
1601 to 2000cc	-	14p (15p)	-
Over 2000cc	23p	18p (20p)	18p (17p)

Where there has a change, the previous rate is shown in brackets. **For fully electric vehicles the rate is 9p (8p) per mile.**

THE DEADLINE FOR REIMBURSING PRIVATE FUEL IS: 6 JULY 2023 for the 2022/23 tax year.

BENEFICIAL LOANS

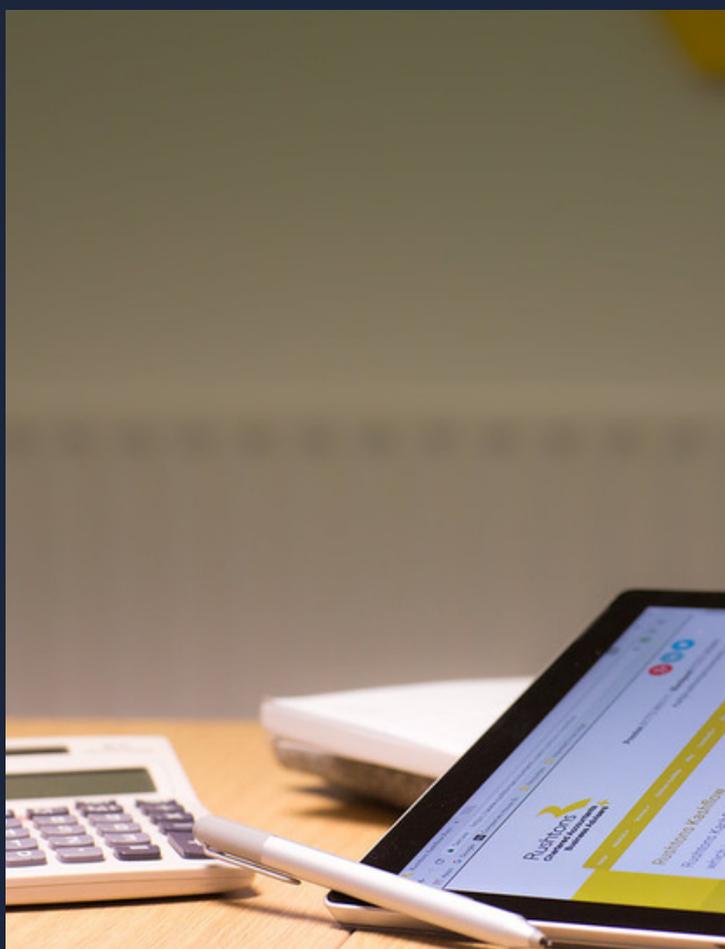
Should directors/shareholders take advantage given the current lower rate?

The HMRC rate of interest on beneficial loans looks very attractive compared to the Bank of England Base rate of 4.5% and much higher rates charged by banks for unsecured loans.

Note:

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 when the loan is repaid, or written off.



EMPLOYMENT RELATED SECURITIES RETURNS

The deadline for reporting shares and securities, and share options issued to employees for 2022/23 is: **6 JULY 2023**

This is the same as the deadline for reporting expenses and benefits provided to employees on form P11d for 2022/23.

Employers must submit their employment related securities annual returns online and attach the appropriate spreadsheet template if they have something to report.



PAYE SETTLEMENT

Where benefits in kind are provided to employees it will usually result in an income tax charge on the employee and a Class 1A national insurance (NI) charge on the employer. **The rate to be used for 2022/23 is 14.53%.**

The income tax charge on the employee can be avoided by the employer entering into a PAYE settlement agreement (PSA) with HMRC, whereby the employer pays the income tax on the employee's behalf.

Employers must pay any tax and class 1B NIC owed under a PSA by **22 October** after the tax year the PSA applies to (19 October if paying by cheque).

JULY DEADLINES

Date	What's Due
01/07	Corporation tax payment for year to 30/09/22 (unless quarterly instalments apply).
05/07	Last date for agreeing PAYE settlement agreements for 2022/23 employee benefits.
05/07	Deadline for agents and tenants to submit returns of rent paid to non-resident landlords and tax deducted for 2022/23.
06/07	Deadline for forms P11D and P11D(b) for 2022/23 tax year. Also, the deadline for notifying HMRC of shares and options awarded to employees.
19/07	PAYE & NIC deductions, and CIS return and tax, for month to 5/07/23 (due 22/07/23 if you pay electronically).
31/07	50% payment on account of 2023/24 tax liability due.



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