Call: **01384 261300**
Email: mail@tnmca.com
Website: www.tnmca.com

thomas**nockmartin**
CHARTERED ACCOUNTANTS

TAX NEWSLETTER

Welcome to our monthly newsletter. We hope you enjoy reading this newsletter and find it useful.

- Download our App! Go to our website www.tnmca.com
- Ask us about management accounts
- Ask us about our virtual financial director service
- Are we being proactive enough for you?

October 2024

POSSIBLE CAPITAL GAINS TAX CHANGES IN OCTOBER BUDGET

Many commentators are suggesting that the rate of CGT might be aligned with the rates of income tax, a return to the regime that applied when Gordon Brown was chancellor. Rachel Reeves is known to be a disciple of Gordon, so maybe we will see a return to taper relief as well! One would hope that Business Asset Disposal Relief (BADR), or something similar, is retained to encourage entrepreneurship and growth. She might even reintroduce Business Asset Taper, one of Gordon's ideas, to reduce the effective CGT rate to 10% after 10 years' ownership? If some form of CGT relief to encourage entrepreneurs is retained then maybe the conditions for obtaining the relief will be tightened still further?

Other possible changes to CGT to listen out for include further restrictions to private residence relief and changes to hold over relief for transfers into and out of trust. A more controversial change would be the removal of the CGT free uplift to probate value on death, with beneficiaries inheriting the deceased's CGT base cost of their assets, as suggested by the now abolished Office of Tax Simplification (OTS).

SHOULD WE BRING FORWARD ASSET DISPOSALS BEFORE BUDGET DAY?

CGT changes normally take effect from 6 April, but there have been mid-year changes in the past. This possibility has caused many taxpayers to bring forward disposals to take advantage of the current rates. The disposal date for CGT is the date of unconditional exchange of contracts and there is likely to be anti-forestalling legislation to counteract attempts to artificially bring forward the disposal date. There is still time to sell listed investments before 30 October but other assets such as a business or property typically take a lot longer to sell unless a buyer is already lined up.

BEWARE "BED AND BREAKFAST" ANTI-AVOIDANCE

Many investors may be looking to realise capital gains on their investments at the current rates, just in case there is an increase with effect from 30 October 2024. They may then wish to repurchase those investments after the change in rates to retain the balance of investments in their portfolio. Where the same shares and securities are bought back within 30 days of the date of disposal, the shares bought back would be matched with those sold and the desired capital gain and increase in base cost may be negated.

For example, if 1000 shares in A plc were bought for £2 a share several years ago and are sold on 29 October 2024 for £4.50 a share there would be an apparent £2,500 capital gain, potentially tax free if the £3,000 2024/25 CGT annual exemption is unused. However, if the same class of shares in A plc are purchased on say 5 November 2024 for £4.45 a share there would be a £50 capital loss instead of the desired capital gain and the base cost would remain at £2 a share. This is because the repurchase is within 30 days.

An alternative strategy would be for the taxpayer's spouse to repurchase the shares ("bed and spousing") or to repurchase the shares in the taxpayer's ISA or pension fund.

RUMOURS OF PENSION CHANGES IN THE OCTOBER BUDGET

Changes to pension tax relief seems to be top of the list of possible changes in the Budget and could yield more tax revenues than changes to CGT and IHT combined. As recently as 6 April 2023, we saw the abolition of the lifetime allowance charge and a significant increase in the pension annual allowance to £60,000 a year, which Rachel Reeves commented were too generous, so we may see those changes reversed or curtailed.

Please contact a member of our team if you would like to discuss any of the issues raised.

Call: **01384 261300** Email: **mail@tnmca.com**

Possible changes to pensions to listen out for include:

- Limiting pension tax relief for individuals to basic rate or possibly a 30% flat rate;
- Further limiting (or abolishing) the 25% tax free lump sum;
- Freezing or reducing the £1,073,100 lump sum and death benefit allowance;
- Making the undrawn pension fund subject to inheritance tax; and
- Limiting the amount of employer pension contributions that can be paid by way of a salary sacrifice.

Pension changes normally take effect from the start of the tax year on 6 April, however there have been mid-year changes in the past. Taxpayers should therefore consider bringing forward pension planning just in case changes are effective from the date of the announcement.

MANY OVER 55'S CAN WITHDRAW 25% OF THEIR PENSION FUND TAX-FREE

Under current pension rules, many pension funds allow pension scheme members to withdraw up to 25% of their pension savings tax-free. Finance Act 2023 limited the tax-free amount to £268,275 unless the individual had applied for protection at a higher amount. There are rumours that the tax-free amount may be further limited, with an amount of £100,000 suggested, and this has resulted in significant withdrawals from pension funds in recent weeks. It should be noted that there are anti-avoidance rules that limit the amount that can be reinvested in the pension fund within a 12 month period.

Pension lump sum "recycling" is countered by anti-avoidance rules where the lump sum withdrawn is more than £7,500 during a one year period and subsequent pension contributions are increased by more than 30% of the lump sum. A breach of this rule will mean that the lump sum is an unauthorised payment and will be taxed at 40%.

CHECK YOUR STATE PENSION ENTITLEMENT

The current State Pension is £11,502 and is due to rise to around £12,000 a year for 2025/26. At current annuity rates it would cost over £300,000 to receive an index-linked annuity starting at £12,000 a year, so it's important to maximise your entitlement.

In order to receive a full State Pension you need 35 qualifying years, but is it worth topping up voluntary Class 3 National Insurance contributions in respect of missing years? This is a financial decision but there is a short breakeven period. It is around 3 years for employees and even shorter for the self-employed who can pay Class 2 contributions for missing years. You can also get credit for missing years if you were not working because of bringing up children.

Employees need to make Class 3 contributions of £824.20 or £907.40 a year for extra years which yields £302.86 a year in additional annual state pension. Self-employed individuals can pay Class 2 contributions at the rate of £179.40 for each missing year to yield £302.86 per annum.

Normally you can only go back six years to make up missing contributions but there is currently an opportunity to fill up missing years going back to 2006/07 – note that the deadline for the extended carry back is 5 April 2025.

"NUDGE" LETTERS BEING SENT BY HMRC TO TAXPAYERS

HMRC have recently increased their use of "one to many" or "nudge" letters to taxpayers which suggest that there may be errors or omissions in tax returns or accounts information. HMRC argue that these letters are a key tool in their compliance strategy but this is essentially a "fishing" expedition more akin to direct mailing and this may alarm many taxpayers who are completely innocent. Please get in touch with us if you receive such a letter and we can deal with the matter on your behalf.

TAX NEWSLETTER

October 2024

BEWARE "SCAM" LETTERS CLAIMING TO BE FROM HMRC

We have also become aware of scam letters and emails purporting to be from HMRC being sent to taxpayers. These letters request important personal information which would be needed by fraudsters to access your data. If you have doubts about whether a communication from HMRC is genuine, please contact us and we will check its authenticity.

DIARY OF MAIN TAX EVENTS

OCTOBER/NOVEMBER 2024

Date	What's Due
01/10	Corporation tax for year to 30/12/23 unless pay by quarterly instalments
05/10	Deadline for notifying HMRC of chargeability for 2023/24 if you are not within Self-Assessment and receive income or gains on which tax is due
19/10	PAYE & NIC deductions, and CIS return and tax, for month to 5/10/24 (due 22 October if you pay electronically)
01/11	Corporation tax for year to 30/01/24 unless pay by quarterly instalments
19/11	PAYE & NIC deductions, and CIS return and tax, for month to 5/11/24 (due 22 November if you pay electronically)