TAX BRIEFING
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Chorus Accounting
9a and 10a Saxon Square | Christchurch | Dorset | BH23 1QA
01202 332500
info@chorusaccounting.co.uk | www.chorusaccounting.co.uk

Sound business advice

RTI REPORTING CHANGES DELAYED

HMRC has delayed planned changes to real-time information (RTI) reporting requirements for employee hours worked.

Draft legislation was published in May aimed at improving the range of data collected by HMRC. The proposed changes will require businesses to provide more detailed information to HMRC via self assessment (SA) and PAYE RTI returns in three main areas:

- start and end dates of self-employment;
- dividend income received by shareholders in owner-managed businesses; and
- employee hours worked.

Employers currently populate the RTI return with a broad estimate of employee hours worked according to bands. Under the new rules, they will be required to report the actual number of hours worked by each employee where the employee is paid an hourly rate. Where the employee is paid based on a number of hours specified in the employment contract, the employer will need to report the contracted number of hours on the RTI return.

HMRC has announced that the requirement to report detailed employee hours through RTI will be pushed back until at least April 2026, giving businesses time to prepare for the changes.

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The additional SA reporting requirements are still expected to take effect from April 2025 for self-employed taxpayers and company owner-managers.

If you are self-employed you will need to provide the start and end dates of your self-employment on your SA returns from 6 April 2025.

If you carry on your personal business through a company and remunerate yourself by way of dividends, these will need to be declared on your SA return separately from other dividends received. The percentage share you hold in your own company must also be disclosed on your SA return.

FURNISHED HOLIDAY LETTINGS REGIME ABOLISHED

HMRC has published draft legislation explaining how the abolition of the special tax rules for furnished holiday lettings (FHLs) will work.

From 6 April 2025 for sole traders and partnerships, or 1 April 2025 for companies, properties currently classed as FHLs will no longer benefit from tax reliefs not available to ordinary property letting businesses. Instead, income and gains from an FHL will be treated in line with all other property income and gains, meaning that:

- finance cost relief will be restricted to basic rate for income tax;
- profits from FHLs will not be included in relevant UK earnings when calculating maximum pension relief;
- special reliefs from Capital Gains Tax (CGT) including roll-over relief, business asset disposal relief (BADR) and gift relief will no longer be available; and
- the capital allowances rules for new furniture and equipment expenditure will be removed and relief will be available instead for replacement of domestic items in certain circumstances.

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Where an existing FHL business has an ongoing capital allowances pool of expenditure it will be able to continue to claim writing-down allowances on that pool.

Under the existing regime, losses from FHLs can only be offset against future FHL profits. Transitional rules will allow these losses to be carried forward and offset against future profits from the taxpayer's overall UK or overseas property business.

Transitional measures will also apply to CGT reliefs. However, to prevent owners of existing FHLs from using unconditional contracts to side-step the changes, anti-forestalling measures will apply from 6 March 2024.

Joint owners of property will no longer be able to choose how to split the profits from an FHL business. Instead, they will be required to report the profits on a 50:50 basis in line with the rules applicable to property rental businesses. It may be possible to alter this split in certain circumstances, for example if you can prove that your beneficial ownership is unequal.

If you own an FHL, contact us to discuss what these changes will mean for you.

MAKING TAX DIGITAL: JOINTLY-OWNED PROPERTY

From April 2026, sole traders and landlords with qualifying income over £50,000 will have to comply with the Making Tax Digital (MTD) for Income Tax requirements.

Quarterly updates

Mandated taxpayers will need to use third party MTD-compliant software to keep digital records and file quarterly summaries of their income and expenses with HMRC. Where rented property is jointly-owned by two or more individuals, each owner will be required to maintain their own digital records and submit separate quarterly returns to HMRC.

To ease the administrative burden, HMRC has relaxed the quarterly reporting requirement for landlords of jointly-owned property. Those who choose to take this easement will be allowed to report their share of gross income only on the quarterly returns. They will still need to submit full details of their share of income and expenses on the annual return at the end of each year.

Landlords who own some property on their own and some jointly-owned property will still need to report expenses relating to the solely-owned property on their quarterly returns.

Qualifying income

"Qualifying income" is broadly defined as total gross income from trading and property, as reported on the most recent self assessment tax return. To decide which taxpayers will be mandated to join MTD for Income Tax in April 2026, HMRC will look at the 2024-25 tax return, i.e. the one for the current tax year.

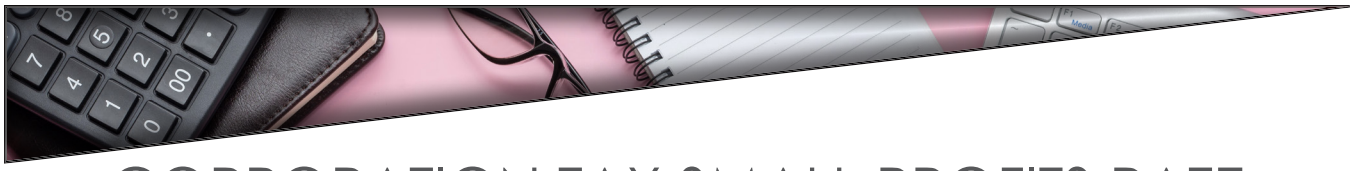
For jointly-owned property, each individual's share of the income from that property will count towards their qualifying income, not the total rental income for the property.

If you or someone you know is a landlord with qualifying income of £50,000 or more, contact us

Generally "gross income" is taken to mean income before deductions. However some landlords benefit from an existing concession whereby if a property is jointly owned and the taxpayer receives notice of their share of property income with expenses deducted, they can report the net amount on the self assessment return.

HMRC has confirmed that qualifying income only looks at what is reported on the self assessment return, so those joint property owners who are able to benefit from this concession may have a lower qualifying income for MTD purposes.

If you or someone you know is a landlord with qualifying income of £50,000 or more, contact us without delay so we can help get the business MTD-ready.



CORPORATION TAX SMALL PROFITS RATE

Certain types of company are not eligible to apply the small profits rate for corporation tax, regardless of their profit levels.

On 1 April 2023, the main Corporation Tax (CT) rate was increased from 19% to 25%. A small profits rate of 19% was introduced for companies with profits below £50,000 (the lower limit). Marginal relief was brought in for companies whose profits fall between the lower limit and £250,000 (the upper limit).

For some companies the lower and upper limits will be much lower, and certain companies will be entirely excluded from the small profits rate and marginal relief.

Accounting periods less than twelve months

If your company's accounting period straddles 1 April 2023 it should be split it into two notional accounting periods – one ending on 31 March 2023 and one starting on 1 April 2023.

For example, for a 31 December 2023 year-end there will be two notional accounting periods:

- 1 January 2023 to 31 March 2023; and
- 1 April 2023 to 31 December 2023.

Only the profits of the second notional accounting period will fall within the new rates. The first notional accounting period will be taxed at 19% under the old rules. The second notional accounting period will be taxed under the new rules. As this is not a 12-month period the upper and lower limits will need to be time-apportioned. In the example above, the lower limit would be £37,671 (275/365 x £50,000) and the upper limit £188,356 (275/365 x £250,000).

Associated companies

The upper and lower limits must be divided by the number of 'associated' companies. For example, a company with one associated company will have a lower limit of £25,000 (£50,000 / 2) and an upper limit of £125,000.

Broadly, two companies will be associated if:

- one has control of the other; or
- both are under the control of the same person or persons.

Excluded entirely

Non-resident companies without a permanent establishment within the UK and close investment holding companies are not eligible to use the small profits rate or apply marginal relief and must use the main CT rate regardless of their profit levels. There are a few exceptions to this which can be found by searching GOV.UK.

If you have already filed your CT return using the small profits rate or marginal relief incorrectly, you need to submit an amended company tax return to report the correct rate of tax. We can help you with this.

TAX REFUNDS NO LONGER AUTOMATIC

HMRC is no longer automatically issuing cheques to refund PAYE overpayments.

It is common for employed taxpayers to get to the end of the tax year and find that they have under- or over-paid income tax via PAYE. These discrepancies are calculated by HMRC at the end of the tax year and a tax calculation letter P800 is sent out to the individual.

Historically, HMRC would issue a cheque to any taxpayers who had received the P800 letter but not claimed their repayment online within 21 days. From 31 May 2024 cheques will no longer be automatically issued and taxpayers need to take action to claim their refund.

You might owe tax or be owed a refund because you:

- were put on the wrong tax code, for example because HMRC had the wrong information about your income;
- finished one job, started a new one and were paid by both in the same month;
- started receiving a pension at work; or
- received Employment and Support Allowance or Jobseeker's Allowance.

If you have received a letter from HMRC telling you that you have overpaid PAYE, you can apply for a refund online. We can help you with this.

WORKPLACE NURSERIES

Providing a nursery can be a powerful way to attract and retain staff, with childcare costs in the UK among the highest in the world.

Tax relief is available to employers providing workplace nurseries as long as certain criteria are met. These requirements are strict; many childcare provision schemes fall short of the qualifying conditions and are therefore taxable as a benefit in kind.

Broadly, where childcare is arranged by the employer and provided on-site it will be eligible for the tax exemption. However, due to limitations on space and the practicalities of running a nursery alongside their normal business this option is not viable for many employers.

If you are considering offering a workplace childcare scheme, contact us to discuss the most tax-efficient way to set it up

To mitigate this, the legislation allows for multiple employers to team up to provide tax-exempt childcare to all of their employees, where the partnership requirements are met. These include that the employers must take real and substantial responsibility for the financing and management of the childcare provision.

This does not necessarily require employers to have direct responsibility for the care of the children, or the day-to-day running of the setting, but they should be closely involved in its management beyond giving occasional advice and/or rubber-stamping decisions.

To meet the financial responsibility test, employers need to show a substantial commitment to funding the facility and bearing the associated risks (i.e. losses). It is not usually sufficient for an employer simply to pay a token fixed cost per employee or child.

If you are considering offering a workplace childcare scheme, contact us to discuss the most tax-efficient way to set it up.

CHANGES TO BEREAVEMENT FORMS

HMRC has completed a long-overdue overhaul of the forms and associated guidance used to report chargeable events on which inheritance tax (IHT) is due on a trust.

Previously, if you needed to report IHT due on gifts or trusts you had to complete the 'one-size-fits-all' form IHT100 and submit this together with an event form relating to the specific transfer involved.

Form IHT100 has now been replaced with a suite of different forms specific to each type of chargeable transfer. The new forms have been designed to streamline and simplify the process of reporting chargeable events, reducing the scope for errors by minimising the volume of information you are required to submit to HMRC.

The full list of new forms and the specific circumstances in which each should be used is available on GOV.UK. If you need to tell HMRC about IHT due on a trust, you should only complete the form relating to the specific type of chargeable event. We can help you with this.

HMRC will continue to accept old versions of the IH100 forms and schedules until 31 December 2024.

Form P1000

When a person dies, any pre-existing agent authority is automatically cancelled, meaning that HMRC will no longer deal with agents or other authorised individuals on behalf of the deceased.

Form P1000 allows personal representatives of a deceased person's estate to engage with HMRC, and to provide their contact details. The form has been made available on GOV.UK so that executors and their agents no longer have to wait several weeks to receive the form from HMRC via post.

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