
# First Account  March 2024

Stewart Martin

Partner

**Welcome to our personal annual newsletter 'First Account' which for various reasons is coming to you slightly later than normal this year.**

It would be hard for me to ignore the very sad passing of our friend and colleague Ray Crace just before Christmas. Many of you attended the service and gathering for Ray at the beginning of February.

For those of you unable to make it, there were over 400 people who attended the service at Chelmsford Cathedral on 1 February. A great mark of the respect of the friendship and high esteem that everyone held for Ray.

He would have enjoyed the gathering very much.

As we look towards the forthcoming year, we are faced with a number of challenges. Interest rates remain high, as does inflation, with seemingly little room for any sort of tax cuts available to the Government.

Polls constantly point to a change in power whenever the election is, be it May or November this year. Whoever takes the country forward over the next few years will face a number of significant challenges.

Detailed below are a number of key points which we bring to your attention. Most of them have been covered in previous newsletters and articles, but they seek as a reminder to the changes ahead.

Please feel free to get in touch, we would love to hear from you.

Here's to a happy, healthy and prosperous 2024 and beyond.

## Company Secretarial matters

Colin Barker

Partner

At the end of last year the Economic Crime & Corporate Transparency Bill received Royal Assent in Parliament. This Bill introduced the most significant changes to Companies House since corporate registrations were established in 1844.

Companies House will have the power to play a far more significant role in tackling economic crime, supporting economic growth, and making sure the UK is one of the best places in the world to start and grow a business.

The measures set out in the Bill include introducing identity verification for all new and existing registered company directors, people with significant control (PSCs), and those who file on behalf of companies and providing Companies House with more effective enforcement powers, and increasing their ability to share relevant information with partners.

The changes are expected to take place over the next 2 to 3 years and some will require secondary legislation. Some changes have already started to be implemented and these include:

- Having an appropriate registered office address. PO Box numbers will no longer be permitted but an accountant's address can be used.
- A requirement to confirm that the company is carrying out lawful activities.
- Provision of a registered email address (although this will not be published on Companies House website).

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Other changes coming in the future are:

- Compulsory ID checks for all Directors and PSC's
- Changes to accounts filing requirements (no more filleted accounts)
- Software only filing of accounts (ie no accounts filing by post)

A knock-on effect of these changes is that most Companies House fees are increasing (from 1 May 2024) to cover the additional costs of implementing the changes. For example:

- Filing (electronic) fee for CS01 Annual Confirmation Statement £34 (was £13)
- Voluntary striking off (paper) £44 (was £10)
- Company formation (electronic) £50 (was £10)

As a result of the above we will be increasing our fee for incorporation from £60 plus VAT to £125 plus VAT (from 1 May 2024).

We will, of course, be keeping clients informed of the changes as and when they are implemented.

## Research and Development relief

For accounting periods commencing after 1 April 2023 advance notification of a Research and Development (R&D) claim is required to be made within 6 months of the end of the accounting period, if a company is claiming for the first time or the last claim was made more than 3 years before the 6 month deadline date. If your company is undertaking any innovative projects in science and technology, please contact us to discuss whether any research and development tax relief support may be available, as late notifications will not be accepted.

Alison McDowall

Partner

For all corporation tax returns submitted after 8 August 2023 an Additional Information form must be submitted before the return otherwise the claim will be automatically removed. Contact us for further information.

A reminder that it was announced in the Autumn Statement 2023 that the existing Research and Development Expenditure Credit (RDEC) and SME schemes will be merged, with expenditure incurred in accounting periods beginning on or after 1 April 2024 being claimed under the new merged scheme. Restrictions are also being imposed on overseas expenditure on R&D from 1 April 2024.

## Abolishment of the Furnished Holiday Let Regime

Debbie Wakefield

Partner

At the recent Spring Budget, the Government announced that it will abolish the furnished holiday lettings (FHL) regime with effect from April 2025. This will impact landlords who let their properties as short term holiday rentals.

Under the current rules there are beneficial tax advantages for landlords letting property qualifying as FHL. The main benefits are as follows:

- Interest incurred on borrowings can be deducted in full from taxable profits
- More favourable capital allowances are available for tax relief
- Various capital gains tax reliefs, including potential for business asset disposal relief on sale, rollover relief and gifts hold-over relief
- Profits from FHLs can be treated as earned income for the purpose of making pension contributions

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Legislation implementing the changes is still to be confirmed but the proposals suggest that these tax advantages will be removed. For owners of FHL's the withdrawal of the regime may have a significant impact on their tax position especially those with mortgages. If you own an FHL you should consider obtaining further advice on this change to find out how this may impact you. This may be particularly important if you intend to sell within the next 12 months as the tax on disposal may be significantly more.

**If you think this information might be useful to a friend or colleague, please pass it on.**

## Corporation Tax Increases and Associated Companies – a Reminder

As many of you will be aware, the main rate of corporation tax increased from 19% to 25% with effect from 1 April 2023 for companies with profits over £250,000. There is some relief for smaller companies where the 19% remains for profits up to £50,000 per annum and a marginal increase in corporation tax for profits between £50,001 and £250,000. For those companies with profits over £50,000 the corporation tax charge will now be more as a result of these changes.

When looking at the £250,000 and £50,000 limits mentioned above, associated companies need to be considered, as these thresholds are divided by the number of associated companies plus one for the purposes of working out the corporation tax rates to be applied. For example, a company with four associated companies will have reduced thresholds of £50,000 and £10,000 respectively, so higher corporation tax rates will apply to profits over £10,000 in this situation.

In general terms, companies are associated if one company controls the other, or both companies are controlled by the same person or persons. Control is tested by way of voting power, ordinary share capital, distributable profits and rights on a winding up.

Control also considers the rights of a person's associates where there is 'substantial commercial interdependence'. Associates includes an individual's spouse, civil partner, and siblings. The position can therefore be quite complex where different family members control separate companies.

A company will be deemed to be associated with another if it has been associated for any period of time during the accounting period. Overseas companies are included but dormant companies can be ignored.

Determining whether a company has associated companies is important as this is likely to impact the overall corporation tax position so if you are unsure of the position please contact us to discuss this further.

## The New VAT Penalty Regime

Sandra Morrell

Partner

For VAT accounting periods commencing on or after 1 January 2023, there is a new VAT penalty regime which applies to VAT returns that are submitted late. Nil returns and repayment returns, which were previously excluded from late filing penalties, are now included within this regime.

The new penalties work on a points-based system with a point being issued for each return submitted late. Once you receive the pre-determined maximum number of points a financial penalty will be applied. The points threshold depends on whether you file monthly, quarterly or annual returns, e.g.

| VAT accounting period | Penalty points threshold for late submissions |
|---|---|
| Annually | 2 |
| Quarterly | 4 |
| Monthly | 5 |

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When you reach the relevant threshold, a penalty of £200 will be issued. You will then continue to receive a penalty of £200 for each subsequent late submission once you've reached the threshold.

Penalty points will automatically expire 24 months after they are applied as long as certain conditions are met. One of these conditions is that the VAT registered business must complete a period of compliance where all VAT returns are submitted on time.

In addition to late filing penalties, there have also been changes to the late payment penalty regime. You will now receive a first late payment penalty if the payment is 16 or more days overdue. This increases further if the payment remains 31 or more days overdue. Increased penalties are then charged where a second payment is made late.

The overall late payment position is summarised as follows:

| | **First late payment penalty** | **Second late payment penalty** |
|---|---|---|
| Payment up to 15 days overdue | None | None |
| Payment between 16 and 30 days overdue | Calculated at 2% on the VAT you owe at day 15 | None |
| Payment 31 days or more overdue | Calculated at:<br>2% of what was outstanding at day 15<br>Plus 2% of what is still outstanding at day 30 | Calculated at:<br>A daily rate of 4% per year on the outstanding balance<br>Charged everyday from day 31 until the balance is paid in full |

As you will see the VAT penalties particularly for late payments can be quite significant. If you're having difficulty paying by the deadline you should contact HMRC as soon as possible.

If you require any further information about VAT penalties please contact the Partner or Manager who acts for you.

Tom York

Partner

## Payroll

We are now approaching the end of our first full year following the migration of our payroll software from Star to BrightPay and we thank you for your patience while we have had to learn the new software.

There are some useful new additions that we have been offering and will continue to do so during the coming year -

**BrightPay Connect portal** – The portal is useful for 2 reasons, firstly it is much easier for our clients to approve the payroll so we can then finalise and submit the documents. If any changes are required you can note the changes and reject the payroll.

Secondly, you have all reports in one place and are able to view the reports for a number of months at a time. Under the employee section you can view the payslips, auto enrolment letters and other reports such as P60's and P45's.

We also offer the facility for your employees to receive their payslips electronically, this cuts out the need for you having to print them, saving you time, and money on paper and ink.

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**Holiday calendar** - There is also the facility for your employees to request and cancel holiday and for you to approve requests. It's a very useful tool for you and your employees to keep a track of holiday entitlement.

**Payroll request** – it allows you to record the hours and pay rates so when you are ready you send the file to us to import and to finalise the payroll. This is very useful for clients who use spreadsheets to record this information and have changes to their payrolls monthly. It helps the processing to become much smoother for you and us.

**Journals** – we can produce a payroll journal for each payroll run. For most cloud accounting software, we can set up an automatic journal to be entered saving you time. Alternatively, we can produce a CSV file or PDF version for you.

If any of the above is of interest, please do not hesitate to contact one of our payroll team.

## EC Financial Services Ltd

Phil Giles
Director &
Senior Advisor

ECFS is the independent financial services division of Edmund Carr LLP Chartered Accountants.

We have many years' experience in providing practical financial planning advice to individuals, families and businesses in Chelmsford and the surrounding area across a wide range of services including Pensions, investments, savings and protection.

Our clients are at the heart of everything we do. We recognise regular client contact and reviews are key to successful financial planning ensuring that we understand their objectives and deliver solutions that are right for them.

In 2024, our clients continue to face many challenges as Stewart has highlighted. Geopolitical issues around the world, Elections looming on both sides of the Atlantic and stubborn inflation and higher interest rates have all had an impact on finances and investment returns on different asset types. But as the Investment market takes all of this into consideration and looks ahead, as it always does, with appropriate planning support, many opportunities will exist if, as expected, interest rates and inflation start to fall towards the end of this year and into 2025.

We also have many technical changes to consider with changes in Pension rules post 6th April 2024 as well as a new increase of £5,000 just announced in the budget to attract more investment into the UK, through ISA allowances.

Please let us know if you would welcome a chat to see how we can help you and your families.

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## Voluntary National Insurance Contributions

Stephen Drain

Partner

Under the current State Pension rules individuals generally need at least 35 qualifying years of National Insurance contributions to receive the full State Pension.

For someone who has a gap in contributions it is possible to top up your National Insurance. Voluntary contributions can usually be paid for the past 6 years with the deadline being 5 April each year. For example, any contribution for the 2022/23 year would need to be paid by 5 April 2029.

For the 2016/17 and 2017/18 tax years the Government introduced a temporary extension to the deadline so if you would like to make a top up for these years you still have until 5 April 2025 to do this.

Furthermore, if you're a man born after 5 April 1951 or a woman born after 5 April 1953 you have until 5 April 2025 to pay voluntary contributions to make up gaps between the tax years 5 April 2006 and 5 April 2016.

When deciding whether to top up your National Insurance contributions it is worthwhile checking your current position first as the voluntary contributions may not always increase your State Pension and they cannot be refunded.

You can check your National Insurance record online via your Government Gateway account using the following link https://www.gov.uk/check-national-insurance-record

If you have any questions on this at all please do not hesitate to contact us.



**Edmund Carr LLP**
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www.EdmundCarr.com
Email:Advice@EdmundCarr.com

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