# Tax Tips

BEAUMONTS
Your Accountant & Business Growth Partner

**Monthly Update | June 2024**

We hope you enjoy reading this newsletter and remember, we are here to help you so please contact us if you need further information on any of the topics covered.

Best wishes

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## General Election On 4 July 2024 – What Could It Mean For Tax?

On 22 May, Prime Minister Rishi Sunak announced that a general election will take place on 4 July 2024, triggering a 6-week campaigning period.


No pre-election fiscal statement will take place; instead the government is standing on the drop in inflation to 2.3% and the claim that the economy is now improving.

### Will There Be An Emergency Budget?

Depending on the outcome of the election, it may be followed by an 'emergency budget' or other fiscal event to establish new tax policies.

Exactly when this would happen is unclear. We know that the State Opening of the new Parliament will be on Wednesday 17 July but summer recess is currently scheduled to start less than one week later on Tuesday 23 July. We can perhaps expect to see some variation to the usual Parliamentary calendar.

### What Could Happen Under A Labour Government?

At recent conferences, Shadow Chancellor, Rachel Reeves has announced the following Labour policies:

- Removing VAT and business rates exemptions from private schools;
- Increasing stamp duty land tax for buyers from overseas;
- Abolishing non-domicile status (a measure that was taken up by the current Chancellor in Spring Budget 2024); and
- Capping the headline rate of corporation tax at 25% for the rest of the next parliament, along with retaining full expensing and the annual investment allowance.

In addition to the above announcements, in April 2024, Labour published their 'Plan to close the tax gap'. In summary, the tax gap would be reduced by engaging in the following:

- Increased compliance activity from HMRC;

- Investing in technology transformation in the tax system; and
- Making more legal challenges in order to deter tax evasion.


Labour acknowledges HMRC's challenges with digitisation, including MTD for ITSA, to date and say that there will be "new, achievable timescales for delivery".

**What Could Happen Under A Conservative Government?**

In this scenario, the picture is clearer because the current government's plans were set out in recent fiscal events.

Chancellor Jeremy Hunt has also said that he views National Insurance as "unfair" and that he plans to reduce it with a view to scrapping it entirely. He has also announced that in future, the high income benefit charge (HICBC) will be calculated on a household income basis.

## Report Employee Benefits On Form P11d By 6 July

P11d forms for reporting expenses and benefits in kind provided to employees and directors in 2023/24 need to be submitted by 6 July 2024.

Paper forms are no longer acceptable; the return must be made online using PAYE Online for employers or commercial software.

Reimbursed expenses no longer need to be reported where they are incurred *wholly, exclusively and necessarily* in the performance of the employee's duties. Dispensations from reporting are no longer required, although HMRC would expect internal controls to be in place to ensure that the expenses qualify.

Trivial benefits of no more than £50 provided to employees need not be reported. This typically covers non-cash gifts to employees at Christmas and on their birthdays and can include gifts of food and alcohol. Again, the employer needs to keep a record of the benefit provided and the justification. It should not be provided as a reward for past or future service.

## 2023/24 Employment-Related Securities Returns Due By 6 July

The deadline for reporting shares and securities and share options issued to employees for 2023/24 is 6 July 2024. This is the same as the deadline for reporting expenses and benefits provided to employees on form P11d for 2023/24.

Employment related securities annual returns must be submitted online, attaching the appropriate spreadsheet template if they have something to report. HMRC provide templates on their website that may be downloaded in order that the information may be entered and uploaded.

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There are different templates for each of the four tax-advantaged employee share schemes – Company Share Option Plan (CSOP), Enterprise Management Incentives (EMI), Save and You Earn (SAYE) share options and Share Incentive Plans (SIP). In addition, employers need to report any other employment-related securities (non tax-advantaged) issued to employees and directors.

## Should Employees Reimburse Their Employer For Private Fuel?

Where a company car is provided for use by an employee or director there is a benefit in kind taxable on the employee based on the original list price of the vehicle multiplied by the CO2 emissions percentage for that vehicle.


There is an additional benefit in kind where private fuel is paid for by the employer, which also needs to be reported on form P11d unless the employer has arranged with HMRC to deal with the tax on the benefits via monthly payroll.

Unless the employee fully reimburses the employer for private mileage, the additional benefit in kind is based on a notional list price of £27,800 multiplied by the CO2 emissions percentage for that vehicle.

That could be as much as 37%, £10,286 for a car with high CO2 emissions. That would mean £4,114 income tax for a higher rate taxpayer.

In addition, £1,419 class 1A national insurance contributions would be payable by the employer.

The table at the end of this newsletter sets out the HMRC advisory fuel rates that apply from 1 June 2024. These are published quarterly due to the volatility in petrol and diesel prices in recent years.

Note that this is an all or nothing benefit and, unless there is full reimbursement, there is an additional taxable benefit. The deadline for reimbursing private fuel is 6 July 2024 for the 2023/24 tax year.

## HMRC Official Rate Of Interest Remains At 2.25%

HMRC have announced that the official rate of interest will remain at 2.25% for 2024/25, despite the Bank of England Base Rate currently standing at 5.25%. The official rate of interest is used to calculate the income tax charge on the benefit of employment related loans and the taxable benefit of some employment related living accommodation. These rates used to fluctuate in line with base rate, and changed several times a year, but in recent years HMRC has fixed the rate for the whole tax year making the calculation of the taxable benefit easier to compute.

For those employers including beneficial loans on form P11d for 2023/24 the official rate to be used is 2.25%. The charge applies where the amount of the loan exceeds £10,000.

### Should Director/Shareholders Take Advantage Of This Lower Rate?

As mentioned above the HMRC rate of interest on beneficial loans looks very attractive compared to the Bank of England Base rate of 5.25%, and much higher rates charged by banks for unsecured loans.

Where loans are made to participators (broadly shareholders) of a close company there is potentially a special tax charge on the company on any loan still outstanding 9 months after the end of the accounting period. The charge is currently 33.75%, the same as the higher rate of tax on dividend income. This tax charge is only repaid to the company after the loan to the participator is repaid or written off.


For example, Fred, the managing director and controlling shareholder of Bloggs Ltd is loaned £100,000 interest free on 6 April 2023. No repayments are made in the year ended 31 March 2024.

The company would need to show a taxable benefit in kind on Fred's 2023/24 P11d of £2,250 (2.25%)

If Fred repays the loan in full before 31 December 2024 there would be no special charge on the company although Fred would be assessed on the beneficial loan for the 9 months that the loan was in existence in 2024/25.

There are anti- "bed and breakfast" rules to counteract the situation where the loan is readvanced by the company. The anti-avoidance would not apply where the loan is cleared by crediting a bonus or dividend to Fred's loan account.

If however, only £60,000 was repaid by Fred before 31 December 2024 leaving £40,000 outstanding then there would be a tax charge on the company of £13,500 (assuming 33.75% dividend rate continues) which would be payable in addition to the company's corporation tax liability for year ended 31 March 2024.

The company would show a taxable benefit in kind on Fred's 2024/25 P11d based on the official rate of interest on beneficial loans for 2024/25.

If the company then decides to write off or waive the outstanding loan in year ended 31 March 2025 the £13,500 would be refunded. However, Fred would be assessed on the £40,000 as an income distribution (dividend) arising at the date of waiver in 2024/25.

## Advisory Fuel Rate For Company Cars

The table below sets out the HMRC advisory fuel rates from 1 June 2024. These are the suggested reimbursement rates for employees' private mileage using their company car.

Where the employer does not pay for any fuel for the company car these are the amounts that can be reimbursed in respect of business journeys without the amount being taxable on the employee.

| Engine Size | Petrol | Diesel | LPG |
|---|---|---|---|
| 1400cc or less | 14p (13p) | | 11p (11p) |
| 1600cc or less | | 13p (12p) | |
| 1401cc to 2000cc | 16p (15p) | | 13p (13p) |
| 1601 to 2000cc | | 15p (14p) | |
| Over 2000cc | 26p (24p) | 20p (19p) | 21p (21p) |

Where there has been a change the previous rate is shown in brackets.

You can also continue to use the previous rates for up to 1 month from the date the new rates apply.

For hybrid cars you must use the petrol or diesel rate.
For fully electric vehicles the rate is 8p (9p) per mile.

### Employees using their own cars

For employees using their own cars for business purposes the Advisory Mileage Allowance Payment (AMAP) tax-free reimbursement rate continues to be 45 pence per mile (plus 5p per passenger) for the first 10,000 business miles, reducing to 25 pence a mile thereafter. For National Insurance contribution purposes the employer can continue to reimburse at the 45p rate as the 10,000 threshold does not apply.

### Input VAT

Within the 45p/25p payments the amounts in the above table represent the fuel element. The employer is able to reclaim 20/120 of the amount as input VAT provided the claim is supported by a VAT invoice from the filling station. For a 2500cc petrol-engine car, 4 pence per mile can be reclaimed as input VAT (24p x 1/6).



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## DIARY OF MAIN TAX EVENTS

### JUNE / JULY 2024

| Date | What's Due |
|---|---|
| 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) |
| 1/06 | Corporation tax payment for year to 31/8/23 (unless quarterly instalments apply) |
| 05/07 | Last date for agreeing PAYE settlement agreements for 2023/24 employee benefits |
| 05/07 | Deadline for agents and tenants to submit returns of rent paid to non-resident landlords and tax deducted for 2023/24 |
| 06/07 | Deadline for forms P11D and P11D(b) for 2023/24 tax year. Also, deadline for notifying HMRC of shares and options awarded to employees. |
| 19/06 | PAYE & NIC deductions, and CIS return and tax for month to 5/06/24 (due 22/06 if you pay electronically) |
| 31/07 | 50% payment on account of 2024/25 tax liability due. |