

# Autumn Statement webinar

23 November 2023

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# Running order

12:00	Introduction & presentation
12:45	Q&A
13:00	Close



## **Gillian McGill, VAT Director**

Gillian has specialised in providing VAT advice since 2009 and, prior to that, worked in both corporation tax and within an in-house tax technical team. Gilly's areas of interest include not-for-profit, education, land and property transactions, and international services.



**Sally Farrow**

Private Client Tax Partner



**Dominic Carter**

Business Tax Partner



**Emily Wall**

Senior Manager

Private client  
changes

# National Insurance for self-employed

- Main rate of class 4 national insurance reduced from 9% to 8% from 6 April 2024 (payable on self-employed profits from £12,570 to £50,270)
- Class 2 national insurance, usually payable by the self-employed with profits in excess of £12,570, to be abolished from 6 April 2024 (currently £3.45 per week)
- Still an option for those with lower profits to make voluntary contributions





**As a result of the changes to class 2 and 4 national insurance announced in the Budget, do you think trading hours will increase?**

- a. increase working hours
- b. decrease working hours
- c. hours will stay the same regardless of the change

# Making Tax Digital for Income Tax & Self Assessment (MTD ITSA)

## Further changes:

- Remove the requirement to submit an End of Period Statement (EOPS)
- Enable taxpayers using MTD to be represented by more than one tax agent
- Simplify the requirements for all taxpayers providing quarterly updates and for taxpayers with more complex affairs
- Exempt some taxpayers



# Other personal tax changes

- Expansion of cash basis from April 2024
- Additional information for inclusion on Self Assessment returns
- Clarification on deductible training costs for the self-employed
- Extension of Enterprise Investment Scheme (EIS) and Venture Capital Trust (VCT) sunset clauses





# Reminders

- Capital gains annual exemption, reduced to £6,000 in April 2023, down to £3,000 from 6 April 2024
- Dividend allowance reduced to £1,000 in April 2023, down to £500 from 6 April 2024
- Additional rate tax threshold reduced from £150,000 to £125,140 with effect from 6 April 2023
- Personal allowance, higher rate tax threshold and inheritance tax nil rate band remain frozen
- Basis period reform could mean additional profits taxable in 2023/24 for the self-employed
- Pensions lifetime allowance abolished with effect from 6 April 2023
- Standard rate band for trusts to be removed, tax return not required if income less than £500





**Duncan Saxby**

Manager

# Employment Taxes

# National Insurance Contributions (NICs)

## Employees' Class 1 NICs

### Starting 6 January 2024

- Reduced from 12% to 10%
- Applicable to earnings between £12,570 and £50,270
- Saving £754 per annum maximum

### From 6 April 2024

- Class 1 NICs lower earnings limit frozen at 2023/24 levels in 2024/25

## Employers' NICs Relief

### From 6 April 2024

- NICs relief for employers hiring qualifying veterans
- Extended for a year from April 2024 to April 2025
- Businesses will continue to pay no employer NICs up to annual earnings of £50,270 for the first year of a qualifying veteran's employment in a civilian role





**What is the annual cost to the Government of reducing NICs for employees and the self-employed?**

- a. 1 billion
- b. 5 billion
- c. 9 billion
- d. 12 billion

# National Minimum Wage

From 1 April 2024

## NLW

- Increases from £10.42 to £11.44 per hour
- Applicable to eligible workers aged 21 and over

## NMW

- NMW increases from £7.49 to £8.60 per hour
- Applicable to eligible workers aged 18 to 20

## Apprentice Wage

- Applicable to under 19 or over 19 in the first year
- Increases from £5.28 to £6.40 per hour



# Vehicle benefits

Car benefit rates unchanged for 2024/25

Van benefit charge £3,960 unchanged for 2024/25

Car fuel benefit multiplier £27,800 unchanged for 2024/25

Van fuel benefit charge £757 unchanged for 2024/25



# Construction Industry Scheme (CIS)

From 6 April 2024

- Subcontractors will have to demonstrate compliance with VAT obligations to be granted and keep gross payment status
- Expands grounds that HMRC can immediately cancel gross payment status to include case where HMRC has reasonable grounds to suspect fraud involving VAT, Corporation Tax, Income Tax and PAYE



# Off-Payroll Working (IR35)

IR35 applies to situations where individuals work through intermediaries such as personal service companies (PSCs)

From 6 April 2024

- HMRC will have the power to set-off tax and NICs, already paid by the worker and their intermediary, on income from engagements under the IR35 rules against a subsequent PAYE liability of their deemed employer
- Aims to address the potential overpayment of tax and NICs in cases of non-compliance with the off-payroll working rules – where the engagement was incorrectly treated as self-employment for tax purposes





# Enterprise Management Incentives (EMI)

- Notification to HMRC of grant of options
- Time limit for notifying HMRC extended from 92 days to 6 July following the tax year





**Sarah Caley**

Manager

Business Tax Advisory

# Company and business tax update

# Capital allowances

**‘Full Expensing’ of capital expenditure** – Applicable for companies only from 1 April 2023 onwards on qualifying capital purchases

- 100% upfront capital allowances for companies investing in new qualifying plant and machinery (ordinarily 18%)
- 50% first-year allowance for qualifying special rate assets (ordinarily 6%)
- Only applies to new and unused assets, cannot apply to cars or equipment acquired to lease to someone else
- If an asset is sold that has been fully expensed, 100% of proceeds are taxed as a balancing charge. This is not the case where WDAs or AIA have been claimed
- If an asset is sold on which the 50% first-year allowance has been claimed, 50% of sale proceeds are taxed as a balancing charge. Remaining 50% is deducted from the special rate pool in the usual way

# Capital allowances

- Annual Investment Allowance (AIA) will remain permanently at £1 million for corporates and unincorporated businesses. 'Group' companies, and those related by way of 'common control', share one AIA which can be allocated as they wish
- AIA is likely to be preferable but where AIA limits are exceeded, full expensing will be beneficial



# Changes to R&D Relief

## R&D tax reliefs

To recap, since 1 April 2023:

Qualifying expenditure includes data and cloud computing costs and excludes certain overseas costs

- R&D Expenditure Credit (RDEC) rate increased from 13% to 20%
- Small and Medium-sized Enterprises (SME) additional deduction decreased from 130% to 86%
- SME credit rate decreased from 14.5% to 10% (capped at £20,000 + 3 times the company's PAYE/NIC liability for the accounting period)
- Measures to target abuse and improve compliance



# Changes to R&D Relief

## Merged R&D Scheme

- For accounting periods starting on or after 1 April 2024 a new R&D scheme will be used, with exclusions for 'R&D intensive SMEs'
- The new scheme has a tax credit of 20%, taxed at 25% or 19% for loss-making companies. This will have the same upper limit as the SME scheme
- Under this scheme, costs where part of the R&D work has been subcontracted out will be qualifying.



# Changes to R&D Relief

	RDEC (£)	SME (£)
PBT	500,000	500,000
R&D credit	20,000	N/A
R&D enhanced expenditure	N/A	86,000
Taxable profit/loss	520,000	414,000
Corporation tax chargeable (25%)	130,000	103,500
Corporation tax payable	110,000	103,500



**Will the increase in R&D enquiries by HMRC affect your company's decision to make an R&D claim?**

**a. Yes**

**b. No**



# Changes to R&D Relief

## Additional relief for 'R&D intensive' SMEs

- 'R&D intensive' – a company with R&D expenditure of at least 30% (2023: 40%) of its total expenditure
- There will be a one-year grace period if the threshold is not met in the following year
- SME credit rate remains at an effective 14.5% for loss making 'R&D intensive' companies only
- From 1 April 2024, all companies which are not R&D intensive will be moved to the new R&D scheme

## Cultural sector reliefs

- The Government announced reforms of tax credits for the creative industry, separated between film and high-end tv and videogames and animated film, tv and children's tv.





**Gillian McGill**

VAT Director

VAT update

# What has stayed the same

## Thresholds

- £85,000 registration
- £83,000 deregistration

## Rates

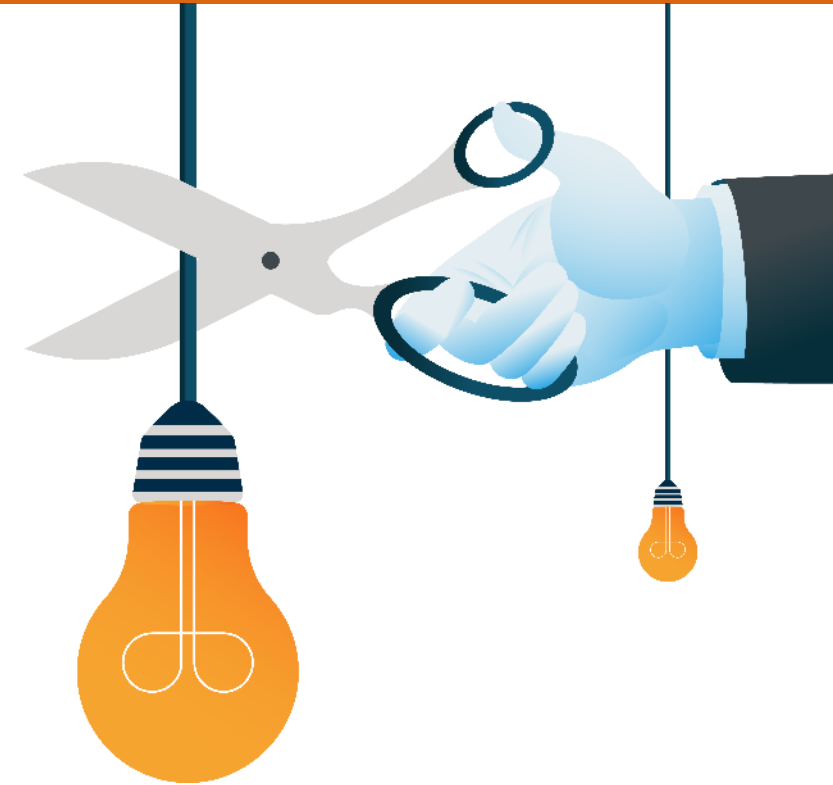
- Standard rate 20%
- Reduced rate 5%
- Zero rate 0%
- Exemption



# Property related changes

## Energy-Saving Materials VAT relief

- Currently there is zero rating relief available for specific energy saving materials
- The relief is set to be extended to other energy saving materials such as water source heat pumps and for the relief to be made available for RCP
- To take effect from February 2024
- Further details to be made available



# Property related changes

Permitted Development Right convert one house into two flats

- Converting a single property into flats may be eligible for VAT relief at the reduced rate

VAT DIY Scheme – Changes from 5 December 2023

- Extension to time limit for claims from three months to six months
- Digitization of submissions





**At what point does the time limit for DIY claims start?**

- a. When planning permission is approved**
- b. When the property is considered to be complete**
- c. Once there are no more expenses**
- d. When the DIY claim is first started**

# Other VAT updates

## Women's sanitary products – zero rate relief

- To include reusable period underwear – 1 January 2024

## Construction Industry Scheme (CIS) reform

- VAT checks to be made as part of Gross Payment Status

## Private Hire Vehicles

- *Uber Britannia Limited V Sefton Borough Council 2023*
- High Court held private operator is required to act as principal
- Government to consult in early 2024

## Tourism and Leisure sector

- 75% rates relief extended for 2024/25



**Thank you for joining us**

**For further information contact**

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