Viewpoint Accountants

TAX NEWSLETTER

March 2023

WELCOME TO THE MARCH 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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WILL THE SPRING BUDGET STIMULATE ECONOMIC GROWTH?

With the UK economy flat lining the Chancellor is under pressure to announce measures to stimulate growth. There are even calls for him to cut corporation tax which is scheduled to increase from 1 April 2023. He may also extend the 130% super-deduction for investment in new plant and machinery which is due to end on 31 March.

The main focus of the Government continues to be reducing inflation, but Jeremy Hunt may have a few surprises up his sleeve to announce on 15 March. One issue he may address is the large number of workers over 50 taking early retirement, particularly in the medical profession. One tax change that may encourage them to continue working would be raising the current £1,073,100 lifetime cap of pension savings.

Only time will tell what will be said in the 15 March Budget but do keep your eyes peeled for our Budget Newsletter, which will come out the following day.

"NUDGE" LETTERS FROM HMRC ABOUT R&D CLAIMS

Following on from the alleged abuse of the Research and Development (R&D) tax relief schemes, particularly the SME tax credit scheme, HMRC have issued "nudge" letters to the directors of over 2,000 claimant companies asking them to check their claims. Here is an extract from the letter:

"As Company Director, it's important you submit accurate claims for the correct amount of tax relief. If we check a claim and find it's incorrect, your company might be asked to pay back the full amount.

This letter is not a compliance check into your Company Tax Return. It is to help you make sure your claims are complete and correct.

What you need to do now:

Please review your previous R&D claim using the checklist below to make sure all the information you have given is complete and correct.

1. Have you read and understood the HMRC guidance on R&D?

2. Have you considered the conditions for making an R&D claim? Are you happy that the project is seeking an advance in the field of science and technology?

3. Do you understand what you're claiming for?

4. Who has helped with the supporting R&D report and are they qualified to do so?

5. Have you read the R&D report, and do you agree with its contents?

6. If you're working with a third party to make a claim, have they answered your questions satisfactorily?

7. Does this claim seem to be too good to be true?

If you're unsure about the answers to these questions, you should contact HMRC…

…In some circumstances we may need to open an enquiry into your claim. This could lead to a delay in us paying you any tax relief due. It could also mean that we have to reject your claim if we find it's incorrect. And we could charge you a penalty. The best way to avoid delay, rejection of your claim, or penalties is to check your previous and future claims online now."

We encourage all R&D claimants to consider questions 1-7 above and to contact us if they have any queries.

PENALTIES FOR CARELESS AND DELIBERATE ERRORS

As well as charging interest on tax paid late, HMRC may also levy a penalty where there is an error in a tax return. These penalties may be judged as careless or deliberate and the level of penalty will also depend upon whether or not;

• the taxpayer has been upfront, making unprompted disclosures to correct the error;

• the error was deliberate; and

• the error was concealed from HMRC.

This matter is topical following the recent sacking of the former Chancellor of the Exchequer and Chairman of the Conservative Party Nadeem Zahawi who was adjudged to have been careless in connection with the reporting of capital gains and allegedly received a 30% penalty.

The amount of the penalty is based on the Potential Lost Revenue (PLR) and the range of penalties is set out in the table below:

Behaviour	Disclosure by taxpayer	Penalty range
Careless	Unprompted	0% to 30%
Careless	Prompted	15% to 30%
Deliberate but not concealed	Unprompted	20% to 70%
Deliberate but not concealed	Prompted	35% to 70%
Deliberate and concealed	Unprompted	30% to 100%
Deliberate and concealed	Prompted	50% to 100%

Higher maximum penalties may apply when offshore matters are involved.

Where HMRC issue the taxpayer with a "nudge" letter that would be regarded as a prompt from the department and thus potentially increases the level of penalty that might be imposed.

The law defines 'careless' as a failure to take reasonable care and needs to have consideration of the taxpayer's abilities and circumstances. In HMRC's view it is reasonable to expect a person who encounters a transaction or other event with which they are not familiar to take care to find out about the correct tax treatment or to seek appropriate advice. A taxpayer who can demonstrate that they acted on professional advice from a person with the appropriate expertise, will normally be able to demonstrate they take reasonable care.

HMRC may reduce, or mitigate, the penalty depending on the quality of the disclosure, but any such reduction will not take the penalty percentage below the bottom of the stated range. The quality of disclosure is based on three factors – 'telling', 'helping', and 'allowing access to records'.

HMRC may also suspend a penalty if it can be demonstrated that controls can and will be put in place to prevent the matter occurring again in future.

YEAR END TAX PLANNING

It's not too late to undertake some end of year tax planning. If you have available funds, an obvious tax planning point would be to maximise your £20,000 ISA allowances for the 2022/23 tax year.

You might also want to consider increasing your pension savings before 5 April 2023, if you have available 'pension annual allowance' to obtain tax relief for any additional contributions. The pension annual allowance includes any unused elements from the last three tax years as well.

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. Then, if you are a higher rate (40%) taxpayer, there is a further £1,000 tax relief given 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% due to the restriction of your personal allowance.

You might also want to consider making capital disposals and accelerating capital gains into 2022/23 if you haven't yet used your £12,300 capital gains tax annual exempt amount. This annual exemption will reduce to just £6,000 for gains made in 2023/24.

There are other useful tax planning points we can discuss as well, including in relation to profit extraction from owner managed businesses and in gifting inheritances. Please do get in touch if you'd like to discuss the best strategies for your circumstances.

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 March 2023. 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	13p (14p)		10p
1600cc or less		13p (14p)	
1401cc to 2000cc	15p (17p)		11p (12p)
1601 to 2000cc		15p (17p)	
Over 2000cc	23p (26p)	20p (22p)	17p (18p)

Note that for hybrid cars you must use the petrol or diesel rate and for fully electric cars the rate is now 9p per mile (8p per mile up to 28 February 2023).

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

DIARY OF MAIN TAX EVENTS - MARCH / APRIL 2023

DATE	WHAT'S DUE
01 March	Corporation tax payment for year to 31/05/22 (unless quarterly instalments apply).
19 March	PAYE & NIC deductions, and CIS return and tax, for month to 05/03/23 (due 22/03 if you pay electronically).
01 April	Corporation tax payment for year to 30/06/22 (unless quarterly instalments apply).
05 April	End of 2022/23 tax year – many tax planning actions need to have been done by this date.
06 April	Start of the 2023/24 tax year.
19 April	PAYE & NIC deductions, and CIS return and tax, for month to 05/04/23 (due 22/04 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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