



- Chartered Accountants
- Registered Auditors
- Tax Consultants
- Business Advisers

34 Waterloo Road,  
Wolverhampton  
WV1 4DG

t: 01902 773993  
f: 01902 425625

post@crombies-accountants.co.uk  
www.crombies-accountants.co.uk

# Tax E-News

Welcome to our latest monthly tax newswire. We hope you enjoy reading this newsletter and find it useful. Contact us if you wish to discuss any issues further.

## HAPPY NEW TAX YEAR

In this April issue we highlight some of the key tax changes that take effect from the start of the new tax year. Unfortunately, most of the income tax and national insurance thresholds continue to be frozen, resulting in an increasing number of higher rate taxpayers. The major exception is the welcome increase in the threshold for the High Income Child Benefit Charge (HICBC). The further reduction in the rates of national insurance contributions for employees and the self employed will take effect from 6 April and is a move towards a possible future abolition.

The self-employed will see important changes to how they compute their profits from 2024/25 with “cash accounting” being the default method unless they opt for the accruals basis. The mechanism for assessing those profits also changes from 6 April 2024 when the business results arising between 6 April and the following 5 April will be taxed, which will mean apportioning results where the business year end does not correspond with the tax year.

As far as limited companies are concerned, there is no change in the rates of corporation tax from April 2024. There are however further changes to R&D tax relief which will apply to accounting periods commencing on or after 1 April 2024.

Remember also that the capital gains tax annual exemption reduces to just £3,000 for each taxpayer for gains made in 2024/25, but the higher rate on residential property gains reduces from 28% to 24% as announced in the Spring Budget.

## MANY COUPLES MAY NEED TO RESTART CHILD BENEFIT CLAIMS

The changes to the High Income Child Benefit Charge (HICBC) announced in the Spring Budget have now been incorporated into the latest Finance Bill and are scheduled to take effect from 6 April 2024. The increase in the threshold for the tax charge was good news, although many were lobbying for the charge to be removed completely. HICBC is intended to claw back child benefit where the higher earner in a relationship has adjusted income in excess of £60,000 (£50,000 up to 2023/24). The claw back rate will then be 1% for every £200 of net income in excess of £60,000 with full recovery of child benefit where net income is £80,000 or more.

Rather than pay the tax charge, many couples have chosen not to claim child benefit in recent years. It is estimated that some 180,000 couples eligible for child benefit will no longer be caught by the HICBC and should restart their claims from 6 April 2024. This can be done by using an online claim form.



**crombies**

- Chartered Accountants
- Registered Auditors
- Tax Consultants
- Business Advisers

34 Waterloo Road,  
Wolverhampton  
WV1 4DG

t: 01902 773993  
f: 01902 425625

post@crombies-accountants.co.uk  
www.crombies-accountants.co.uk

## Example

Fred and Wilma have 2 children for whom they are eligible for child benefit. Fred is the higher earner and his income was £68,000 in 2023/24, which is scheduled to increase to £70,000 in 2024/25. In 2023/24 the HICBC would have been 100% of the child benefit received. Their child benefit for 2024/25 is £25.60 for the first child, then £16.95 for each additional child = £42.55 x 52 = £2,212.60 p.a.

Based on Fred's £70,000 net income there would be a 50% HICBC for 2024/25 of £1,106.30.

## Planning

An individual's pension contributions and payments to charity under Gift Aid have the effect of reducing net income for the purposes of HICBC. Salary sacrifice arrangements agreed with the employer can also be effective in reducing net income for HICBC purposes.

## SHOULD YOU USE CASH ACCOUNTING?

Cash accounting was introduced as a measure to make it simpler for small businesses to prepare their accounts for tax purposes. It previously only applied to businesses with turnover up to £300,000 but, from 2024, will be the default method for sole traders and partnerships. It will not apply to partnerships with corporate members or limited liability partnerships.

Businesses affected will be able to opt out of cash accounting and prepare their accounts in accordance with Generally Accepted Accounting Practice (GAAP), which means making adjustments for accruals, prepayments and other differences. It will also be possible to subsequently opt back into cash accounting. There are transitional rules to ensure that income and expenses are not included twice or omitted.

Please contact us to discuss the impact that this change may have on your taxable profits.

## CHANGES TO THE BASIS OF ASSESSMENT

The method of taxing the profits of unincorporated businesses changed significantly in 2023/24 and will also change from 2024/25 onwards. This was originally intended to align with the introduction of Making Tax Digital for Income Tax Self-Assessment (MTDITSA), which will now start to be phased in from 2026/27.

Under the old basis of taxing profits, a sole trader or member of a partnership was taxed on their share of profits of the business's accounting period ending in the tax year. For 2022/23, the last tax year when that basis applied, profits of year ended 31 December 2022 would have been taxed that tax year. Unless that business changes its accounting date, the profits assessed in 2024/25 would be the profits arising between 6 April 2024 and 5 April 2025 i.e. 9 months of the profits from year ended 31 December 2024 plus 3 months of the profits for year ended 31 December 2025. As the 2024/25 self-assessment tax return needs to be filed by 31 January 2026, it is highly likely that the profits for the later period would need to be estimated and subsequently revised. As a result of this complication, many businesses decided to change their accounting year end to 31 March or 5



crombies

- Chartered Accountants
- Registered Auditors
- Tax Consultants
- Business Advisers

34 Waterloo Road,  
Wolverhampton  
WV1 4DG

t: 01902 773993  
f: 01902 425625

post@crombies-accountants.co.uk  
www.crombies-accountants.co.uk

April so that it corresponds with the tax year.

### **The Transitional Year 2023/24**

A further complication with the change in the basis of assessment is the calculation of profits in 2023/24, the “transitional year”, which seeks to transition from the old ‘current year’ basis to the new tax year basis. The rules in 2023/24, where the business has a year end that doesn’t correspond with the tax year, seek to tax the profits from the day after the end of the period taxed in 2022/23 until 5 April 2024. A business preparing accounts to 31 December each year would have a 15 month period from 1 January 2023 to 5 April 2024 potentially taxable in 2023/24. However, the 3 months’ profits in the period 1 January 2024 to 5 April 2024, less any overlap relief, is not all taxed in 2023/24 but spread over 5 years, unless the taxpayer elects to be taxed on a higher amount.

If, in the above example, the sole trader makes profits of £120,000 in year ended 31 December 2024 then £30,000 less any overlap relief (typically from the early years when some profits were taxed twice) would be spread over 5 years. Assuming no overlap relief, an extra £6,000 profits would be added to the profits assessable from 2023/24 to 2027/28 unless the individual elects to be assessed on a higher amount, in which case the balance of the £30,000 would then be spread over the remaining years to 2027/28. This is not at all straightforward and we can work with you to calculate the transitional profits and advise you of your tax liabilities going forward.

### **HMRC PUBLISH MORE DETAILS OF MTD FOR INCOME TAX REPORTS**

Making Tax Digital for income tax self-assessment is scheduled to commence in 2026/27 for sole traders and property landlords with gross income of £50,000 or more, and the threshold then reduces to £30,000 from 2027/28.

The government have now confirmed that the four quarterly returns that will need to be submitted will report cumulative income and expenses and that there will be no longer be an end of period statement. HMRC have published the detailed income and expenditure headings that need to be reported and have also confirmed that those businesses with turnover below the VAT registration threshold will be able to merely submit three line accounts, i.e. total sales, total expenses and profit or loss for the period.

There still remain a number of issues to be resolved before the new reporting obligation commences and we will work with you to ensure that your accounting system is compliant.

### **CHANGES TO FURNISHED HOLIDAY LETTINGS FROM 6 APRIL 2025**

As announced in the Spring Budget, the beneficial tax treatment of furnished holiday lettings (FHLs) will be abolished from 6 April 2025, when the business will start being taxed in the same way as other residential property businesses.

Owners of properties that currently qualify as FHL might wish to consider increasing their expenditure on equipment such as furniture and televisions whilst the 100% annual investment allowance (AIA) continues to be available. The current capital gains tax reliefs, particularly business asset disposal relief (BADR) will



**crombies**

- Chartered Accountants
- Registered Auditors
- Tax Consultants
- Business Advisers

34 Waterloo Road,  
Wolverhampton  
WV1 4DG

t: 01902 773993  
f: 01902 425625

post@crombies-accountants.co.uk  
www.crombies-accountants.co.uk

also cease from 6 April 2025, so owners might consider selling their holiday letting property whilst the 10% CGT rate continues to apply to the disposal.

Note that where several FHL properties are owned they would all need to be disposed of before 6 April 2025 for BADR to apply. BADR would generally not apply where a single asset is disposed of out of a larger business.

## **CAMPING PODS MAY QUALIFY FOR CAPITAL ALLOWANCES**

A recent case before the First Tier Tribunal will be of interest to businesses operating campsites and also farmers who have diversified into “glamping” by installing camping pods on their land. The capital allowances legislation states that caravans provided mainly for holiday lettings and buildings intended to be moved for the purposes of the qualifying activity, such as building site portacabins, qualify as plant and machinery.

In the recent case the Tribunal determined that certain camping pods which were not connected to mains drainage qualified as plant as they were potentially moveable buildings. This means that where a limited company incurs expenditure on new pods, the 100% AIA and “full expensing” relief would be available and 100% AIA would be available in the case of an unincorporated business.

HMRC may be appealing the decision of the Tribunal, but in the meantime it would be beneficial to make a claim for tax relief and we can review your circumstances to see if they are similar to this recent case.

## **GET READY FOR MORE R&D CHANGES**

On top of the major changes to research and development (R&D) tax relief that took effect from 1 April 2023 there are yet more changes that take effect from 1 April 2024.

For accounting periods commencing on or after 1 April 2024, companies carrying out qualifying R&D will be entitled to a 20% expenditure credit. The 20% is calculated on the amount of qualifying expenditure. Qualifying expenditure is extended to include subsidised expenditure from 1 April 2024, although R&D carried out overseas will no longer qualify unless the work cannot be undertaken in the UK.

“R&D intensive” companies that make trading losses will continue to be entitled to a tax refund instead of the expenditure credit. The definition of “R&D intensive” is reduced from 40% to 30% from 1 April 2024 which means a company that spends at least 30% of total expenditure on qualifying R&D will now be entitled to the more generous tax refund.

R&D tax relief continues to be a complex area and we can work with you to help you prepare a valid claim as HMRC are now scrutinising and rejecting an increasing number of claims.



crombies

- Chartered Accountants
- Registered Auditors
- Tax Consultants
- Business Advisers

34 Waterloo Road,  
Wolverhampton  
WV1 4DG

t: 01902 773993  
f: 01902 425625

post@crombies-accountants.co.uk  
www.crombies-accountants.co.uk

## DIARY OF MAIN TAX EVENTS

APRIL/ MAY 2024

Date	What's Due
1/04	Corporation tax payment for year to 30/6/23 (unless quarterly instalments apply)
5/04	End of 2023/24 tax year. 2024/25 tax year starts on 6 April
19/04	PAYE & NIC deductions, and CIS return and tax, for month to 5/04/24 (due 22/04 if you pay electronically)
1/05	Corporation tax payment for year to 31/7/23 (unless quarterly instalments apply)
19/05	PAYE & NIC deductions, and CIS return and tax, for month to 5/05/24 (due 22/05 if you pay electronically)