

Tax E-News

Welcome to the September edition of Tax E-News. We hope that you find this informative. Please contact us if you wish to discuss any matters in more detail.

September 2024

SHOULD YOU PASS ON WEALTH NOW TO AVOID INHERITANCE TAX?

Many wealthy individuals are apparently passing on substantial amounts of their wealth in anticipation of possible changes to inheritance tax (IHT) in Labour's first Budget on 30 October. This allegedly includes a number of high-profile individuals such as TV presenter Anne Robinson who confirmed that she had passed on £50 million to her children and grandchildren. Should you consider doing the same?

Firstly, you need to check with us the value of your estate and potential IHT exposure under the current rules. Currently each individual receives a nil rate band of £325,000 and potentially up to a further £175,000 against the value of the family home, provided it, or assets to its value, is left to direct descendants on death. This additional £175,000 allowance is referred to as the residence nil rate band (RNRB).

There is currently an unlimited exemption where assets are transferred during lifetime or on death to the surviving spouse or civil partner. If the deceased spouse's nil rate bands are unused then they are available to the survivor, potentially increasing the tax-free amount on the death of the second spouse to £1 million. Unfortunately, it's not quite that simple as where the estate exceeds £2 million the RNRB is reduced by £1 for every £2 that the estate exceeds £2 million. Consequently, for wealthy couples the RNRB reduces to nil where the value of the estate exceeds £2.7 million leaving just the combined nil rate bands of £650,000. Note that the current rate of IHT on the death estate is 40% once the nil rate band has been used.

There is currently 100% relief from IHT where business and farming assets are transferred during lifetime and on death and it is hoped that these reliefs will continue so that survivors do not need to sell off assets to pay the tax. However, those generous reliefs may not continue under the new government.

Transfers during lifetime

Under the current rules there is no IHT payable where the donor survives for at least 7 years following the date that assets are transferred. Such transfers are referred to as potentially exempt transfers (PETs) and IHT is payable should the donor die within 7 years. Note that the transfer needs to be an outright gift with no continued use or enjoyment of the asset by the donor. Hence giving away the family home but continuing to live there will generally be ineffective unless other conditions, such as paying market rent, are satisfied.

There may also be capital gains tax (CGT) consequences of a lifetime gift, although it may be possible to hold over the gain so that no CGT is payable on the increase in value from when the asset was acquired. Holdover relief is currently available in the case of business assets and on transfers of assets into trust.

HMRC CHECKING ON WORKPLACE NURSERIES

With the ever-increasing costs of childcare, a very attractive benefit provided by more and more employers is a creche or nursery for employees' children. If correctly structured, this is a tax-free benefit and will help employers attract and retain staff. Larger employers may provide an on-site nursery but for smaller employers it is more common to enter into partnership with a local nursery provider.

Two key elements of the partnership requirements for tax exemption are:

Responsibility for financing - Employers must take real responsibility for the financing of the childcare provision – for example by committing to fund an agreed proportion of the total costs, and by bearing their share of any losses. Employers simply paying a fixed cost per employee's child are unlikely to meet this test.

Responsibility for management - Employers should be closely involved in the management of the childcare provision – for example, having close involvement in appointing and managing nursery staff, and in allocating places. Employers occasionally giving advice or 'rubber stamping' decisions are unlikely to meet this test. If an

employer representative is appointed to the management board of a nursery, there must be evidence that they actively represent the employer in the running of the nursery.

HMRC have recently been checking these arrangements to ensure that the conditions for tax exemption are met. They have identified that some intermediaries promote schemes encouraging employers to offer childcare provisions to their employees, often under salary-sacrifice arrangements.

Those promoting the scheme often deal with all the necessary arrangements, meaning that the employer has very little involvement in providing the childcare and potentially fails the tests for tax exemption.

For the self-employed and those working for an organization that does not provide nursery facilities, the alternative is to set up a government tax-free childcare account.

BACK TO SCHOOL – SET UP A TAX-FREE CHILDCARE ACCOUNT?

The Government's Tax-Free Childcare Accounts provide a 25% subsidy towards the cost of childcare. The account can be used to pay nursery fees, breakfast clubs, after school clubs and registered childminders.

The scheme operates by topping up savings of up to £8,000 per child by 25%, potentially an extra £2,000 a year from the Government to spend on qualifying childcare. The scheme generally applies to children under 12. In the case of disabled children, the age limit is 16 and the amount that can be saved is £16,000 a year, topped up by the Government by a further 25% to potentially £20,000.

Unlike childcare vouchers, still provided by some employers, tax free childcare accounts are available to both employees and the self-employed. To be eligible, the parent generally needs to be working and earning at least the National Minimum Wage or National Living Wage for at least 16 hours a week on average. However, parents are not eligible if either of the parents' adjusted net income is more than £100,000 a year.

Note that where an employer provides Childcare Vouchers then the parents are not allowed to set up a Tax-Free Childcare Account as well.

HOURS WORKED REPORTING DELAYED TO 2026

It was originally proposed that from 2025/26, employers would be required to provide more detailed information on employee hours worked via real time information (RTI) PAYE reporting. It has now been announced that this additional information will not now need to be reported until 2026/27 at the earliest.

ADVISORY FUEL RATE FOR COMPANY CARS

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

Engine Size	Petrol	Diesel	LPG
1400cc or less	13p (14p)		11p (11p)
1600cc or less		12p (13p)	
1401cc to 2000cc	15p (16p)		13p (13p)
1601 to 2000cc		14p (15p)	
Over 2000cc	24p (26p))	18p (20p)	21p (21p)

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

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You can also continue to use the previous rates for up to 1 month from the date the new rates apply. Note that for hybrid cars you must use the petrol or diesel rate. For fully electric vehicles the rate is 7p (9p) per mile.

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.

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 2000cc diesel-engine car, 3 pence per mile can be reclaimed as input VAT (18p x 1/6)

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. Note that for National Insurance contribution purposes the employer can continue to reimburse at the 45p rate as the 10,000 threshold does not apply.

DIARY OF MAIN TAX EVENTS

SEPTEMBER/OCTOBER 2024

Date	What's Due
1 September	Corporation tax for year to 30/11/23 unless pay by quarterly instalments
19 September	PAYE & NIC deductions, and CIS return and tax, for month to 5/9/24 (due 22 September if you pay electronically)
1 October	Corporation tax for year to 31/12/23 unless pay by quarterly instalments
5 October	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 October	PAYE & NIC deductions, and CIS return and tax, for month to 5/10/24 (due 22 October if you pay electronically)