Spring 2024

Financial and business intelligence

SHIPSHAPE

Changing track

With a general election on the horizon, it's time to review the journey ahead

shipleys LLP

Also in this issue:

- Budget key takeaways
- AVEC and the new UK independent film credit
- Focus on R&D tax regime
- Property update
- Payrolling benefits in kind
- Exit and retirement tips for business owners
- Non-doms tax update
- Changes to NICs

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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.

T +44 (0) 20 7312 0000
E rochesterg@shipleys.com

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Shipshape articles are intended to create awareness of issues and specific advice should be obtained before taking action, or refraining from taking action in relation to the topics covered.

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Viewpoint: Steve Foster
020 7312 0000 • FosterS@shipleys.com

Get ready to navigate

Despite this spring's rather mixed weather, I hope you're enjoying the additional daylight hours and (slightly) warmer temperatures! 2024's second quarter is underway and, as I write, it's still unclear when the general election will take place. Regardless of the result, the political landscape will almost certainly look very different by the end of the year.

This uncertainty challenges decision-making for both businesses and personal finances. In the last *Shipshape*, I talked about the need to plan. This is still true, but it can be difficult if you don't know what avenues will be open, what will be closed, or which are full of obstacles to carefully manoeuvre around.

In our discussions with clients, some are indeed making the most of what is certain now. Others are trying to gather as much insight to make sense of changes, run projections and test out different ideas. There are also those who are sceptical about a proposed tax or regulatory change and are deferring tackling it till they're certain of the reality.

In this *Shipshape*, we've endeavoured to serve up information to help with all these different perspectives and ensure you navigate the journey ahead smoothly.

Rationing the treats

Many were hoping the Chancellor's Budget in March would have plenty to sweeten voters. On a positive note, there was a further drop in the employee and self-employed national insurance rates, along with a rise in the high income benefit charge threshold and the VAT registration threshold.

The main personal allowance thresholds, however, were again left untouched and the dividend tax threshold has reduced further, as previously announced. This has resulted in many people paying more tax.

A number of the new initiatives proposed by the Chancellor came with a consultation period and a 2025 (or beyond) launch date. Obviously, a change of government or Cabinet dynamic could affect the roll-out of these further down the line. You can find a summary of the Budget on page 2.

We've also explained in more detail the implications of the changes to capital gains tax for residential property, furnished lettings relief and non-dom status on page 9. Additionally, we have an article on our website about the current state of play with pension contributions at ***https://tinyurl.com/yf2fbv6t***

Igniting growth

Few are in doubt that the UK economy needs a much-needed boost. We now know that 2023 ended in a recession, and while inflation dipped in February, the Bank of England cautiously kept interest rates at 5.25%.

One sector singled out for further help by the Chancellor was the broadcast industry. On page 3 you'll see an overview of the tax credit regime which launched at the start of the year and which will be enhanced over the coming one.

Changes previously announced to R&D tax relief for businesses in general came into effect on 1 April, and this includes support for 'R&D-intensive' SMEs. We've explained what the changes mean on page 4.

Overseas companies looking to set up UK subsidiaries often experience delays when setting up a UK bank account. We are very grateful to Metro Bank for helping us explain the information requirements which banks now need to fulfil (page 7).

For employers, changes are on the horizon which will impact payroll systems. See page 5 and page 6 to familiarise yourself with those changes and allow your organisation time to prepare and be compliant.

Ignorance isn't bliss

We've also given another reminder about the basis period changes that have now come into effect (and which many hoped wouldn't), and we've flagged the new rules that require online platforms such as Airbnb and Etsy to make seller earnings accessible to HMRC.

A helping hand

However the coming months pan out on the political and economic front, don't forget you're not alone in your journey though it. The Shipleys team is happy to help you gather the information you need to make sense of the changes and keep yourself on course with your goals. Please do contact us for advice.

Steve

Pre-election Budget proves a difficult balancing act for Chancellor

A pre-election Budget is often a chance for the Chancellor to make a range of announcements designed to woo voters, but sluggish economic growth data for the UK seemed to persuade Jeremy Hunt to adopt a more cautious fiscal tone in last month's statement.

The economic backdrop included news that the UK had slipped into recession at the end of 2023 and the International Monetary Fund (IMF) downgrading its forecasts for UK growth in 2025 from 2% to 1.5%. Many forecasters believe that improvements in inflation and interest rates will not be smooth and steady across 2024.

The Institute for Fiscal Studies has indicated that the next government will need an extra £20 billion to maintain spending levels in public services, echoing the IMF message that tax cuts should wait until the national debt is on a firmer downward track. Frozen tax thresholds mean the overall UK tax burden remains at a record high for individuals.

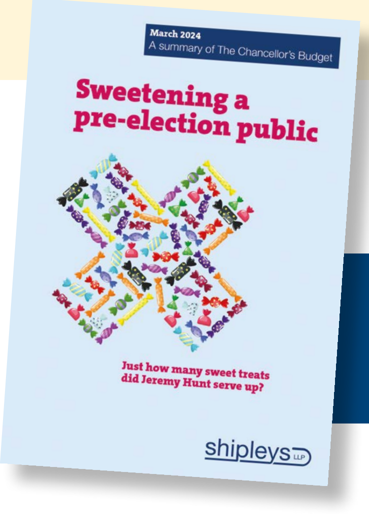
The Chancellor was left with the challenge of lightening the tax burden for businesses and individuals while also reducing the national debt and supporting economic growth – a seemingly impossible task in the short term. Here is a reminder of the main Budget announcements.

Key highlights

- Class 1 employee national insurance contributions (NICs): the main rate has been cut from 10% to 8% from 6 April 2024.
- Class 4 self-employed NICs: the main rate has been reduced from 8% to 6% from 6 April 2024.
- High income child benefit charge (HICBC): threshold increased to £60,000 from April 2024 and the rate halved so that child benefit is not fully withdrawn until individuals have an income of at least £80,000. The government will consult on changing HICBC to a household rather than an individual basis by April 2026.
- Individual savings accounts (ISAs): an additional ISA will be created with a £5,000 allowance in addition to the current £20,000 limit.
- Capital gains tax (CGT): higher rate for residential property disposals has been cut from 28% to 24% from 6 April 2024. All other rates will remain unchanged.
- Furnished holiday lettings: tax regime will be abolished from 6 April 2025.
- Value added tax (VAT): registration threshold has risen from £85,000 to £90,000 from 1 April 2024. The deregistration threshold rises from £83,000 to £88,000.
- UK independent film tax credit: to be introduced at a rate of 53% on qualifying film production expenditure – find out more on page 3.
- Non-UK domicile tax rules: to be replaced, from 6 April 2025, with a regime based on residence – see further details on page 9.

We continue to assess the implications of the Budget, sharing our conclusions and advice on our website, in our Tax Facts card and in our conversations with clients.

If you would like to discuss how this Budget impacts you, please do talk with your usual Shipleys' contact. There's more information on the Shipleys website at: *https://tinyurl.com/msm7xrbx*



Full Budget summary
Download our full March 2024 Budget summary as a pdf at: *https://tinyurl.com/5n9xkc8t*

2p cut in NICs for employees and the self-employed

It's 'action!' for the new AVEC system

A run-down of changes to tax breaks for the UK's animation, film, TV, video games and visual effects industries

The government has pressed the 'play' button on a new system of tax rules for the UK's on-screen creative industries.

The new audio-visual expenditure credit (AVEC) came into being on 1 January 2024. It will eventually replace the previous film, high-end TV, animation and children's TV tax reliefs.

A video games expenditure credit (VGEC) was launched at the same time to replace video games tax relief (VGTR).

Under the previous schemes, tax relief was given by way of an additional deduction from profits or surrendering a loss for a tax credit.

Under AVEC and VGEC, companies can now receive an above-the-line tax credit based on qualifying expenditure. This is taxable at the main rate of corporation tax – currently 25%.

Transition phase

Companies currently claiming for productions under the previous tax credit regimes can claim under AVEC in relation to expenditure incurred from 1 January 2024.

New productions must claim under AVEC from 1 April 2025, and all productions must claim under AVEC from 1 April 2027. The previous tax incentives will cease on 1 April 2027.

AVEC rates

The expenditure credit rate for films, high-end TV and video games is now 34%, while animation and children's TV receives a rate of 39%.

How is it different?

While many of the qualifying rules and expenditure thresholds from the old tax regime remain, there are new aspects to AVEC.

- The minimum slot length for high-end TV programmes is 20 minutes (previously 30 minutes) on an episode-by-episode basis.
- There is a new definition of what is a qualifying documentary.
- It's now possible again to switch between the film and high-end TV schemes.
- For all types of production, a minimum of 10% of core expenditure must be UK expenditure.

We are currently helping many of our clients in the film, TV, children's TV and animation sectors understand the impact of AVEC. If you have questions about the new tax regime, talk to your Shipleys contact.

There's more on AVEC on the Shipleys website at: [*https://tinyurl.com/sut6fwpk*](https://tinyurl.com/sut6fwpk)

Further support announced

A new tax credit for UK independent film production was announced in Chancellor Jeremy Hunt's March Budget.

Falling within the audio-visual expenditure credit (AVEC) system, the UK independent film tax credit (IFTC) will be introduced on 1 April 2025 at a rate of 53% on qualifying film production expenditure.

It will be calculated in the same way as AVEC, i.e., only on the costs of production activities and not ancillary ones such as marketing and distribution.

Qualifying expenditure is capped at 80% of a film's total core expenditure or on the amount of UK core expenditure. The maximum credit a film can receive is £6.36 million.

The IFTC (like AVEC) is an above-the-line tax credit on qualifying expenditure and is taxable at the main rate of corporation tax – currently 25%.

This means the IFTC rate nets down after the corporation tax is deducted to 40%. This is still significantly higher than the AVEC rate for films, which nets down to 25.5%.

Claims can be submitted to HMRC from 1 April 2025 onwards for expenditure incurred from 1 April 2024, but only if the film began principal photography after 1 April 2024.

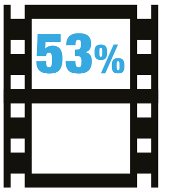
Visual effects relief

It was also revealed in the Budget that tax relief under the AVEC system will cover the costs of visual effects in films and high-end TV from 1 April 2025.

These costs will receive an additional tax credit of 5% above the usual AVEC rate. The 80% cap on qualifying expenditure will also be removed for visual effects.

Business rates

Another Budget announcement was 40% relief from business rates for 10 years from April 2024 for eligible film studios in England.



enhanced tax credit for UK independent films

Streamlined R&D tax relief system will continue to support innovation at SMEs

We look at the shake-up in the tax breaks aimed at encouraging research and development at the sharp end of the economy.

Research and development (R&D) tax relief can be a valuable source of financial support if your business is investing in developing new processes, products or services.

Significant changes to the system of R&D tax breaks are now live so it's important to understand exactly how the new relief regime works.

As of 31 March this year, the R&D expenditure credit (RDEC) and the small or medium enterprise (SME) schemes have been merged.

The relief rate under the combined new scheme is 20%, and the notional tax rate applied to loss-making businesses is the corporation tax small profit rate of 19%.

Enhanced support for 'R&D-intensive' SMEs will continue, with the intensity threshold for the level of R&D expenditure required to qualify for enhanced support reduced from 40% to 30% from 1 April 2024.

For loss-making companies that meet the definition of R&D intensive, the payable tax credit rate will be 14.5%.

There will be a one-year grace period where a company's R&D intensity falls below 30%. This will help companies in situations where expenditure fluctuates year on year.

As well as dealing with the various changes to the R&D regime, taxpayers should also be aware that, for the first time in several years, HMRC appears to be reviewing R&D claims thoroughly and is, in a number of cases, denying relief and seeking repayment for claims that have previously been paid out. Significant penalties can also be imposed. It is important for businesses to consider the definition of qualifying R&D expenditure carefully to ensure that what they are claiming for does genuinely qualify.

How is R&D defined?

The definition of R&D for tax purposes remains unchanged – claimants will still need to prove that their project seeks to achieve an advance in science or technology. For more on this, go to the gov.uk website at *https://tinyurl.com/y8chbyvx*

Making your claim

Since 1 April 2023 businesses have had to inform HMRC online that they will be making an R&D claim within six months of the end of the accounting period to which the claim relates.

Failure to notify HMRC can lead to disallowance of the R&D claims. However, businesses that have claimed R&D in one of the preceding three periods do not need to pre-notify.

Since 8 August 2023, claims have had to be accompanied by a digital additional information form. There's help on this on the gov.uk website at: *https://tinyurl.com/5ck7j5bz*

For claims made after 31 March 2024, the use of nominations for R&D tax credit payments will be removed, meaning that payments must go directly to the claimant company.

Overseas activities

As of 1 April 2024, R&D tax relief is restricted to activities undertaken in the UK with only very limited scope for claiming any overseas activities. From the same date, UK companies that currently claim R&D costs paid to, for example, overseas group companies or overseas third parties may no longer be able to include these costs in their claims.

Externally provided workers

Since 1 April 2023, payments to externally provided workers to carry out R&D only qualify for relief to the extent that those workers' earnings are taxed through the UK pay as you earn (PAYE) system.

Cloud and data expenditure

Don't forget that spending related to cloud computing and data can now be included in R&D tax relief claims.

Refund cap

The amount of R&D tax relief credit that a SME can receive has been capped at £20,000 plus 300% of its total PAYE and National Insurance Contributions (NIC) liability for the period.

However, a business is exempt from the cap if:

- its employees are creating, preparing to create or managing intellectual property
- it does not spend more than 15% of its qualifying R&D expenditure on subcontracting R&D to, or the provision of externally provided workers by, connected persons.

This does not affect the 130% relief on qualifying annual R&D costs, just the amount which you can surrender for cash. So, if the cash refund is restricted, you can still carry forward the rest to claim as part of a trading loss in future years.

More from the Shipleys website at: *https://tinyurl.com/3zx7xm5u*

20%
main rate under new combined R&D tax relief scheme

VAT corner

A round-up of useful updates

Energy-saving materials
The scope of the VAT relief on energy-saving materials (ESMs) in residential accommodation was extended on 1 February 2024 to include installations in buildings used solely for relevant charitable purposes, such as village halls or similar recreational facilities for a local community.

The list of (ESMs) was extended on the same date to include water-source heat pumps, electrical battery storage and smart diverters.

Qualifying installations of ESMs benefit from the zero VAT rate until 31 March 2027, after which they revert to the reduced rate of VAT at 5%. More detail on the gov.uk website at: *https://tinyurl.com/yjxnp2et*

Cosmetic surgery
A VAT tribunal has found that a private medical clinic offering cosmetic treatments was not providing medical care and therefore its supplies were not exempt from VAT.

Treatments provided by Aesthetic-doctor.com Ltd (ADCL) included Botox, facial volumising fillers, dermal fillers and laser treatments primarily used for the repair of sun or sunbed damage. The tribunal decided these treatments were not carried out for the purpose of diagnosing, treating and curing diseases or health disorders.

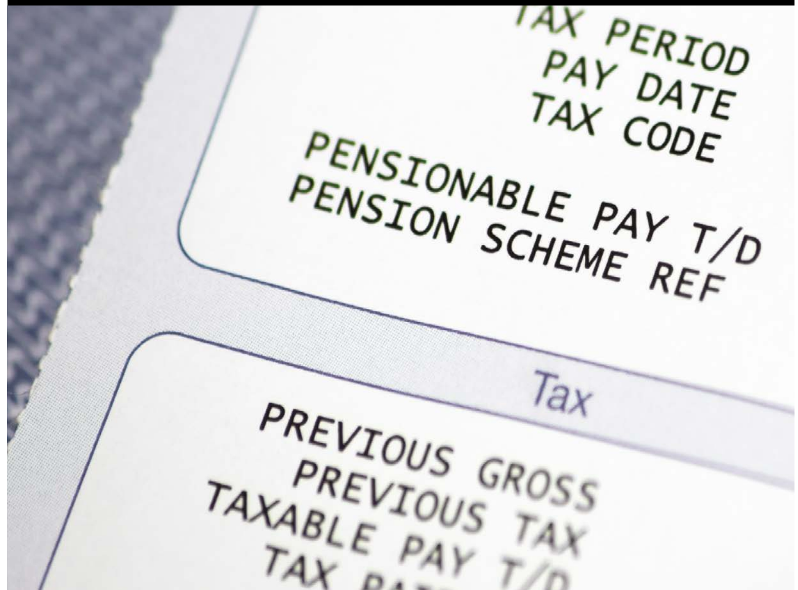
It also rejected the argument that ADCL's services were comparable to the services provided by doctors in general practice and that the principle of fiscal neutrality was therefore not applicable.

Import One Stop Shop Scheme
For details of how the optional VAT Import One Stop Shop (IOSS) Scheme works, and how to register online, go to the Shipleys website at *https://tinyurl.com/4dfu4ypc*

DIY Housebuilders Scheme
Following digitisation of the DIY Housebuilders Scheme, HMRC is requesting further evidential documentation in relation to DIY housebuilders' VAT claims. More on the Shipleys website at *https://tinyurl.com/mruswa8y*

VAT registration and deregistration thresholds increased by £5,000
As announced in the Chancellor's Budget, since 1 April 2024, the VAT registration threshold is now **£90,000** and the deregistration threshold is **£88,000**.

Payroll answers



Holiday reforms and wage increases

Guidance for holiday pay changes
A reminder that reforms to the Working Time Regulations to simplify holiday entitlement and holiday pay calculations are now live.

To help employers get to grips with the new rules – which mostly focus on how pay should be calculated for part-year and irregular hours workers – the government has published online guidance.

Most of the changes apply from leave years beginning on or after 1 April 2024, including the introduction of a new accrual method for irregular hours workers and part-year workers of 12.07% of their actual hours worked in a pay period.

However, some changes applied from 1 January, including changes relating to the amount of leave affected workers can carry over into the following year and the removal of regulations that allowed workers to carry over leave that could not have been taken because of the Covid-19 pandemic.

The holiday pay guidance also sets out the definitions for an irregular hours worker and part-year worker, and can be found on the gov.uk website at: *https://tinyurl.com/yr77r3u9*

Minimum wage increases
From April 2024, the minimum wage, also known as the National Living Wage, increased by over a pound an hour to £11.44 per hour. The increase applies from 1 April, or the first full pay reference period on or after that date.

Eligibility for the National Living Wage was also extended by reducing the age threshold to 21-year-olds for the first time.

Minimum wage rates have increased to £8.60 per hour for 18- to 20-year-olds. The apprentice rate continues to be aligned to the 16- to 17-year-old rate, which is £6.40.

In February 2024, the Department for Business and Trade named more than 500 employers that had failed to pay the minimum wage. The businesses were ordered to repay workers and faced an additional financial penalty.

Be ready for changes to benefits in kind reporting

Payrolling benefits in kind, which is already an option available to employers, is set to become compulsory for all from April 2026.

The final details of the proposal are subject to further consultation, and we also await guidance on how beneficial loans and living accommodation will be reported after April 2026.

However, employers should familiarise themselves with the process before the change comes into effect (assuming there's no policy reversal following a general election).

The main advantages of payrolling benefits include:

- Employers are not required to give details of payrolled benefits on form P11D or P46(Car).
- Once registered, HMRC automatically identifies employees with payrolled benefits and removes the benefits from their tax codes. Employees' tax codes are therefore often simpler and pay-as-you-earn deductions more accurate.
- It's potentially simpler for employees, which can mean HR teams receive fewer P11D and payroll queries.
- Where the benefit is withdrawn, this is immediately reflected in the employee's monthly salary.

An employer still needs to submit a P11D(b) form by 6 July after the end of the tax year to report the employer's Class 1A national insurance contributions due on the payrolled benefits.

Employers that opt for payrolling benefits in kind must register online with HMRC before the start of the relevant tax year, through their Government Gateway account. More help is available at the gov.uk website at: *https://tinyurl.com/4y7jtecu*

For the time being at least, many employers will continue to report benefits in kind using the P11D form.

Benefits covered by the P11D are:

- company cars
- loans for rail season tickets
- other loans
- health insurance
- assets provided to an employee that have significant personal use
- self-assessment fees paid by the employer
- on-employment related travel expenses
- non-business entertainment expenses.

Tax period change could mean cash flow challenges

It's now compulsory for unincorporated businesses to conform to new income tax basis period rules – a change that could significantly impact cash flow for some.

The tax reporting shake-up affects self-employed individuals, partners, trusts and estates with trading income and involves aligning your basis period with the fiscal year, so profits are taxed within a fiscal tax year, regardless of the accounting period.

Recognising that the change could have serious cash flow implications for some businesses, the government allowed a 2023/24 transition year for the new rules, and this came to an end on 5 April 2024.

Businesses that don't have a 31 March or 5 April year-end will need to add additional months to get a long period to 5 April 2024 and will potentially face tax on up to 23 months' profit in the taxable period to that date, which will all fall into the 2023/24 tax year.

If they haven't already, businesses need to get to grips with the new basis period rules as a matter of urgency, which might include doing cash flow projections, plus weighing up increased tax payments and when they will need to be paid.

Shipleys is already working with some clients to help them manage the new basis period by running computations of their tax liability. If you're affected by these changes, get in touch with our team as they can help you plan ahead and minimise any potential cash flow difficulties that you might have to cope with.

There's much more detail, including an example of how the new rules will work, on the Shipleys website at *https://tinyurl.com/yys73a5u*.

In addition, the government's gov.uk website offers a range of information and online tools at *https://tinyurl.com/2wp4xrwr*. This includes webinars and also videos like the one you can find on YouTube at *https://tinyurl.com/288y3e9a*.

Why overseas businesses often struggle to open UK bank accounts

Overseas businesses often underestimate the time involved in getting a UK bank account as financial institutions tighten their screening criteria.

Setting up an account is a key step for foreign businesses that want to establish a UK subsidiary, but the process has become increasingly complex.

The financial services sector is, of course, highly regulated and UK banks need to demonstrate that they are properly monitoring their clients' activities, including carrying out anti-money laundering (AML) checks.

The penalties for non-compliance are severe. For example, in 2022, Santander was fined £107.7 million for anti-money laundering (AML) failures related to transaction monitoring.

To avoid penalties, banks need to know the following about their overseas businesses clients:

- Ownership structure – up to and including ultimate beneficial owners (UBOs).
- Who the UBOs are – usually persons owning 25%+ of a business, although this can be as low as 10% in higher-risk situations.
- The name, address, tax residency and nationality of each UBO, verified by copies of passports, utility bills or bank statements.
- Details of sources of capital for the business and UBOs, including funding from outside investors.
- Business plan details, such as financial projections, expected sales and purchases.
- Signatories to the bank mandate who will be able to operate the UK bank account.

Gathering all this information is much more time-consuming and costly for UK banks when directors and shareholders of a business live abroad.

In addition, having to rely on documents certified by third parties such as local notaries can also expose banks to additional risk.

Overseas businesses wanting to set up a UK bank account should choose a bank with the necessary expertise to tackle these challenges.

Our thanks to Abi Bowden of Metro Bank for her help in writing this article. There is fuller, more detailed information available from Abi on the Shipleys website at: ***https://tinyurl.com/3ffd32hp***

Embracing the next new adventure

Retirement and exit planning tips for business owners.

Preparing for retirement is no simple matter for business owners. Things to consider include what happens to the business after you've left, and whether your personal finances will enable you to fully enjoy your 'new life'.

Our March Business Club shared useful tips for business owners hoping the transition to retirement is a smooth one for themselves, their family and their business. Here are some highlights.

Putting a personal financial plan in place:

- If you're selling your business, be realistic about how much you're likely to get for it – a professional valuation is essential.
- Make the most of current pensions and tax allowances – they may not be at the same level in the future.
- Get professional independent financial advice to help build a solid retirement pot and think about diversifying investments to reduce risk and make the most of opportunities.
- Make sure you prioritise paying off any debts in the run-up to retirement.

Finding the right exit from your business:

- The earlier you start planning your exit, the better the outcome usually is.
- Set clear objectives for yourself and the business from the outset.
- Remember there are other options to selling or closing the business, such as managed succession, a management buy-out or an employee ownership trust.
- Get professional advice along the way.
- Depending on your goals, organise the business, put the right management team in place and communicate clearly with employees.

Adjusting to a new lifestyle:

- Discuss your retirement plans with loved ones and explore how you can enjoy this new phase together.
- Think about ways you can continue doing what you do well and are interested in – such as getting involved with a charity, becoming a non-executive director, setting up another business or mentoring others.
- Keep in touch with your professional network, as they can be a good source of support and ideas.
- Consider how you'll manage your time – you may need a rest, want to stick to a routine or do something completely different.

Further details at ***https://tinyurl.com/ej4hfv4r***

Shipleys news

A key step on Shipleys' carbon neutral journey

We're delighted to announce Shipleys' certification as a carbon-neutral business by Carbon Neutral Britain.

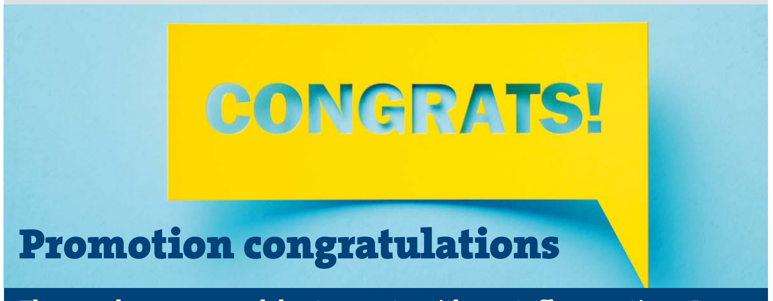
Collaborating closely with the organisation, we have assessed our total carbon emissions and put plans in place to offset them by supporting an array of global projects.

These projects prioritise reforestation and community development projects. They help to provide education, employment, clean water, and energy while positively impacting local wildlife and ecology.

We're also working to make a positive difference to climate change in our daily work, including:

- installing motion sensors for office lighting to reduce energy use
- ensuring our electricity comes from renewable sources
- switching to recycled and FSC-supported paper for promotional materials
- migrating our documents to digital files and introducing secure electronic signing for clients, as part of our efforts to become paperless
- recycling waste
- offering a cycle-to-work scheme
- phasing out paper cups and plastic bottled water in our offices.

Shipleys LLP Principal Rob Wood says: "We're delighted to have become a carbon neutral business and are grateful for Carbon Neutral Britain's support. This is part of a longer journey for Shipleys, and we will continue to measure and reduce our emissions each year."



Promotion congratulations

The year began on a celebratory note with 11 staff promotions. Ian Higgins and Karl Schwarz became directors in our Corporate Tax and Accounts teams, respectively. Annabel Akowuah and Shenai Doughty were promoted to manager roles in our Film/TV team, while Alex Beck became Tax Team Manager at our Godalming Office.

Emma Welham in the Film/TV team and Heidi Nuckowski and David Crow in the Godalming Accounts team became assistant managers. Tayran Halil, Matt Corlett and Will Stallibrass were promoted to audit supervisor positions.

Steve Foster, Shipleys LLP Managing Principal, says: "We are delighted to make these promotions. They recognise the hard work and vital contributions our colleagues have made to the firm and are thoroughly deserved. Congratulations to all our promotees."

Self-assessment

Online platforms to report sellers' earnings to HMRC

If you sell goods or services via online sales platforms such as eBay, Etsy, Vinted and Airbnb, be aware that these websites and apps must now report seller earnings to HMRC.

Aimed at ensuring that people report income from these platforms through their self-assessment returns, this new development (effective from 1 January 2024) also includes any trading on overseas platforms.

Activities affected by the change include:

- selling products you've made (eg, via Etsy)
- goods you've bought and are selling on (eg, via Vinted or eBay)
- providing services such as taxi driving, food delivery, childcare, plumbing
- renting out part or all of your property (eg, on Airbnb) or a vehicle.

Online platforms will now have to compile an annual report with sellers' details (name, address, date of birth, etc), how much they've earned on the platform and bank account details. (Sellers will get a copy of the report.)

If you have fewer than 30 online sales and they generate less than approximately £1,700 in a year, you won't be included in a report (but you may still need to include details on a tax return if other criteria are met).

More from the Shipleys website at: *https://tinyurl.com/whsrafdj*

Non-doms

Preparing for the 2025 scrapping of non-domiciled tax status

Chancellor Jeremy Hunt's March Budget included an announcement that non-domiciled tax status is to be abolished.

From 6 April 2025, a residence-based tax regime will be introduced for non-UK domiciled individuals.

Under the current regime, non-domiciled individuals can elect not to pay UK tax on their foreign income or gains if the individual does not bring them into the UK (the remittance basis).

This basis can last until they have been UK tax resident for more than 15 out of the last 20 years, with a charge applying after year seven.

Under the new proposals, individuals will not pay UK tax on any foreign income or gains arising in their first four years of tax residence (provided they have been non-UK tax resident for the previous 10 years) and be able to freely bring those funds into the UK.

After four years, those who continue to live in the UK will pay the same tax as other UK residents.

Transitional arrangements will be introduced for existing non-domiciled individuals benefiting from the current regime as follows:

- An option to rebase the value of capital assets to 5 April 2019.
- A temporary 50% relief on the taxation of foreign income for 2025/26.
- A two-year 'temporary repatriation facility', from April 2025, for individuals to bring their previously remittance-basis protected foreign income and gains into the UK at a 12% rate of tax.

According to HMRC, there were 68,000 'non-doms' in the UK in the tax year ending 2022.

A study by academics at Warwick University and the London School of Economics in 2023, found abolishing the non-domiciled tax regime would raise approximately £3.6bn a year.

Of course, with a change of government possible at some point this year, it should be borne in mind that these changes may never be enacted – or could be amended.

new non-dom tax regime to be introduced

Property update

Chancellor targets property for tax changes

Property owners might wish to reconsider their plans after several significant changes to tax rules were unveiled in the March Budget.

Among Chancellor Jeremy Hunt's announcements was news that the current favourable tax treatment for furnished holiday lettings (FHLs) will be abolished with effect from 6 April 2025.

From that date FHLs will be treated the same as other let properties for tax purposes. This means:

- Finance costs (i.e., mortgage interest) will no longer be deducted from FHL income for tax purposes.
- FHL sales won't qualify for business asset disposal relief and the current 10% capital gains tax rate (CGT).
- Profits from FHLs won't qualify as UK relevant earnings with full tax relief for pension contributions.
- Capital allowances on fixtures and fittings won't be claimable against rental income.
- Spending on furniture etc won't be deductible as an expense of the property business – unless the costs relate to qualifying replacements.

With these changes in mind, some property owners may want to reconsider their strategy – for example, whether an FHL should be sold before April 2025 so that it still attracts the favourable rate of 10% CGT.

Abolition of MDR

Multiple dwellings relief (MDR), which reduces the stamp duty land tax when buying two or more dwellings in the same or a linked transaction, is also to be scrapped – this time from 1 June 2024.

Property transactions with contracts that were exchanged on or before 6 March 2024 will continue to benefit from the MDR relief regardless of when they complete, as will any other purchases that are completed before 1 June 2024.

Cut to higher rate CGT

Finally, from 6 April 2024, the higher rate of CGT for residential property disposals has been cut from 28% to 24% from. All other rates have remained unchanged.

If you are affected by these tax measures, contact the Shipleys property team. For more on the Budget, download our full summary at: *https://tinyurl.com/5n9xkc8t*

New controls on holiday lets

From this summer, new holiday lets in England will be subject to controls aimed at preventing local people being unable to afford to live in their own community.

The changes will mean people need to seek permission from their local council to turn a property into a short-term let, a mandatory national registration scheme will also be introduced.

People renting out their main home for fewer than 90 nights a year will not need planning permission. Hotels, hostels and B&Bs are unaffected by the changes.

Changes to NICs for the self-employed

Reforms are now live, but legacy issue around NICs system glitch is still a cause for concern.

Since 6 April 2024, the main rate for Class 4 NICs has been 6% (down from the previous 8% level) on profits of between £12,570 and £50,270.

The freezing of those thresholds is also beneficial for anyone with profits in excess of £50,270 where NICs are paid at the additional rate of 2%.

On the same date, class 2 NICs were scrapped for self-employed workers – but they will still benefit from entitlement to contributory state benefits such as the state pension.

Those with profits between £6,725 and £12,570 will continue to benefit from a national insurance credit without having to pay Class 2 NICs.

Where profits are below £6,725, individuals can continue to pay voluntary Class 2 NICs. For example, you might choose to make voluntary contributions to ensure you have enough qualifying years to claim the full state pension (the number required is currently 35).

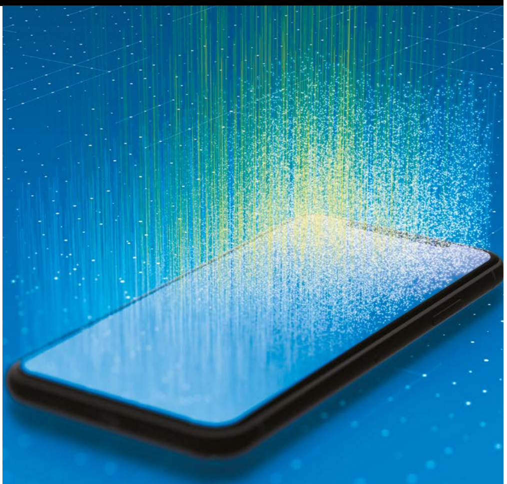
Tax glitch putting pensions at risk

Some self-employed workers could be missing out on future state pensions and benefits because of a glitch in the self-assessment system.

The problem first came to light in 2015, the year that collection of Class 2 NICs changed from a direct debit payment system to instead being collected as part of the self-assessment tax return.

Since that time, many individuals have received notice from HMRC reversing out the Class 2 NI and often refunding it, saying they do not need to pay Class 2 NICs because they 'aren't properly registered as self-employed'.

If not addressed, this failure to make NIC payments can impact full entitlement to a state pension and retrospective self-employment registration may be needed. This can be corrected within time limits. If you believe you might be affected by this issue, please talk with your Shipleys contact.



Don't forget your digital assets when it comes to estate planning

Documenting your 'digital estate' is becoming an increasingly crucial aspect of modern estate planning.

Just as we carefully consider our physical assets in our wills, our digital footprint warrants similar attention.

Most people's lives are intricately intertwined with technology – from social media accounts to online banking and subscriptions. To avoid complications and frustrations for executors and loved ones left behind, it's important to account for these assets.

Considering your digital life in estate planning typically involves taking stock and making a list of your online presence, including social media profiles, email accounts, digital files and financial accounts.

Listing and providing clear instructions of your wishes for these assets will make it easier for your family at an already difficult time. Furthermore, it can also help prevent identity theft and unauthorised access to sensitive information after your passing.

Remember that it's still essential to keep your passwords safe when pulling this information together.

The Digital Legacy Association is a good source of advice and resources on organising your digital footprint in a secure way. Find out more by going to their website at: *https://tinyurl.com/2rdfuu7k*

For further information, please contact one of our offices:

London
10 Orange Street
Haymarket
London
WC2H 7DQ
T +44 (0)20 7312 0000
E advice@shipleys.com

Godalming
5 Godalming Business Centre
Woolsack Way
Godalming
Surrey GU7 1XW
T +44 (0)1483 423607
E godalming@shipleys.com

www.shipleys.com
Shipleys LLP