



WELCOME

A warm welcome to the third 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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BACK TO SCHOOL - SET UP A TAX FREE CHILDCARE ACCOUNT

The Government's Tax-Free Childcare Accounts provide a 25% subsidy towards the cost of childcare. The account can be used to pay nursery fees, breakfast clubs, after school clubs and registered childminders.

The scheme operates by topping up savings of **up to £8,000 per child by 25%** potentially an extra £2,000 a year from the Government to spend on qualifying childcare. The scheme generally applies to children under 12. In the case of disabled children the age limit is 16 and the amount that can be saved is £16,000 a year, topped up by the Government by a further 25% to potentially £20,000.



TAX FREE

Unlike childcare vouchers, still provided by some employers, tax free childcare accounts are available to both employees and the self-employed. To be eligible, the parent generally needs to be working and earning at least the National Minimum Wage or National Living Wage for at least 16 hours a week on average.

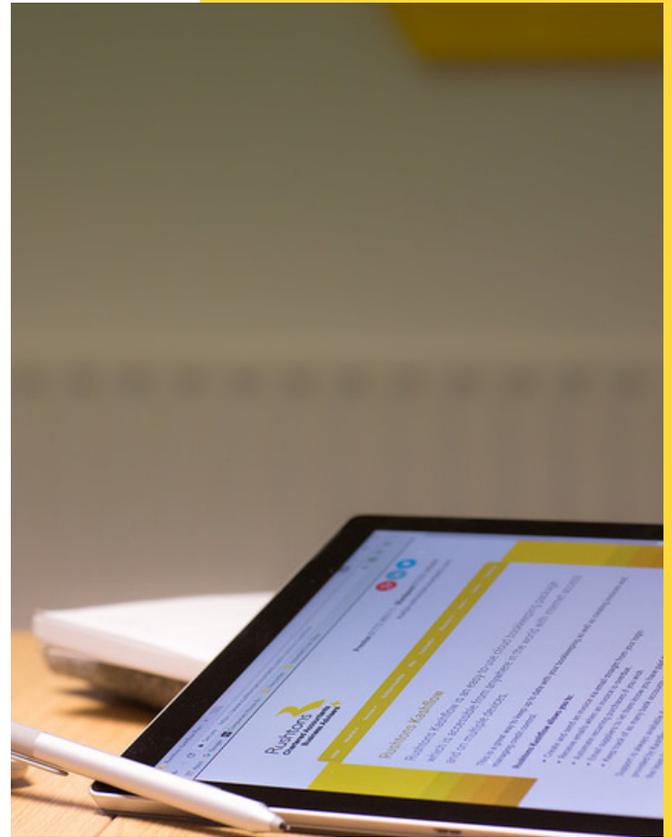
HOWEVER, PARENTS ARE NOT ELIGIBLE IF EITHER OF THE PARENTS ADJUSTED NET INCOME IS MORE THAN £100,000 A YEAR.

Where an employer provides Childcare Vouchers then the parents are not allowed to set up a Tax-Free Childcare Account as well. We can advise whether or not it would be more beneficial to leave a Childcare Voucher Scheme, as it applies to children up to age 16, rather than 12.

CHILD BENEFIT

Parents and carers need to be aware if either of the couple have 'adjusted net income' in excess of £50,000 then the one with the higher income will potentially be charged tax on some, or all of the child benefit received in the tax year.

The High Income Child Benefit Charge (HICBC) imposes a 1% charge on the amount of child benefit received for every £100 the taxpayer's adjusted net income exceeds £50,000. 'Adjusted net income' is an individual's total taxable income before any allowances, but after deducting Gift Aid, pension contributions, and trade union subscriptions.



MERGER OF R&D TAX RELIEF SCHEMES TO GO AHEAD

The government have issued draft legislation for consultation on the proposal to merge the two forms of corporation tax relief for expenditure on research and development (R&D).

For expenditure incurred on or after 1 April 2024, it is proposed the two schemes providing for R&D relief - R&D expenditure credit (RDEC) and Credit Relief for SMEs, will be merged and replaced with a single unified scheme. This will operate alongside a new scheme to provide additional relief for "R&D intensive" SME companies.

It is suggested this merged scheme will operate in a similar manner to the existing RDEC scheme, rather than the SME scheme. The merged scheme will offer a taxable credit, based on a percentage of R&D expenditure, that can be offset against the company's tax liability. The rate of relief under the proposals is 20% of R&D expenditure. This translates into a net benefit of 15%, assuming a company pays tax at the 25% main rate of corporation tax.

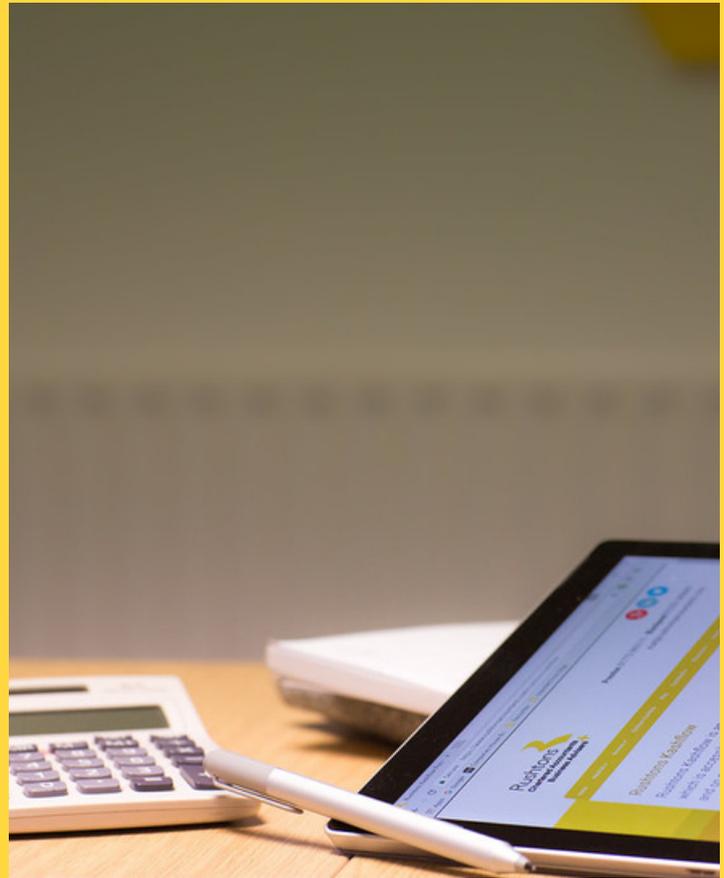
The exception to this would be for loss-making "R&D intensive" SMEs. These companies would be able to continue to claim an additional deduction for R&D expenditure, and where that deduction produces or contributes to a loss, claim a payable credit for that loss.



“R&D INTENSIVE” SME COMPANIES

It is envisaged that the current SME relief will effectively continue for loss-making R&D intensive companies. An R&D intensive company is broadly defined as being where R&D expenditure is 40% of the company's total expenditure for the purposes of calculating profits chargeable to corporation tax.

For those companies, the additional deduction will remain at 86%, with the rate of payable credit for surrenderable losses being 14.5%. This would provide a repayable credit of £26.97 for every £100 spent on qualifying R&D.



INCOME TAX ON INHERITED PENSION FUNDS

Currently, where an individual pension holder dies before age 75, drawdown pensions paid to a successor can generally be received free from income tax. Where the pension holder dies over the age of 75, then the amounts drawn by the successor are taxed at their marginal income tax rate. The current tax rules provide the value of the fund passes free of inheritance tax to the successor and thus forms an important part of estate planning.



Policy documents published in July 2023 include draft legislation to abolish the pension lifetime allowance and associated income tax charge. These were previously announced as part of Budget Day measures to lure workers aged over 50 back into work and are generally welcomed. However, the policy documents regarding changes to the taxation of pensions also included a suggestion certain beneficiaries of pensions of members who died under age 75 may become subject to income tax as part of future tax changes, possibly from 2024/25. This would align with the tax position for beneficiaries of pensions where the member dies over age 75.

HMRC TO REQUIRE MORE INFO

It is proposed from 2025/26, employers will be required to provide more detailed information on employee hours worked via real time information (RTI) PAYE reporting. The information to be reported will be set out in separate regulations.

From 2025/26 shareholders in owner-managed businesses will also be required to provide additional information via their self-assessment tax returns. These shareholders will be required to disclose the amount of dividends received from their own companies separately from other dividend income, as well as the percentage shareholding that they hold in their own companies.

Self-employed individuals will be required to provide information on the start and end dates of their businesses via their self-assessment returns.



HM Revenue & Customs



ADVISORY FUEL RATE FOR COMPANY CARS

The table sets out the HMRC advisory fuel rates from 1 September 2023. These are the suggested reimbursement rates for employees' private mileage using their company car.

Where the employer does not pay for any fuel for the company car these are the amounts that can be reimbursed in respect of business journeys, without the amount being taxable on the employee.

Where there has been a change the previous rate is shown in brackets. You can also continue to use the previous rates for up to 1 month from the date the new rates apply. For hybrid cars you must use the petrol or diesel rate. For fully electric vehicles the rate is 10p (9p) per mile.

Engine Size	Petrol	Diesel	LPG
1400cc or less	13p		10p
1600cc or less		12p	
1401cc to 2000cc	16p (15p)		12p
1601 to 2000cc		14p	
Over 2000cc	25p (23p)	19p (18p)	19p (18p)

SEPTEMBER/OCTOBER 2023 DEADLINES

Date	What's Due
19/09	PAYE and NIC deductions, and CIS return and tax, for month to 05/09/2023 (due 22/08/2023 if you pay electronically).
01/10	Corporation tax payment for year to 30/12/2022 unless paid by quarterly installments.
05/10	Deadline for notifying HMRC of chargeability for 2022/2023 if not within Self-Assessment and receive income or gains on which tax is due.
19/10	PAYE & NIC deductions, and CIS return and tax, for month to 05/10/2023 (due 22 October if you pay electronically).



Rushtons



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