



WELCOME

A warm welcome to the forth in the series of our new newsletter to keep you up-to-date with a round-up of all the essential tax news and important deadlines. We hope you find it informative. Please do not hesitate to contact us if you wish to discuss any matters in more detail.

RUSHTONS NEWSLETTER

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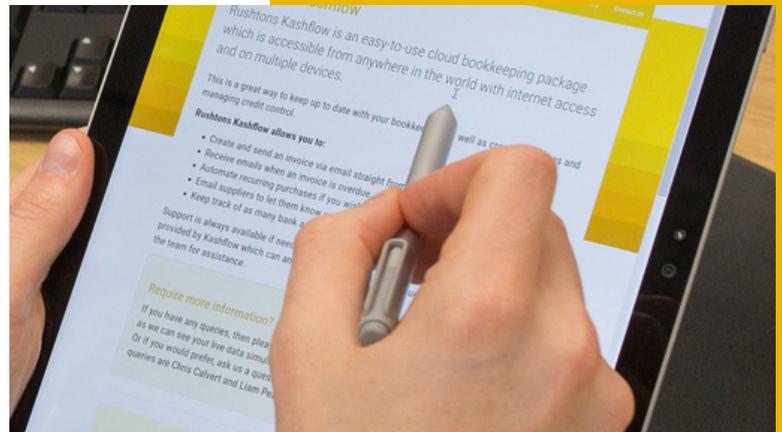
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IMPORTANCE OF UP-TO-DATE PROFIT FORECASTS FOR TAX

In order that we can help predict your taxable profits and tax liabilities we need up to date profit figures and projections. One of the advantages of keeping your business accounts in a computerised form, is that we can review your latest financial position and help you prepare more reliable profit forecasts to estimate your tax bills.

Unincorporated Businesses

Reliable profit forecasts are particularly important at the moment, with the changes to the taxation of sole traders and partnerships from 2024/25, and the complicated transitional rules that apply in 2023/24.



The rules may result in higher tax bills if your business does not have a 31 March or 5 April year end. If we have reliable profit forecasts for your business, we can determine whether or not changing your business year end would be beneficial, and also determine the timing of that change.

LIMITED COMPANIES



From 1 April 2023 the rate of corporation tax a company pays depends on the level of the company's profits and the number of "associated companies". "Associated companies" are those under common control, which may include companies controlled by close relatives under certain circumstances.

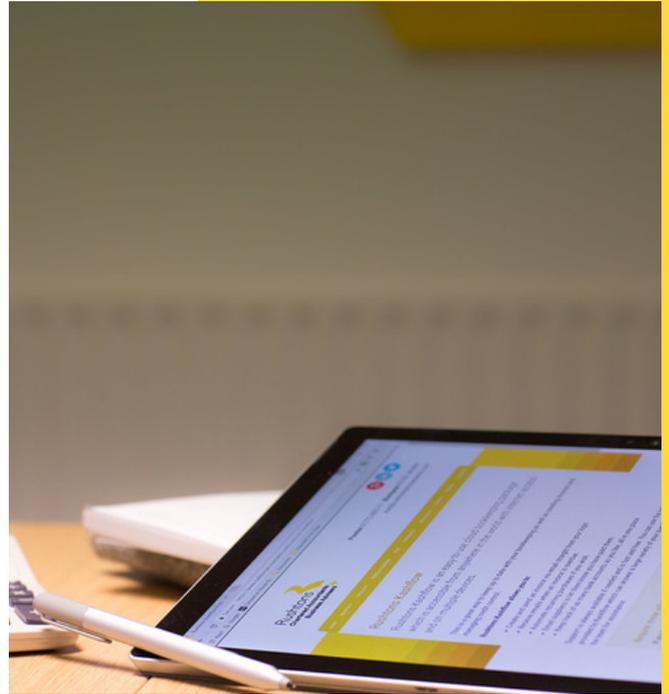
Assuming a company has no "associated companies" then the 19% corporation tax rate continues to apply where profits are no more than £50,000 and the 25% corporation tax rate applies where profits exceed £250,000 a year.

The £50,000 and £250,000 limits are divided by the number of "associated companies". In between the limits there is marginal relief to achieve the transition between 19% and 25%. The marginal tax rate between £50,000 and £250,000 is 26.5% and thus tax planning can be particularly effective.

WHEN ARE COMPANIES ASSOCIATED?

“Associated companies” for corporation tax purposes are those under common control. The most obvious situation is where one of the companies has control of the other, or both of the companies are under the control of the same person, or persons.

In determining control, the rights and powers of an individual’s associates, broadly close relatives, may be taken into consideration, but only where there is substantial commercial interdependence between the two companies. This could be financial, economic, or organisational interdependence and will depend on the facts of each case.



LARGER COMPANIES ARE REQUIRED TO PAY TAX QUARTERLY



Although not a new measure, **where a company has profits in excess of £1,500,000 a year** it is required to estimate and pay corporation tax quarterly during the year, rather than 9 months after the end of its accounting period. What has changed since 1 April 2023 is that the £1,500,000 threshold is divided by the number of “associated companies” in the accounting period, as defined above.

Thus, if a company has two associated companies, if any of them has profits in excess of £500,000, quarterly instalments of corporation tax will be required. If that company has a 31 March 2024 year end, it needs to pay its estimated corporation tax liability according to the following schedule:

- 25% of its estimated liability by 14 October 2023
- 50% of its estimated liability by 14 January 2024
- 75% of its estimated liability by 14 April 2024
- 100% of its corporation tax liability by 14 July 2024

As mentioned above, accurate profit forecasts are required in order to compute the quarterly payments. You might wish to consider minimizing the number of associated companies to avoid this cash flow disadvantage.

AUTUMN STATEMENT 2023

The Treasury has announced the Office of Budget Responsibility (OBR) will produce a report on the state of the UK Economy in time for the Chancellor Jeremy Hunt to present his Autumn Statement on Wednesday 22 November.

Last year the Chancellor announced a number of significant changes, reversing many of the proposals in the Kwarteng/Truss mini Budget. The leaks and rumours have already started with suggestions that there will be no significant tax cuts.

The Prime Minister's statement on 20 September about progress to Net Zero suggests there may be a number of announcements concerning green energy measures affecting individuals and businesses. Another suggestion has been the possible abolition of inheritance tax.



The now disbanded Office of Tax Simplification produced two reports in recent years concerning the simplification of IHT and the complicated interactions with capital gains tax (CGT). The Chancellor may decide to take some of those suggestions on board, or possibly abolish IHT and extend CGT to certain transfers on death.

INHERITANCE TAX MAY BE ABOLISHED

One rumour that has been circulating in the press concerns the possible abolition of inheritance tax (IHT).

This rumour may have the effect of causing families to delay estate planning pending an announcement. Tax planning can only be based on the tax rules that exist at the time, and should not be based on speculation over future law changes.

A further uncertainty concerns tax changes resulting from a possible change in the political party in government. (The Labour Party have history for increasing capital taxes and strengthening the rules concerning the use of trusts in tax planning).

ARE YOU DUE A NI REFUND ON CAR ALLOWANCES?

Recent Tribunal decisions in favour of employing companies and against HMRC has caused many organisations in similar circumstance to make protective claims for the recovery of National Insurance Contributions (NIC) in respect of car allowances paid to employees using their own cars or vans for business journeys.

Many employers have a policy of only reimbursing the fuel costs associated with those business journeys (for example at 15p per mile) rather than paying the maximum HMRC Approved Mileage Allowance Payments (AMAP) rates (currently 45p/25p per mile) on a tax and NIC free basis.

The employee can then make a claim for the difference between the 45p allowance and the amount received from the employer as a deduction from their employment income.



The recent Upper Tribunal decisions (which HMRC have confirmed they will not appeal) have held that the amounts paid by the employer in respect of business mileage are exempt from NIC and consequently employers should consider making a claim for repayment from HMRC.

OCTOBER/NOVEMBER 2023 DEADLINES

Date	What's Due
19/10	PAYE and NIC deductions, and CIS return and tax, for month to 05/10/2023 (due 22/10/2023 if you pay electronically).
01/11	Corporation tax for year to 30/01/2023 unless paid by quarterly installments.
19/11	PAYE & NIC deductions, and CIS return and tax, for month to 05/11/2023 (due 22/11 if you pay electronically).



Rushtons



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