Winter 2023/24

Financial and business intelligence

SHIPSHAPE

Planning for a smooth take-off in 2024

Good financial and tax planning will make a potentially difficult year ahead easier to manage

shipleys LLP

Also in this issue:

Contents:

Shipleys LLP is a firm of chartered accountants and business advisers. *Shipshape* is our regular newsletter for clients and contacts.

If you have any suggestions for topics you would like to see covered in *Shipshape*, or have any comments about its content, please contact Gilda Rochester at our London office.

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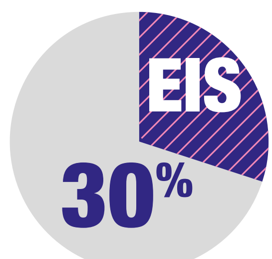
business rates discount for retail, hospitality and leisure firms in England extended for another year

Business Asset Disposal Relief rate for capital gains tax on the sale of shares in an Enterprise Management Incentive scheme

Government looking to widen audio-visual expenditure credit to visual effects expenditure



income tax relief on up to £1m in subscribed for shares in qualifying Enterprise Investment Scheme companies each tax year

proposed changes to European Union VAT rules for e-commerce via online marketplaces to come into force

new legal minimum wage from April 2024

Viewpoint: Steve Foster
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The time to plan is now

I can't believe it's December already. What a year it's been – although that's been the conclusion for the past few.

A welcome highlight of recent months was the fall in inflation. The Bank of England also held the base rate rather than increase it – although many had hoped it would be lower by now.

The Office for Budget Responsibility now forecasts that the economy will grow by 0.7% in 2024 and by 1.4% in 2025, although these are lower than previous estimates.

With an eye on the coming election, Jeremy Hunt announced 110 measures in his Autumn Statement (see page 2) that he felt would further boost economic growth. While the national insurance reduction for employees is welcome, the main income tax and NIC allowances and thresholds and inheritance tax (IHT) nil rate bands will stay at their current levels for 2024/25. More people are subsequently facing bigger tax outlays.

Much was made of the permanency given to the full expensing of business investments in capital allowances. While a welcome move for larger corporations investing in major equipment purchases, it would be good to see more support for smaller businesses or those investing in people rather than equipment.

Powering up profitability

Incentivising economic growth through corporation tax reliefs relies on businesses generating a profit. However, recent Office of National Statistics figures show the profitability of UK private non-financial businesses was 9.6% in Q2 2023, down from 10.7% in Q1. Our recent Business Club session discussed how businesses can boost profitability, and in turn their resilience, in 2024. Many excellent suggestions were shared – see page 6.

Be prepared

As I write, Ofgem has announced January's energy price rises, which will further challenge stretched household finances. Given the tough economic conditions plus political uncertainty from a 2024 general election, businesses and individuals should plan ahead to ensure as smooth a ride as possible.

To help with that, on the personal finance front we've highlighted end-of-year tax considerations on pages 8 and 9. Also in the spirit of being prepared, on page 10 we've discussed the potential implications of the election for personal finances and urge you to plan with care.

For businesses, we've signposted tax reliefs not to be missed for those operating in residential property development and touched on the latest developments in the residential letting market (page 4). We've also explained different share options for those companies looking to incentivise staff and drive business growth in 2024 (page 3).

Planning essentials

Most advice around planning stresses the importance of defining clear objectives, breaking down a plan into actionable and manageable steps, then allocating resources and establishing a clear timetable.

I would add that having realistic and reliable information to base your personal finance or business plan on is essential. That means:

- including both the positives and negatives in your cash-flow projections
- thinking through different scenarios carefully, and
- factoring in other commitments so you have a realistic chance of achieving what you want when you want.

While none of us can see into the future, we can prepare for different possibilities and act more assuredly when one arises.

At Shipleys, we've been busy helping clients with just that – whether it's reviewing financial forecasts and explaining the tax implications of projected incomes or sale of assets, or identifying tax reliefs that our clients still need to consider in their planning and helping them put contingency plans in place. Related to this last point, we've included a piece on page 7 about the peace of mind business-specific Lasting Powers of Attorney can bring to business owners and their families.

Bring it on

2024 looks set to be another eventful year. Planning ahead for different possibilities can help you navigate the likely twists and turns that bit more comfortably. Whatever your opportunities, challenges and goals for next year, don't forget that we are here and ready to help.

On behalf of everyone at Shipleys, thank you for your support in 2023. We wish you a very happy Christmas and a comfortable and rewarding 2024.

Steve

Thresholds and rates freeze could mean bigger tax outlays

A recap of some of the headline changes announced by Chancellor Jeremy Hunt in his Autumn Statement.

With a general election highly likely next year, Jeremy Hunt's second Autumn Statement prioritised short-term tax cuts rather than focusing on longer-term issues facing the economy.

Cuts to national insurance made the headlines in place of some rumoured measures such as inheritance tax reform and changes to income tax thresholds. There has been some speculation the chancellor will revisit these matters in the Spring Budget.

The main highlights from the Autumn Statement are set out below.

National insurance contributions (NICs)
The main rate of class 1 employee NICs will be reduced from 12% to 10% from 6 January 2024, class 4 self-employed NICs cut from 9% to 8% from 6 April 2024, and class 2 will no longer be required.

Tax thresholds
The main income tax allowances and thresholds, main NICs thresholds and inheritance tax (IHT) nil rate bands will stay at their current levels for 2024/25.

Pensions and state benefits
The new and old state pension as well as pension credit will rise by the full triple lock increase of 8.5% for 2024/25. Universal credit and most other benefits will increase by 6.7%.

ISAs
Investors will be allowed to make multiple subscriptions to ISAs of the same type each year from April 2024, when partial transfers of ISAs between providers will also be permitted.

National living wage
This will increase to £11.44 an hour.

Capital allowances
Full expensing of investments made by companies in qualifying plant and machinery will be made permanent and continue after April 2026. This allows companies incurring qualifying expenditure on new plant and machinery to claim a 100% first-year allowance for main rate expenditure and a 50% allowance for special rate expenditure. Expenditure on plant and machinery for leasing remains excluded, but the government will consult on this and on wider changes to simplify capital allowances legislation.

R&D tax credits
The R&D expenditure credit and the small or medium enterprise (SME) schemes will be merged for accounting periods beginning after 31 March 2024. The rate under the merged scheme will be 20%. The enhanced support for R&D-intensive SMEs will continue, but the intensity threshold for the level of R&D expenditure required to qualify will be reduced from 40% to 30% from 1 April 2024.

Creative industries
The government says it intends to widen the audio-visual expenditure credit for visual effects expenditure and will work with the industry on how best to design this with the intention of implementing changes from April 2025.

VAT relief on energy-saving materials
This will be extended to additional technologies, such as water-source heat pumps, with the changes taking effect from February 2024.

In addition, the government says it is seeking to persuade people with health conditions to find work. There is extra funding, as well as new sanctions for those who are found to be able to work but refuse to look for employment.

As always with the Chancellor's announcements, the devil is in the detail. As the Treasury begins to release the papers behind the Chancellor's headlines, we will be closely monitoring what these mean for our clients. We'll be sharing our conclusions and advice on our website and in our conversations with clients. For further information visit: *https://tinyurl.com/2s83fraz*

Share options: making the right choice

Share options are a popular way to incentivise staff and drive business growth. Here we highlight the respective merits of four different types of option.

Share options – a right to buy shares at some point in the future – can be effective in retaining and motivating key employees. However, there are different types to consider before choosing a share options scheme (or plan) to offer.

Unapproved share options

These commonly used schemes are offered at a fixed price (or strike price) – usually the market value of the shares on the date the option is granted.

For most schemes, the option holder will pay income tax on the difference in price between the strike price and actual market value of the shares when they exercise their option.

National insurance contributions (NICs) will only be due if shares are deemed readily convertible assets, which means that they can easily be sold quickly to generate cash – for example, if the shares are traded on a stock exchange. If shares are sold, there will be liability for capital gains tax (CGT) on any profits arising since the time the option was exercised.

These schemes are attractive to employers because they offer the discretion to tailor qualifying conditions for share recipients, such as meeting various performance targets.

Growth shares

While technically not options, growth shares are generally used in the same way as options, so we have included them here. Favoured by start-ups and for employees who do not qualify for enterprise management incentive (EMI) schemes (see below), growth shares allow recipients to benefit only from the growth in value of their company's shares, rather than the value at the time the shares were granted.

The employee pays CGT on the increase in value between when the shares were issued and when they eventually sell them. To ensure employees aren't also charged income tax, companies must change their articles of association to record the growth shares as a new class of B or C shares.

That record must make it clear that the growth shares only participate if the value of the company shares rises above a specific value threshold, known as the growth hurdle. This ensures the shares have a low value at the time of issue, which is important as employees are taxable on the value of the shares when issued to them (unless they pay an amount equal to the value of the shares when subscribing for them).

Enterprise management incentive (EMI) schemes

These schemes are popular because they come with tax savings. So long as the market value of the shares is agreed by HMRC when the options are granted, the option holder doesn't pay income tax or NICs on exercise, providing the shares are bought for at least the market value when the options are granted.

CGT on the sale of the share also reduces to 10% (based on Business Asset Disposal Relief being available). The capital gain is the difference between the sale price for the shares and the strike price of the options, meaning that the exercise gain – which is subject to income tax and potentially NICs in an unapproved option scenario – is also only subject to CGT for EMI options.

Company share option plans (CSOPs)

With no limits on company size or number of employees (unlike EMIs), these plans can be used by larger companies, listed organisations and those whose trade excludes them from EMIs (such as accountancy or banking businesses).

Options can be exercised without any income tax or NICs liability arising provided certain conditions are met. The conditions are met if the option is exercised within 10 years of grant and:

- the exercise is at least three years after the grant date, or
- it is within six months of cessation of employment for certain "good leaver" reasons
- it is done by the participant's personal representatives within 12 months of death, or
- it is within six months of certain cash takeovers.

Please do get in touch with one of Shipleys' share option schemes specialists to find out more.

Making the most of opportunities in a challenging property market

We reflect on the headwinds in the residential property development and lettings market – and spotlight the allowances and incentives available to help businesses navigate the right course.

Eye-watering interest rate rises over the past year have put pressure on many businesses operating in the UK's residential property development and lettings sector.

This has prompted lenders to review their commercial loan strategies and, in some cases, interest rates on finance products have gone into double digits, while other products are being withdrawn. This all means affordable finance options are more limited.

Economic indicators from the Royal Institute of Chartered Surveyors suggest falling residential property sales over the coming months but to then stabilise.

Housebuilding has also been negatively impacted: in September, Barratt reported that overall house price inflation was running below inflation in building costs and weighing on profitability.

Land and stock demand

The general slowdown is prompting land values to fall and making so-called land banking less attractive. As a result, for those with the financial capacity, there are potential bargains to be had in acquiring certain development sites.

In the residential lettings sector, a reduction in stock has caused rents to rise as demand outstrips supply.

National Statistics reported that residential rental costs were rising at their fastest annual rate rise since records began.

There is, however, speculation that this may spur more first-time buyers to step onto the property ladder as house prices soften – good news for developers catering for this buyer segment. It also shows that for landlords looking to increase their portfolios, there is likely to be demand for additional stock.

A helping hand

While the general picture is sobering, there is still demand for property stock in the rental and first-time buyer markets.

Given how tight profit margins are proving, it's important to make the most of available reliefs such as:

- reclaiming VAT costs on new-builds
- getting up to 150% tax relief on the cost of cleaning up contaminated land
- claiming wear and tear costs via the renewals basis
- claiming allowances on communal areas for multiple dwelling properties
- saving on stamp duty if your business buys six or more dwellings and can qualify for commercial stamp duty rates, or multiple dwellings relief.

It's also advisable to be mindful of business group sizes to avoid hitting the £2m corporate interest restriction for total interest expenses.

In his Autumn Statement, the Chancellor promised to improve the current planning process and backlog to aid development. He also pledged £110m over the next two years for nutrient-mitigation schemes to boost residential property building.

At Shipleys, our property specialists help businesses with tax planning, VAT claims, valuations, forecasting, debt and business restructuring, as well as routine compliance.

We also have access to specialist advisers and lenders, for example, to help businesses to find alternative sources of finance.

What new rental legislation will mean for landlords

Landlords in England will need to adapt to a range of significant new rules if the proposed Renters' (Reform) Bill becomes law in 2024.

The bill, which was outlined in the King's Speech in November, includes the abolition of 'no-fault' evictions but will also make it easier for landlords to recover properties if they wish to sell, move in a family member or evict tenants who "wilfully" fail to pay their rent. The bill will also:

- make it illegal for landlords to refuse to rent to recipients of government benefits
- give landlords greater powers to evict anti-social tenants and reduce notice periods to remove occupiers who breach tenancy agreements or cause damage
- introduce a database of residential landlords and privately rented properties in England
- ensure the Decent Homes Standard is applied to the private rented sector for the first time
- give landlords the right to refuse pets at a property if the tenant doesn't have insurance to cover the cost of damage to the premises
- digitise the process of legal disputes and appoint a new ombudsman.

VAT corner

Guidance and updates

Changes to VAT for EU e-commerce

Proposed changes to the European Union (EU) rules for e-commerce via online marketplaces could potentially have an impact on UK businesses trading in the EU.

The new regulations are part of the EU's VAT in the Digital Age (ViDA) plans and may extend the current regulations to include business-to-business (B2B) as well as business-to-consumer e-commerce via online marketplaces such as Amazon and eBay.

If agreed by EU member states, many of the proposed changes could be implemented in 2025; however, there may be further revisions before then. That said, it is prudent for UK businesses that trade on e-commerce platforms to be alert to the proposals.

There's more detail on our website at *https://tinyurl.com/ytnk4pyp* or get in touch with your usual Shipleys contact.

Claiming on employees' expenses

Businesses often ask us about whether they can claim VAT back on the expenses their employees accrue in their work for their organisation. That's not surprising, given the VAT rules differ according to the type of expense and how it's used.

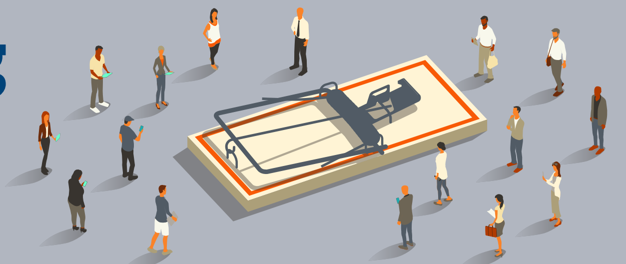
To help, we have produced two guides. The first looks at the most common expenses. Download it at *https://tinyurl.com/bddppkuw* The second guide focuses on motoring expenses. Download it at *https://tinyurl.com/y49y2cej*

VAT registration applications

We often complete VAT registration applications for clients, but a reminder to those who prefer to do this themselves that paper application forms are now only available in special circumstances.

Payroll answers

Helping you to avoid payroll pitfalls



P11D filing for non-salaried directors

Some businesses may face HMRC penalties because they are wrongly assuming that non-salaried employees aren't required to submit a P11D.

Such employees still need to complete a P11D if they gain other benefits from their employer. This commonly affects directors whose remuneration involves a director's loan account and its interest, or benefits in kind (such as a company car or medical insurance).

Businesses with non-salaried directors receiving other benefits are required to:

- Set up a PAYE scheme (if one isn't in place) for P11D purposes
- Register them on their PAYE scheme
- Submit a NIL Employment Payment Summary (EPS) to HMRC by 19 May each year
- Include the directors in the P11D submission each year.

There's more P11D help from Shipleys' payroll services team, at: *https://tinyurl.com/bdd3jwef*

Common RTI errors

Real-Time Information (RTI) has significantly improved PAYE reporting for businesses, but there are a number of common mistakes and misassumptions that can trip up employers.

To avoid this, businesses need to understand the reporting requirements, pay attention to details and implement proper systems to avoid late filing penalties and ensure compliance with RTI regulations.

Shipleys' LLP payroll services team, which helps organisations navigate the complexities of RTI, has produced further online guidance covering some of the potential pitfalls. The issues it covers include:

- reporting PAYE information 'on or before' payment date
- reporting advances of salary
- loans vs salary advances
- late filing penalties.

Go to our website at: *https://tinyurl.com/2p9yeuwd* or speak to your Shipleys contact.

Protection against the cost of tax enquiries

A reminder that, for a modest annual charge, our tax investigations service gives you peace of mind that, in the event of an HMRC enquiry, you're protected against the professional costs associated with our support.

Tax investigations can happen to any individual or business, regardless of how good your records are, and some are simply random.

It's worth noting that tax enquiries are taking more time to deal with and becoming more costly as a result – but the cost of not defending enquiries properly can be huge.

More information and support from Shipleys at: *https://tinyurl.com/45hyemwd*

A slice of something nice – and all in a good cause

Shipleys people enjoyed some tasty treats and raised over £360 at Macmillan Coffee Morning events this autumn to support this worthy cause.

Pictured is just a sample of the delicious goodies served up to raise money for Macmillan Cancer Support, the charity that provides specialist health care, information and financial support to people affected by cancer.

STEPtember challenge

A massive well done to everyone at our Godalming office who embarked on the STEPtember challenge to boost wellbeing and fitness in lunch breaks and after work.

Colleagues from the accounts and audit teams totted up a total of 2,939,875 steps across the month. Special congratulations to Daryl (373,257 steps), Catherine (354,299 steps) and Heidi (334,375 steps) for finishing in the top three spots on the leader board.

eprivateclient listing

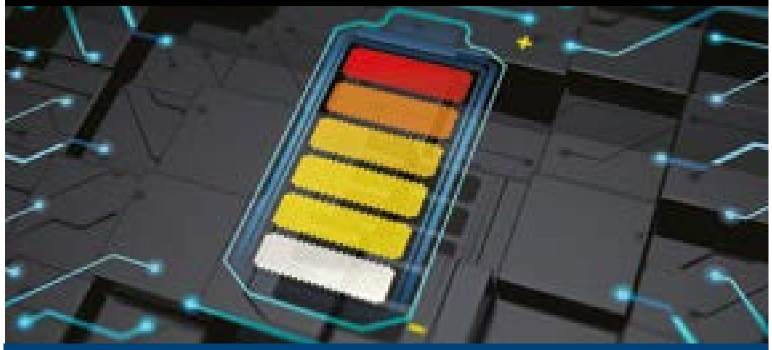
We are delighted to appear in the eprivateclient 2023 listing of the best UK accountancy and tax firms supporting both UK and international private clients. See the listing at: *https://tinyurl.com/ccmsar77*

LinkedIn page proving popular

Our LinkedIn page now has more than 4,000 followers. Thanks to everyone for their interest and support. Find the page at: *https://tinyurl.com/58z3zcyb*

University careers fairs

Students were able to chat with our friendly team at Shipleys' stall during recent careers fairs at Surrey University (pictured right) and also at Reading University.



Powering your profitability

Profitability is crucial for the ongoing well-being of a business, enabling it to cope with rising costs, invest in growth and attract finance.

Our November Business Club discussed how businesses can improve profitability in 2024. Here is a brief summary of our members' tips and ideas.

Reducing non-staff costs

- Empower everyone in the organisation to make savings, such as sourcing cheaper components or reducing waste.
- 'Gamify' cost savings, for example, using a shared tally of savings each staff member makes.
- Reduce paper consumption by switching to electronic documents.
- Explore the use of artificial intelligence to save staff time that can be more efficiently deployed elsewhere.
- Make the most of capital allowances and research and development tax relief when investing in equipment or innovating.

Reducing staff costs

- Consider outsourcing business functions so resources can be scaled up or down to meet demand.
- Think creatively about benefits packages, for example, offering one-off bonuses, additional holiday days or other well-being measures rather than salary increases.
- Train or upskill staff to increase productivity.
- Reduce recruitment costs by bringing it in-house rather than using agencies.
- Automate specific job components, for example, using dictation software.

Improving customer profitability

- Be very clear about your expected profit margin on any new piece of work.
- Scope out new work carefully to ensure clear expectations on both sides.
- Break projects into phases and set a fee for each phase to prevent overruns.
- Focus on cross-selling and upselling to existing customers to lower the cost of sale and build customer loyalty.

Improving financing arrangements

- Keep a close eye on creditor and debtor days to spot any potential cashflow issues quickly.
- Periodically review banking arrangements and shop around for better deals.
- Ensure management information is reliable and easily accessible to decision-makers.
- Be realistic in forecasting, particularly when preparing a business case to raise external finance.

Further details at *https://tinyurl.com/4arxsh9u*

Ensuring business continuity through an LPA

Business owners of all ages are initiating a lasting power of attorney as a way to safeguard their business.

Whilst lasting powers of attorney (LPAs) are often considered in respect of your personal affairs, a third business LPA can be entered into to protect your business in case of incapacity.

The benefits of wills and LPAs

The benefits of an LPA are, in some ways, a bit like making a will, which defines what happens to your assets when you die. Making a will is fundamental to ensuring the assets in your estate go where intended. Dying intestate can lead to distressing disputes for loved ones, financial hardship or assets being divided according to law rather than personal preference.

The benefits of a will also extend beyond finances: it provides the reassurance of providing for loved ones, including appointing guardians for children.

In contrast, an LPA will come into play during your lifetime and permits trusted individuals – attorneys – to oversee financial and medical decisions if you are incapacitated. Although commonly associated with later life, these legal documents are increasingly becoming an important tool for business owners of all ages. They're also applicable to any type of business entity – limited companies, partnerships and sole traders.

Different types of LPA

People often have two LPAs – a health and a finance one. The health LPA empowers chosen individuals to make decisions concerning medical treatment, care and welfare if a person becomes incapacitated. A financial LPA authorises selected individuals to manage a person's financial affairs – including assets, property and monetary transactions – in situations where they cannot make these decisions themselves.

Making an LPA isn't complicated but it's important that it does exactly what you want it to do. It also needs to be signed in the correct way and in the right order by all those involved to minimise any chance of any legal challenge later on.

Business benefits

Traditionally, the focus of LPAs has been predominantly on personal matters, but since the pandemic there's been increasing interest in business LPAs, with many people recognising them as a way to safeguard their businesses. The evolving business landscape, often coupled with unexpected events such as a sudden illness or accident, has prompted a rise in popularity for these documents.

Business LPAs mitigate business risks associated with incapacity, ensuring that the business can continue to operate seamlessly even if the owner is unable to make crucial decisions when it comes to financial matters. This can provide continuity of day-to-day business activities, including paying staff, managing transactions and settling taxes. Having an LPA in place can also be important if an owner's condition becomes irreversible and the business needs to be wound up or sold.

Financial institutions are also increasingly likely to scrutinise a businesses' disaster recovery plans, and the lack of an LPA could pose a risk to loans and business operations during a crisis.

Finding the right decision-makers

Appointing suitably qualified individuals as attorneys for a business is, of course, essential. Family members might not possess the necessary skills to manage the intricacies of a business, leading to potential risks. Selecting appropriate colleagues or peers with relevant expertise, on the other hand, can help to provide vital business continuity in times of incapacity.

A crucial element of business planning

The tumultuous events of recent years have prompted many businesses to re-evaluate how prepared they are for unforeseen events and highlighted the importance of LPAs for business owners of all ages. In helping to safeguard the future of their business, LPAs bring peace of mind for owners and their families. If the worst happens, an LPA ensures continuity for the business that an owner has often worked hard to build.

If you want to discuss setting up an LPA – or a will – talk with your Shipleys contact. We can arrange this for you through our network of legal specialists.

Counting down to the tax year-end

Some tax planning pointers to consider in the run-up to 5 April

As we approach the end of the tax year on 5 April 2024, you may be able to choose the tax year in which your income, gains or tax reliefs fall. This can affect how much tax you need to pay and when you pay it.

Income tax

If your income falls just above one of the income tax thresholds below, you may want to reduce your taxable income, for example, by paying into your pension or giving money to charity.

You may also want to make use of the personal allowance (still £12,570) for family members with no taxable income.

You should take particular care if your income is in the £100,000 to £125,140 range, as your personal allowance is reduced by £1 for every £2 over £100,000.

Also be aware that from 6 April 2023, the 45% additional rate threshold was reduced from £150,000 to £125,140. This means salary increases and bonuses given this year may cause some people to move into a new taxable bracket.

You can get income tax relief in 2023/24 for gift aid donations made by 5 April 2024 or, by election, for cash gift aid made by 31 January 2025 before filing your 2023/24 tax return.

Income tax relief is also available on gifts of quoted shares and land to charity, but only for the year in which the gift is made. There is no capital gains tax liability or inheritance tax liability on such gifts.

The lifetime allowance for pension savings for 2023/24 is still £1,073,100 and is due to remain frozen at this level until the 2025/26 tax year - if the current government remains in place.

You can contribute up to £60,000 (gross) into a pension scheme. This allowance may be reduced for any individuals whose adjusted income is more than £260,000.

Personal pension contributions attract basic rate tax relief at source and therefore the £60,000 gross contribution only requires a £48,000 personal payment.

In addition, the pension contribution increases your basic rate threshold. So, if you're a higher or additional rate taxpayer, you will receive additional tax relief on the contribution made via your tax return.

Furthermore, the pension contributions effectively increase the threshold at which the personal allowance is reduced, and Child Benefit is clawed back.

So, if your income is more than £100,000, pension contributions can preserve part or all your personal allowance depending on your circumstances.

For anyone with income between £100,000 and £125,140, pension contributions can provide tax relief at an effective rate of 60%.

Taxable income	2023/24 income tax rate
Up to £37,700	20%
£37,701 to £125,140	40%
Over £125,140	45%

Dividend income

From 6 April 2023 the dividend tax-free allowance halved to £1,000 and is due to halve again in 2024/25 to £500. You may want to factor this into your planning. The tax position on dividend income is as follows:

Dividend allowance at 0%	2023/24	2024/25
All individuals	£1,000	£500
Tax rates on dividend income above the threshold		
Basic rate taxpayers	8.75%	8.75%
Higher rate taxpayers	33.75%	33.75%
Additional rate taxpayers	39.35%	39.35%

You could save tax if your company pays you a dividend in place of salary in the current tax year.

If you have held a pension scheme in previous years and didn't fully utilise your allowance in any of the previous three tax years, any unused allowance is available this year. Contributions made by your employer, or your company also count towards your allowance.

National Insurance changes
Don't forget to factor into your budgeting the recently announced changes to national insurance contributions (NICs):

- From 6 January 2024, the employees Class 1 rate will be cut by 2 percentage points from 12% to 10%.
- From 6 April 2024 for the self-employed, Class 2 will be abolished. Class 4 will reduce from 9% to 8% on all earnings between £12,570 and £50,270.

Capital gains tax (CGT)
From 6 April 2023, the annual exempt amount for individuals and personal representatives reduced to £6,000. It will halve to £3,000 in 2024/25.

The annual exempt amount for most trusts was cut to £3,000 (minimum £600) in 2023/24 and will also halve in the following year.

If any of your assets have become of negligible value, such as shares in companies that have gone into administration, you should consider a loss claim. In the case of shares you have subscribed for in unlisted trading companies, income tax relief may be available.

For non-UK domiciled individuals who are remitting an arbitrary annual exemption amount each year, it is now advisable to conduct a review of how much is being remitted.

Remember, the deadline to report and pay CGT after selling UK residential property is 60 days after completion.

'Bed and breakfasting' (i.e., selling shares or securities to realise a gain covered by losses or the annual exemption and then buying them back), is not allowed if the purchase takes place within 30 days. These rules don't apply however to shares 'reacquired' by your spouse or ISA.

Disposals of qualifying shares that result in a controlling interest in a company being held by an employee ownership trust are exempt from CGT.

Inheritance tax (IHT)
The IHT nil rate band will remain at £325,000 until 2027/28. The residence nil rate band (RNRB) also stays at £175,000 and the RNRB taper will continue to apply where the value of the deceased's estate is greater than £2m.

Exemption from IHT on lifetime gifts normally depends on surviving at least seven years, but there are exceptions. You can give up to £3,000 in total each tax year to anyone, plus the amount of any unused allowance from the preceding year.

In addition, you can give up to £250 each to any number of people each year (but they cannot be the same people who received gifts from the £3,000 annual gift allowance). Gifts of assets that grow in value can save IHT – even if you die within seven years – because the growth in value is in the recipient's estate, not yours.

Regular gifts out of income are exempt from IHT with no limit, provided your remaining after-tax income is sufficient to maintain your usual standard of living. However, gifts can result in a CGT liability.

Individual Savings Accounts (ISAs)
No tax is payable on income or gains on investments within an ISA. You can invest up to £20,000 in total this tax year. The corresponding limit for junior ISAs (JISAs) and child trust funds (CTFs) is £9,000.

A surviving spouse or civil partner may claim an extra ISA allowance equal to the value of ISA holdings of a deceased partner if they live together at the time of death.

The Lifetime ISA is available for those saving to buy their first home. If you're aged between 18 and 40, you can save up to £4,000 a year until you reach the age of 50 and receive a government bonus of 25% on your savings used towards the cost of a first home worth up to £450,000. The money can be invested as cash or in stocks and shares, as with other ISAs, and may be taken out tax-free after the investor is 60.

Enterprise Investment Scheme (EIS) and other investments
Provided you're not 'connected' with the company, you can get income tax relief at 30% on up to £1m subscribed for shares in qualifying EIS companies each tax year and up to a further £1m for shares in 'knowledge-intensive EIS companies'.

Any gain on the sale of the shares is exempt from CGT if they are held for at least three years. It's possible to 'carry back' all or part of the investment to the preceding tax year if the limit for relief is not exceeded for that year.

Income tax relief at 50% is available on up to £200,000 in the current tax year in subscribed for shares issued by smaller companies qualifying for Seed Enterprise Investment Scheme (SEIS) relief. Again, provided the shares are held for at least three years, any gains on sale are exempt from CGT.

Subject to timing, CGT can generally be deferred by making EIS or SEIS investments, even if you're connected with the company.

Income tax relief at 30% is available on up to £200,000 each tax year in subscribed for shares in Venture Capital Trusts (VCTs), provided the shares are held for at least five years.

Dividends and gains relating to shares in VCTs are exempt, subject to limits on the size of your holding. Income tax relief at 30% is available on an investment of up to £1m in 'social enterprises'.

With many thresholds frozen in the 2023/24 tax year, it's important to check income increases don't tip you into higher tax brackets. Do chat with your Shipleys contact for further guidance and help.

Looking to 2024's general election and potential fiscal changes

With the nation expected to go to the polls next year, and uncertainty around future tax policies, careful financial planning will be important.

A UK general election, sometime in 2024 is almost certain and, given the different standpoints of the political parties, it could be prudent to review financial planning once manifesto commitments are clear.

Even if there's ultimately no change of government next year, it's very likely that in the run-up to an election Chancellor Jeremy Hunt will announce changes to fiscal policies in his Spring Budget. One such change might be a cut in inheritance tax (IHT) – with a promise to consider scrapping IHT if the Conservatives stay in government.

Shadow Chancellor Rachel Reeves has said she'll make no tax pledges ahead of an election, but Labour might seek to cut IHT reliefs such as Business Relief (formerly known as Business Property Relief) by tightening the rules on ownership percentages and timeframes. This exemption for unquoted shares in trading companies is currently set at 100% relief and kicks in two years after shares are purchased.

One promise Labour has made is to abolish the present non-domicile tax regime and Shipleys is already talking to individuals who are concerned about this proposal.

Again, it's unclear if Labour will increase the current 20% rate of capital gains tax (CGT). However, history shows that CGT is the one major tax which has been changed in an emergency budget immediately after a general election – the increase in CGT to 28% for higher rate taxpayers in June 2010.

Rumours that Labour is considering charging CGT at the same rate as income tax are just speculation at this stage. Whenever this has been the case in the past, there has been a mechanism to reduce the gains on long-held assets – previously indexation, and more recently taper relief. It's hard to see the higher rate coming in without something similar.

Currently – or at least until the Spring Budget next year – tax rates, tax reliefs and other rules around both IHT and CGT are known factors and strategies for tax-efficient financial planning can be pursued accordingly.

However, clearly, there is always the possibility of policy changes with general elections so there's no harm in giving this some thought if you are looking to make arrangements for the gifting of assets to family/friends, or if you are thinking of selling assets on which you will make a gain.

Before making any decisions or taking action, please first speak to your usual Shipleys contact.

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