



CHARTERED ACCOUNTANTS

35 Marsh Parade, Newcastle, Staffs, ST5 1BT

Telephone: - 01782 799490 Email: - advice@shkaccountants.co.uk

DECEMBER 2023 NEWSLETTER

2023 AUTUMN STATEMENT

This Newsletter will focus on the Autumn Statement and how it will affect our clients for the remainder of the current tax year and from April 2024.

Whilst the cut in national insurance grabbed the headlines, the “fiscal drag” arising from the freezing of rates allowances (i.e. not increasing them in line with inflation) will bring in far more money for the Government than it will lose from the reduced national insurance.

XERO PARTNER STATUS

All accountancy staff at SHK have recently undergone training in the use of Xero accounting software resulting in us achieving silver partner status with Xero. A number of our clients have already moved their record-keeping over to Xero and most are finding it more user-friendly than their previous software. Please speak to Matt if you wish to explore this further.

We do, of course, have significant experience in working with other software (Sage, Free Agent, Quickbooks and Kashflow) and are able to help clients that prefer these.

LIMITED COMPANIES

The changes in the corporation tax, national insurance and dividend tax rates means that the tax advantages of operating a business as a limited company compared to a sole trader or partnership will have closed a little further. Where it is no longer advantageous to continue operating as a limited company, we will, of course, advise clients accordingly.

PERSONAL ALLOWANCE AND TAX RATES

The personal allowance is the amount that can be earned before tax is payable. The Chancellor plans to keep this at £12,570 until April 2028. The basic rate band will also be frozen at £37,700 meaning that 40% tax will only be payable when income reaches £50,270. The 45% rate of tax will continue to apply to income above £125,140.

Child Benefit will continue to be paid in full where the highest earning parent has income below £50,000. No child benefit will be due where the highest earner has income above £60,000 and there is a sliding scale where income is between these two figures.

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S H K Accountants Limited

Registered in England number 3863290

Director • Matthew T Nixon ACA
Consultant • Stephen Kendrew

NATIONAL MINIMUM WAGE

The rates will increase from 1 April 2024. The increases will take effect from the first pay period that starts on or after 1 April 2024. The new hourly rates will be as follows: -

Age	1 April 2023 To 31 March 2024	From 1 April 2024
23 and over	£10.42	£11.44
21 to 22	£10.19	£11.44
18 to 20	£7.49	£8.60
Under 18	£5.28	£6.40
Apprentice	£5.28	£6.40

The current rate for workers aged 23 and over is actually called the National Living Wage. This will apply to workers aged 21 and over from 1 April 2024. The apprentice rate applies to apprentices aged under 19 or those aged 19 or over in their first year of apprenticeship.

NATIONAL INSURANCE

The most significant announcement, certainly in terms of the number of people that will be directly affected, was the Chancellor's reductions in national insurance.

From January (rather than the new tax year), the rate of employee's national insurance will be reduced from 12% to 10%.

The effect of this is that someone earning £400 per week will see a reduction in their national insurance (and hence an increase in their net pay) of £3.16 each week, someone earning £500 per week will see an increase in their pay of £5.16 each week.

No changes were, on the other hand announced to the rate of employer's national insurance.

Class 2 national insurance payable by the self-employed (currently £179.40 a year) will be abolished from April 2024. In addition, the rate of class 4 national insurance, payable by the self-employed on profits above £12,570, will be reduced from 9% to 8% from April 2024.

STATE PENSION

The state pension is now payable to both men and women from their 66th birthday. From April 2026 this will increase gradually so that anyone born between 6 March 1961 and 5 April 1977 will not get the state pension until they reach 67 years of age.

The current maximum state pension is £203.85 per week. This will increase to £221.20 per week from April 2024.

In order to qualify for any state pension, you will need to have been credited with national insurance contributions for at least 10 years. To qualify for the maximum, you will need to have been credited with national insurance contributions for 35 years. It is possible to obtain a forecast of your state pension by visiting <https://www.gov.uk/check-state-pension> where you can check online or complete a paper form.

It is possible to pay additional national insurance contributions to cover any shortfall. The usual time limit is such that contributions can only be back-dated for 6 years. At the moment, however, it is possible to fill any gaps in your contribution record since 2006 by making a payment before 5 April 2025.

CORPORATION TAX

No changes were made to the increases to the current rates of corporation tax, originally announced in the March 2021 budget. The rates applying from 1 April 2024 will remain as follows: -

Profits under £50,000	-	19%
Profits over £250,000	-	25%

These rates mean that any profits between £50,000 and £250,000 will effectively be taxed at a rate of 26.5%.

Associated company rules mean that where an individual controls more than one company, the limits are divided equally between the companies. Setting up two companies would not, therefore, enable you to make a profit of £100,000 and pay tax at 19% on all of the profits.

VAT

No changes were announced to the VAT registration limit, which stays at £85,000, unchanged from 1 April 2017. This means that businesses will have to register if their annual turnover reaches £85,000. The Chancellor announced that this will not change until April 2026 at the earliest meaning more and more businesses are likely to need to register for VAT. As well as collecting more VAT, this will impose more record-keeping requirements on businesses.

Clients are reminded that this threshold applies on a rolling 12 months; it is not something to be calculated once a year when the year-end accounts are prepared.

The main VAT rate remains at 20% and the reduced rate remains at 5%.

DIVIDENDS

For owners of their own company, the most tax-efficient way of paying themselves is by a small salary with the remainder of profits taken as dividends. No changes were announced so dividends remain taxed at the following rates: -

Basic rate taxpayers	8.75%
Higher rate taxpayers	33.75%
Additional rate taxpayers	39.35%

At the moment the first £1,000 of dividends are tax-free, although this will reduce to £500 from April 2024.

TAX ON SAVINGS INCOME

The first £1,000 of interest on savings (£500 for higher rate taxpayers) remains tax-free. In the four years to 5 April 2022, an average of 965,000 people paid tax on the interest on their savings. Rising interest rates and frozen tax allowances mean that this is expected to increase to 1.7 million in the year ended 5 April 2023 and 2.7 million in the year ending 5 April 2024.

Clients should ensure they make use of tax-free investments (such as ISA's and premium bonds), their partner's unused allowances and pension contributions (particularly where their income is just over the higher-rate threshold) to minimize their tax liabilities on their savings income.

CAPITAL GAINS TAX

At the moment an individual can make capital gains of £6,000 in a tax year and have no tax to pay. This exempt amount will reduce to £3,000 from April 2024.

This will inevitably result in individuals, particularly owners of more than one property, paying more capital gains tax. Clients are reminded that where a taxable gain is made on the sale of a residential property, the gain must be reported to HMRC and the tax paid within 60 days of the sale, otherwise automatic penalties will be charged.

DON'T FORGET YOUR CHRISTMAS PARTY

The taxman allows a full deduction (tax relief and, if registered, claiming back the VAT) for entertaining staff and their partners – so why not take full advantage this Christmas?

As long as the total cost (including VAT) is less than £150 per head, HMRC will relax their normally strict rules about entertaining and allow tax relief on the full cost. However, it is important to ensure the total cost is under £150 per head, otherwise it becomes taxable on the employees as a benefit in kind.

The £150 covers the full costs of the event so not only food and drink would be covered. Make sure you include taxis to and from the venue, the accommodation if your party includes an overnight stay and even gifts given out at the party. This applies even if your company's only staff are you and your spouse and the Christmas Party is anything from a table for two in your favourite restaurant to a full weekend away. So – treat yourselves and let the taxman share the cost!

BANK HOLIDAYS

**Our office will close for the Christmas break at
4-00pm on Thursday 21 December 2023
and will re-open on Wednesday 3 January 2024**

The easiest way to contact us during this period will be by email

**We would like to take this opportunity to thank all clients for their custom during 2023 and wish you
A very merry Christmas and a healthy and prosperous New Year.**

MATT



'In the Autumn Statement every voter will get a small tax cut, a paper hat and a joke'



Please contact us for further information about any of the issues raised in this Newsletter

This Newsletter is published for the information of clients.

It provides only an overview of the regulations in force at the date of publication, and no action should be taken without consulting the detailed legislation or seeking professional advice.

We can, therefore, accept no responsibility for loss occasioned by any person acting or refraining from acting on material contained in this Newsletter.