

WELCOME TO THE JANUARY TAX NEWSLETTER

Our newsletters are designed to keep you informed of the latest tax issues, we hope you find it useful.

Please contact us if you need further information on any of the subjects covered, we are only a phone call away and always here to help.

Call **01245 258 689** Or email **info@viewpointaccountants.co.uk**



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NEW YEAR RESOLUTIONS TO SAVE TAX

At this time of year we think about New Year's resolutions. It is also a good time to start planning your tax affairs before the end of the tax year on 5th April.

An obvious tax planning point would be to maximise your ISA allowances for the 2022/23 tax year (currently £20,000 each).

You might also want to consider increasing your pension savings before 5 April 2023 as the unused annual pension allowance from 2019/20 lapses after three years.

Many of us get together with the family at Christmas and that prompts us to think about making or updating our Will.

PENSION PLANNING

For most taxpayers the maximum pension contribution is £40,000 each tax year, although this depends on their earnings. This limit covers both contributions by the individual and by their employer.

Under the current rules, the government adds to your pension contributions at the 20% basic rate. For instance, if you save £4,000 in a personal pension the government tops this up to £5,000. If you are a higher rate taxpayer there is a further £1,000 tax relief when your tax liability is calculated, reducing the net cost to £3,000. This can be even more effective if your income is between £100,000 and £125,140 where the effective tax rate is 60%. Remember that pension fund investments can go down as well as up.

TIME TO REVIEW YOUR WILL?

Top of the New Year to do list for many individuals is to make or update their Will. Many think this is something to leave until later in life but it is important to get things in place once property is acquired or when children come along.

In the absence of a will there are statutory rules which dictate how your assets are distributed on death. Those statutory intestacy rules may not be tax efficient and you might want to make specific provision in your Will for your unmarried partner or for the guardianship of your children.

PASSING ON THE FAMILY HOME

When considering the wording of your Will you should note that the inheritance tax (IHT) nil rate band continues to be frozen at £325,000 until 2028. There is an additional nil rate band of up to £175,000 for passing on the family home to direct descendants on death. We can work with your solicitor to make sure your Will is tax efficient.

Where the nil bands are unused on the death of the first spouse the balance is available on the death of the surviving spouse, potentially allowing a married couple (or civil partners) to pass on assets of up to £1 million without paying IHT.

The residence nil band is even available when you downsize to a cheaper property. For example if a married couple currently live in a large house worth £500,000 and downsize to a flat worth £300,000 they could give away some of the proceeds during their lifetime and yet still benefit from inheritance tax relief based on the higher valued property. They could even sell the house and move into a rental property or a care home and still benefit from this additional relief. In these circumstances, certain conditions must be met, so please speak to us if you think it may affect you.

£12,300 CGT ANNUAL ALLOWANCE – USE IT OR LOSE IT

The CGT annual exempt amount reduces from £12,300 to just £6,000 for gains made in 2023/24. Remember that the 2022/23 allowance is lost if not used by 5 April 2023 and you might want to consider bringing forward disposals of chargeable assets where possible. Where a married couple who are higher rate taxpayers own a buy to let property, bringing forward the disposal from 2023/24 could potentially save £3,528 CGT (£24,600 – £12,000 @ 28%). It would be important to exchange contracts before 6 April 2023 as that is the critical date for CGT.

130% SUPER-DEDUCTION ENDS 31 MARCH 2023

The 130% super-deduction for the investment in plant and machinery was introduced in the March 2021 Budget.

The enhanced tax deduction is available to limited companies that acquire new plant and machinery between 1 April 2021 and 31 March 2023. Companies should consider bringing forward plans to acquire new plant to benefit from this generous tax allowance. Note that the expenditure must be incurred before the 31 March 2023 deadline.

£1 MILLION ANNUAL INVESTMENT ALLOWANCE NOW PERMANENT

The 130% super-deduction referred to above only applies to limited companies, however the Annual Investment Allowance (AIA) is available to unincorporated businesses as well as limited companies.

In the recent Autumn Statement the Chancellor announced that the AIA for expenditure on plant and machinery would become a permanent £1 million allowance.

The annual limit was originally scheduled to revert to just £200,000 from 1 January 2021 and has been extended twice to 31 March 2023. Businesses will welcome the certainty that this provides.

NEW VAT PENALTIES FOR LATE RETURNS

A new points-based system for late VAT returns starts for return periods commencing on or after 1 January 2023. A financial penalty will apply when a number of points have been accumulated, which will depend on how frequently the returns should be submitted. For a trader preparing quarterly returns a penalty will be charged when four points have been accumulated.

ADVISORY FUEL RATE FOR COMPANY CARS

The table below sets out the HMRC advisory reimbursement rates for employees' private mileage using their company car from 1 December 2022. Where full reimbursement is made there is no taxable fuel benefit. The rates for the previous quarter, if different, are in brackets.

| Engine Size | Petrol | Diesel | LPG |
|------------------|-----------|--------|-----------|
| 1400cc or less | 14p (15p) | | 10p (9p) |
| 1600cc or less | | 14p | |
| 1401cc to 2000cc | 17p (18p) | | 12p (11p) |
| 1601 to 2000cc | | 17p | |
| Over 2000cc | 26p (27p) | 22p | 18p (17p) |

Note that for hybrid cars you must use the petrol or diesel rate and for fully electric cars the rate is now 8p per mile (previously 5p per mile)

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

SCOTTISH INCOME TAX RATES FOR 2023/24

The Scottish Parliament has the power to set income tax rates on non-savings and non-dividend income for Scottish taxpayers.

In the Scottish Budget of 15 December 2022, it has been confirmed that the 5-band structure will remain for 2023/24 and most of the thresholds are unchanged.

Like the rest of the UK the top rate threshold has been reduced to £125,140. However, unlike the rest of the UK, the Scottish higher rate and top rates have been increased by 1%.

The 19% Scottish starter rate will continue to apply to income between £12,571 and £14,732 (as in 2022/23).

The Scottish basic rate of 20% will continue to apply to income between £14,733 and £25,688 (as in 2022/23).

The Scottish intermediate rate of 21% will continue to apply to income between £25,689 and £43,662 (again, as in 2022/23).

The increased 42% Scottish higher rate will apply to income between £43,663 and £125,140 (in 2022/23 it is 41%).

The increased 47% Scottish top rate will apply to income in excess of £125,140 (in 2022/23 it is 46% and applies to income over £150,000).

DIARY OF MAIN TAX EVENTS - JAN / FEB 2023

| DATE | WHAT'S DUE |
|-------------|---|
| 01 January | Corporation tax for year to 31/03/2022 (unless quarterly instalments apply). |
| 19 January | PAYE & NIC deductions, and CIS return and tax, for month to 05/01/23 (due 22/01 if you pay electronically). |
| 31 January | Deadline for Self-Assessment tax return for 2021/22 if filed online. Also the due date for 2021/22 balancing payment and 50% payment on account of 2022/23 tax. Note that if this liability is no more than £30,000 you can agree with HMRC to spread over 12 months. |
| 01 February | Corporation tax payment for year to 30/04/22 (unless quarterly instalments apply). |
| 19 February | PAYE & NIC deductions, and CIS return and tax, for month to 05/02/23 (due 22/02 if you pay electronically). |

FURTHER INFORMATION & ADVICE

If you would like further information or advice about any of the issues raised in this newsletter then we would be delighted to hear from you.

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