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## WELCOME

Welcome to the March 2025 edition of Tax E-News. We hope that you find this informative. Please contact us if you wish to discuss any matters in more detail.



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North & Western  
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## RUSHTONS NEWSLETTER

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# MAKING TAX DIGITAL FOR INCOME TAX

With just over a year to go before Making Tax Digital for Income Tax (MTD for IT) is mandated, now is the time to consider whether your business will be required to comply with the new requirements from 6 April 2026.

If you are a sole trader or run an unincorporated property business, and your 'qualifying income' (generally turnover from a sole trade or property business) is £50,000 or more in the 2024/25 tax year, you will be mandated into MTD for IT from 6 April 2026. It's too early to know your 2024/25 income until your accounts or tax return have been prepared for the tax year, but your 2023/24 self assessment tax return should give you an indication as to whether or not you'll be mandated. If your qualifying income in 2023/24 was above or nearing £50,000, and you expect it to stay at around that level or increase for 2024/25, then there's a good chance that you'll be mandated.

HMRC are taking this approach. They have said that they'll use 2023/24 returns (the deadline for which was 31 January 2025) to identify which taxpayers are likely to be mandated from 6 April 2026. They'll be sending those taxpayers a letter in the coming months, advising them that they're likely to be mandated and explaining why.

If you receive such a letter, or if you'd like to know more about preparing for MTD for IT, please let us know. MTD for IT will involve keeping your detailed accounting records in compatible software and sending quarterly digital reports to HMRC. This might be a big change for some, but it could actually benefit you. We can help you choose the most suitable software and implement the required processes in a way that adds value to your business.

# TIMING OF DISPOSALS AND ELECTIONS FOR CAPITAL GAINS TAX

2024 saw an increase in the main rates of Capital Gains Tax (CGT) for disposals taking place on or after 30 October 2024 (now 18% and 24%). It was also announced that the rate of CGT on Business Asset Disposal Relief (BADR) gains would increase from 10% to 14% from 6 April 2025, with a further increase to 18% planned from 6 April 2026. The upcoming change means that getting the timing of BADR-qualifying disposals wrong could mean you paying more CGT.

As a general rule, the disposal date for CGT purposes, for unconditional contracts, is when the contract is entered into, rather than the time that it is completed. New rules prevent using unconditional contracts to secure the lower rates of CGT. There are also new rules that prevent using elections to lock in the lower rate of CGT when share exchanges or reorganisations take place. If you are planning to make a BADR-qualifying disposal, please speak to us so that we can help you avoid any pitfalls!

# LOAN CHARGE REVIEW - HAVE YOUR SAY!



The loan charge was brought in to curtail the use of specific tax avoidance schemes that sought to avoid Income Tax and National Insurance by disguising remuneration as loans. There are complex and long-standing problems with HMRC's policy and settlement concerning loan charge liabilities, with a considerable number of taxpayers experiencing undue hardship.

An independent review of the loan charge is taking place, which will focus on cases where tax liabilities have not been resolved. If you were affected and would like to submit evidence, please speak to us.

## ARE YOU TRADING?

2024 was the first year for which digital platforms such as Amazon and eBay were required to send information about vendors to HMRC. The reporting requirements apply unless the vendor made fewer than 30 sales in a year and received less than €2,000 (approximately £1,700) for those sales.

The new rules merely strengthen HMRC's data collection powers and do not create any new tax obligations for individuals. It does however mean that if an online trader has not been declaring their income, HMRC are more likely to find out about it!

There has been a lot of misinformation online and on social media surrounding the new rules, leading people to believe that they'll have to pay tax on their sales from having a

clear-out and selling their unwanted possessions! This isn't necessarily the case. In a recent educational campaign, HMRC set out the circumstances in which tax would be due. They say, "Selling stuff for some extra money might just feel like a fun hobby you do on the side, but it could also count as something HMRC calls 'trading'". The definition of trading is complex, but generally it means that the activity is pursued with a view to making a profit. HMRC go on to say. "Just casually selling some unwanted personal belongings from time to time? It's unlikely you'll need to pay any tax on this."

The campaign also addresses the £1,000 trading allowance. If a person's sales income from trading is £1,000 or less in a tax year, that trading income does not need to be declared; if sales from trading exceed £1,000, then that trade needs to be declared on a self assessment tax return.



# ANNUAL TAX ON ENVELOPED DWELLINGS

Annual Tax on Enveloped Dwellings (ATED) is payable by 'non-natural persons', such as companies, that hold an interest in UK residential property valued at over £500,000. The ATED charge is based on the value of the property and applies unless an available relief is claimed.

One such available relief is for dwellings that are let to a third party on a commercial basis and are not, at any time, occupied, or available for occupation, by anyone connected with the owner. If this relief applies, it should be claimed in an ATED return.

ATED is payable for a chargeable period ending on 31 March each year. Returns must be filed within 30 days of the period commencing, so returns for the period 1 April 2025 to 31 March 2026 must be filed on or after 1 April 2025, and no later than 30 April 2025.

Over the coming months, HMRC will be sending 'One-to-Many' letters to companies that own one or more dwellings valued at over £500,000, declared no profits in their Corporation Tax returns between 2017 and 2020 and either filed no ATED returns or claimed the relief outlined above. The letter explains that as the company's tax returns show that it did not make a taxable profit, it may not have been run on a commercial basis, with a view to a profit. In such cases, the ATED relief will not apply.

The letter asks companies to review their ATED position and respond within 40 days, either providing further information, making a disclosure or filing any outstanding returns. If HMRC do not receive a response within the set time, they may raise a discovery assessment and penalties may apply.



# ADVISORY FUEL RATES FOR COMPANY CARS

The table sets out the HMRC advisory fuel rates from 1 March 2025. 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.

You can also continue to use the previous rates for up to 1 month from the date the new rates apply.

Note that for hybrid cars, you must use the petrol or diesel rate.

For fully electric vehicles the rate is 7p per mile.

Engine Size	Petrol	Diesel	LPG
1400cc or less	12p (12p)	-	11p (11p)
1600cc or less	-	12p (11p)	-
1401cc to 2000cc	15p (14p)	-	13p (13p)
1601 to 2000cc	-	13p (13p)	-
Over 2000cc	23p (23p)	17p (17p)	21p (21p)

*Previous rates are shown in brackets.*

## EMPLOYEES USING THEIR OWN CARS

For employees using their own cars for business purposes, the Advisory Mileage Allowance Payment (AMAP) tax-free reimbursement rate continues to be 45 pence per mile (plus 5p per passenger) for the first 10,000 business miles, reducing to 25 pence a mile thereafter. Note that for National Insurance contribution purposes the employer can continue to reimburse at the 45p rate as the 10,000 mile threshold does not apply.

## INPUT VAT

Within the 45p/25p AMAP payments, the amounts in the above table represent the fuel element. The employer is able to reclaim 20/120 of the fuel amount as input VAT provided the claim is supported by a VAT invoice from the filling station. For a 2500cc petrol-engine car, 4 pence per mile can be reclaimed as input VAT ( $23p \times 1/6$ ).



# DIARY OF MAIN TAX EVENTS

MARCH/ APRIL 2025

Date	What's Due
1 March	Corporation Tax for year to 30/05/2024, unless quarterly instalments apply.
19 March	PAYE & NIC deductions, and CIS return and tax, for month to 05/03/2025 (due 22/03 if you pay electronically).
26 March	Spring Forecast: the Chancellor of the Exchequer, Rachel Reeves, will present her Spring forecast.
1 April	Corporation Tax for year to 30/06/2024, unless quarterly instalments apply.
5 April	End of the 2024/25 tax year – many tax planning actions need to have been taken by this date.
6 April	Start of the 2025/26 tax year.
19 April	PAYE & NIC deductions, and CIS return and tax, for month to 05/04/2025 (due 22/04 if you pay electronically).
30 April	Annual Tax on Enveloped Dwellings (ATED) returns and payment for the chargeable period starting on 1 April 2025.



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