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CHARTERED ACCOUNTANTS

NEWS UPDATE - 10 January 2024

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ISA reforms from April

Changes to individual savings account (ISA) rules coming into effect from 6 April 2024 will make ISAs more user friendly, most notably the move to allow multiple subscriptions of same-type ISAs in a tax year.

Multiple subscriptions

It is currently only possible to pay into just one ISA of each type in a tax year. Multiple subscriptions will mean:

- Cash savers will be able to open new cash ISAs if better deals become available. Greater flexibility will mean some funds could go into a fixed-rate deal, with a reserve held in an easy-access cash ISA.
- Investors will be able to spread their investments over several different providers. For example, one stocks and shares ISA might be used for longer-term investments, with another – offering low dealing costs – used where regular trades are made.

For 2024/25, the annual £20,000 ISA contribution limit will not see any change, with the £9,000 Junior ISA and £4,000 Lifetime ISA limits also frozen.

Other changes

Although details are still to be announced, the government's intention is that in future it will be possible to hold fractional share contracts within a stocks and shares ISA. Under existing rules, at least one full share must be held, even though the shares of some US tech companies can cost hundreds.

Other changes to be introduced from April 2024 include:

- Partial transfers between ISA providers will be possible during the tax year. For example, if £15,000 has been paid into a cash ISA since 6 April, £5,000 could be moved to a different provider. Currently, the whole £15,000 would have to be moved.
- The minimum account-opening age for cash ISAs is to be harmonised at 18. It will therefore no longer be possible for 16- and 17-year-olds to open a cash ISA – just a Junior cash ISA where the investment limit is somewhat lower.

Any 16- and 17-year-olds without a cash ISA might want to open one while they still can – by 5 April 2024 at the latest.

Although not yet updated to the 2024/25 tax year, HMRC's basic guide to ISAs can be found from the link below:

https://www.gov.uk/individual-savings-accounts

The National Insurance tax cut

For employees, the National Insurance cut announced in the Autumn Statement took effect on 6 January.

For many years, successive governments have been happy for the public to vaguely believe that National Insurance contributions (NICs) are building up in some national benefit fund, rather than representing just another tax on income. While something called the National Insurance Fund does exist, as a House of Commons Library briefing noted back in 2019, "The Fund operates on a 'pay as you go' basis; broadly speaking, this year's contributions pay for this year's benefits."

For politicians, the perceived difference between NICs and income tax made it possible to grab the headlines by reducing the basic rate of tax while receiving much less attention for maintaining or even increasing revenue by raising NICs.

Last November, the Chancellor appeared to have finally given up on the distinction-without-a-difference approach by proclaiming that his cuts to NICs for employees and the self-employed were tax cuts.

The changes

If you are an employee (but not a director, to whom special rules apply), the cut means your main NIC rate (on annual earnings between £12,570 and £50,270) fell from 12% to 10% from 6 January 2024. The extra amount in your pay packet is broadly the same as if a 2p cut had been made to basic rate tax (which covers the same £37,700 band of income). However, from the Chancellor's viewpoint, the NICs cut was cheaper, as there was no 'tax cut' on pension or investment income, both of which are NIC-free.

The employer's NIC rate did not change, remaining at 13.8% on all earnings above £9,100. If your earnings are below £50,270, the theoretical advantage of using salary sacrifice to pay pension contributions has been marginally reduced but remains attractive, as shown in the table below, based on a £1,000 sacrifice.

If you are among the growing band of higher or additional rate taxpayers, the financial advantage of salary sacrifice is unaltered. Either way, if you are not using salary sacrifice to pay pension contributions, it is still worth taking advice about the option. It is beneficial in most circumstances, but there are drawbacks to be aware of.

	PERSONAL CONTRIBUTION	PERSONAL CONTRIBUTION	SALARY SACRIFICE EMPLOYER CONTRIBUTION (SACRIFICED AMOUNT + NIC SAVING)	SALARY SACRAFICE EMPLOYER CONTRIBUTION (SACRIFICED AMOUNT + NIC SAVING)
Employee NIC rate	**12%**	**10%**	**12%**	**10%**
Gross salary	£1,000	£1,000	Nil	Nil
Employer pension contribution	Nil	Nil	£1,138	£1,138
Employer NIC	£138	£138	Nil	Nil
Total employer outlay	£1,138	£1,138	£1,138	£1,138
Employee salary	£1,000	£1,000	Nil	Nil
Less: Income tax	(£200)	(£200)		
Less: Employee NICs	(£120)	(£100)		
Net pay = net pension contribution	£680	£700		
Tax relief	£170	£175		
Total pension contribution	**£850**	**£875**	**£1,138**	**£1,138**
Gain			***33.9%***	***30.1%***

Business rates relief: extensions and cuts

November's Autumn Statement included a package of measures to help alleviate the burden of business rates in England and on the Scottish islands, but Wales won't be so fortunate.

Multipliers

A business rates bill consists of a property's rateable value multiplied by a multiplier (or poundage). For 2024/25, the small business multiplier (rateable value below £51,000) is again frozen at 49.9p. However, the standard multiplier (rateable value over £51,000 or more) is being uprated by 6.7% to 54.6p.

Given inflation has now dropped to 3.9% (November 2023), the 6.7% increase for the standard multiplier is not going to be favourably received.

- **Scotland:** The basic multiplier has been frozen, but higher value properties will see poundage increased by 6.7%.
- **Wales:** The multiplier will see an across-the-board increase of 5%. This will be painful for smaller businesses, especially as the Welsh multiplier at 56.2p is the highest in the UK.
- **Northern Ireland:** No announcement as yet, and, in any case, rate poundage varies across council areas.

See the table below for a summariy of the various outcomes:

Details of the various cuts available in England can be found from the link below:

https://www.gov.uk/apply-for-business-rate-relief

75% relief rules

Retail, hospitality and leisure properties that do not qualify for small business rates relief currently receive a 75% business rates discount, subject to a cap of £110,000 for each business. This relief is to continue throughout 2024/25.

Property will typically qualify for relief if the business is mainly being used as a:

- Shop;
- Restaurant, café, bar or pub;
- Cinema or music venue; or
- Gym, spa or hotel.

There is an equivalent scheme for Welsh retail, hospitality and leisure property, but for 2024/25 the discount has been reduced to 40%. There is no equivalent relief for Scottish or Northern Irish business property. However, Scotland has announced a new 100% relief for hospitality businesses situated on the Scottish islands.

	ENGLAND- RV BELOW £51,000	ENGLAND- RV £51,000 OR MORE	SCOTLAND - RV UP TO £50,000	SCOTLAND - RV £51,001 TO £100,000	SCOTLAND - RV £100,000 OR MORE	WALES
RETAIL, HOSPITALITY & LEISURE RELIEF (ALL SUBJECT TO A CAP OF £110,000)	75%	75%	100% (islands only)	100% (islands only)	100% (islands only)	40%
MULTIPLIER	49.9p	54.6p	49.8p	54.5p	55.9p	56.2p

New lease and advertising rules for landlords

If enacted in its current form, the recently published Leasehold and Freehold Reform Bill will affect landlords in England and Wales who own a leasehold property.

Extending a lease

The government's intention is that the standard term given when extending a lease will be 990 years. The extension term for flats and apartments is currently 90 years.

The initial lease term for leasehold property could be just 99 years. For a new landlord, this might seem fine, but it is generally not a good idea to let a lease run down until there is less than 80 years remaining. Not only will it (currently) be more expensive to extend, but such a property could be difficult to sell or remortgage.

There are various other changes, with two of the more important being:

- The reduction of ground rent to a peppercorn (virtually zero) upon payment of a premium.
- The removal of the 'marriage value', which can make it more expensive to extend a lease where the lease term has run down. The marriage value reflects the additional market value of having a longer lease. Currently, there is only certainty of avoiding marriage value if a lease has more than 80 years to run.

Ground rent is of particular concern if it doubles every ten years or at more frequent intervals.

Advertising

More detail will now be required when advertising property, regardless of whether it is let privately or via an agent. Many landlords and agents will already provide much of the mandatory information, but landlords letting privately might overlook such items as:

- Details of the property's utilities, or lack of;
- Available parking;
- Issues with mobile coverage;
- Flood risk; and
- Accessibility facilities.

These new measures will now give prospective tenants as much information as possible prior to viewing.

A quick guide for landlords advertising a property can be found from the link below:

https://www.nationaltradingstandards.uk/uploads/Material information QG for Sellers and LLs v1.0.pdf

Making Tax Digital small business review

The outcome from the Making Tax Digital (MTD) small business review is that MTD for income tax self-assessment (ITSA) will not be extended to those earning under £30,000 for the foreseeable future.

MTD ITSA for the self-employed and landlords is to be introduced from April 2026, with the initial mandate applying to those with income over £50,000. Those with income between £30,000 and £50,000 are set to join from April 2027.

The government said it would review the needs of smaller businesses – those with income under the £30,000 threshold – before extending MTD further. The latest announcement means there will be no extension, although the decision will be kept under review.

There is no set mandation date for general partnerships (those with individuals), non-general partnerships (those with a corporate partner) and limited liability partnerships.

An important point to note is that the £30,000 and £50,000 limits apply to total self-employment and property income, and not to the profits actually made.

Reporting

Some reporting changes have also been announced:

- Year-end reporting was originally going to consist of two separate steps – an end of period statement and a final declaration. This would have caused considerable confusion, so there will now be just the one final declaration; and
- Quarterly reports are now to be cumulative, so any errors will simply be corrected on the next report – rather than the previous requirement to resubmit past quarters.

Ongoing concerns

Despite the latest attempt to simplify the MTD process, there are still concerns that HMRC has simply lost sight of the needs of taxpayers. A recent House of Commons committee report criticised the project's spiralling costs, design flaws and missed deadlines.

The report recommends HMRC research what business taxpayers would actually find most helpful, and to take into account the substantial costs of implementing MTD.

HMRC's guide to using MTD ITSA can be found from the link below:

https://www.gov.uk/guidance/using-making-tax-digital-for-income-tax

Should you wish to discuss this News Update in further detail please contact BGM at: communications@bgm.co.uk

Disclaimer: This information provides an overview of the issues considered and is for general information only. It is not intended to provide advice and should not be relied upon in any specific transaction.