



# TAX BRIEFING

## AUTUMN 2023



**EW** **EVANS WEIR**  
CHARTERED ACCOUNTANTS

Evans Weir  
The Victoria | 25 St Pancras | Chichester | Sussex | PO19 7LT  
01243 787751  
[accountancy@evansweir.co.uk](mailto:accountancy@evansweir.co.uk) | [www.evansweir.co.uk](http://www.evansweir.co.uk)

## PENSIONS UPDATE - INCOME TAX FOR BENEFICIARIES

In Spring Budget 2023 the Chancellor announced a welcome change to the tax treatment of pensions - the scrapping of the Lifetime Allowance (LTA).

The LTA stood at £1,073,100 when the process began on 5 April 2023 with the removal of the LTA charge. This means that withdrawals can now be made from pensions in excess of the LTA without being subject to the previous rates of 55% for lump sums and 25% for regular drawdowns.

However the policy document subsequently released in July revealed a less favourable amendment.

Under current rules if a person dies under the age of 75 the beneficiaries can inherit their 'uncrystallised' – un-accessed – pension pot tax free. It is often used as a mechanism for succession planning; putting money into retirement savings rather than other investments means it will fall outside your estate on death.

According to the policy document, this valuable exemption looks set to disappear.

Under the proposed changes such uncrystallised lump sums would: 'be counted towards the deceased member's lump sum tax free limit, and the excess will be taxed at each beneficiary's marginal rate'. The tax free limit has been set at £1,073,100 – the same as the abolished LTA.

The policy document also reveals that uncrystallised pension funds used to purchase annuities or drawdown funds will no longer be tested against the LTA and instead will be subject to income tax at the beneficiary's marginal rate.

If you have recently inherited a pension you should seek financial advice as you may be better off taking the whole amount out as a lump sum.

## NATIONWIDE BUILDING SOCIETY BONUS

The Nationwide Building Society has paid what is described as a 'fairer share' of £100 each to around three million of its customers.

To qualify for this payment the customer must have held a qualifying current account plus either a savings account (including ISAs) with a balance of at least £100 or a mortgage with the building society owing at least £100 as at 31.3.23.

**Please ensure that you tell us if you have received this £100 windfall**

taxpayer's personal savings allowance of £1,000 for basic rate taxpayers or £500 for higher rate payers. Additional rate payers and those with interest income in excess of the personal savings allowance will have a tax liability as a result of receiving the £100.

Nationwide has described this pay-out as a profit distribution to members but it is not treated as a dividend for tax purposes as it is not paid in respect of shares held. It is in fact normal bank interest, with no tax deducted at source and must be included on tax returns accordingly.

When advising us of your income ahead of us completing your self assessment tax return please ensure that you tell us if you have received this £100 windfall.

In most cases this extra income will be covered by the





## HMRC DEMANDS MORE DATA

**H**MRC has confirmed that requirements to report additional information will come into effect from the 2025-26 tax year or possibly a later period.

HMRC has set out its intention to collect data relating to trade sectors; locations; occupations; hours worked; shareholdings and dividends paid; and self-employed trading dates.

Draft legislation has now been released that provides for regulations to adjust the personal tax return to collect the relevant data. The draft indicates that the new regulations will take effect for periods beginning in 2025-26.

The employee working hours data will be reported by employers for each pay period on RTI returns, extending the existing requirements to give a less specific indication of hours worked. This will allow HMRC to track the accuracy of tax credit claims and also police minimum wage legislation more accurately.

Self-employed start and end dates are already requested on the self-employment pages of the tax return, so the only

change will be to mandate the completion of those boxes. If they are not completed in the future HMRC will be able to impose a flat £60 penalty. A clear definition of when a trade or letting business starts and closes for tax purposes will be essential for the smooth operation of MTD ITSA which is also due to come in to force in 2026.

**The draft law indicates that the new regulations will take effect for periods beginning in 2025-26**

HMRC has not been clear about why it will need a breakdown of dividend income between that generated from the taxpayer's own company and dividends from other sources. As the taxpayer must also report what percentage of the company's shares is held by the individual, it seems reasonable to assume that this may be a further

analysis tool relating to personal service companies which may not be applying the IR35 rules correctly.

The Government has also confirmed that it will not require businesses to provide data on the industry sectors in which they operate or their worker occupations, mainly due to the difficulties in fitting real businesses and job descriptions into pre-defined boxes. However it will explore how to collect business location data as part of the new digitised business rates system. Businesses will not be required to provide this information on their tax returns.

We will, of course, continue to work with you to ensure the accuracy and completeness of all submissions to HMRC in relation to payroll, personal and corporate tax returns now and in the future as these rules are introduced.

## RELAXATION OF RULES ON SELF ASSESSMENT FOR CHILD BENEFIT

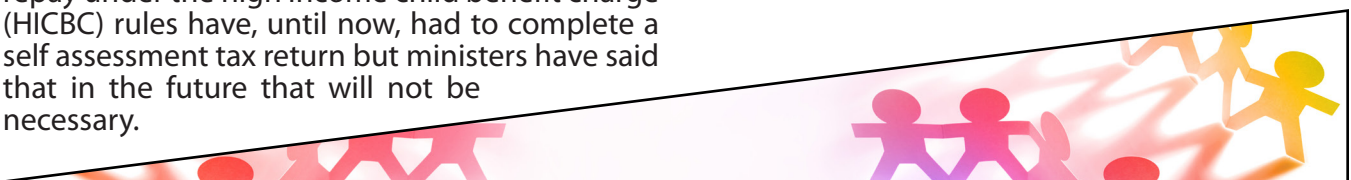
**I**n families where child benefit is claimed, it is important that the individual or couple receiving the child benefit keeps a close eye on their income level.

If the higher earner has income of more than £50,000 some or all of the child benefit received will need to be repaid. For many higher earners it may be simplest to register for child benefit but then elect not to receive any money. We can help you decide whether that is the best route for you.

Those in receipt of child benefit who need to repay under the high income child benefit charge (HICBC) rules have, until now, had to complete a self assessment tax return but ministers have said that in the future that will not be necessary.

Instead the money will be reclaimed via the individual's PAYE tax code.

This may take some people out of self assessment altogether and should increase the number of people correctly paying the HICBC who had previously failed to appreciate their responsibility.





## INFLUENCERS SUBJECT TO TAX ON NON-CASH GIFTS

There is currently no legislation specifically targeted at social media influencers, however the fast-growing industry is very much on HMRC's radar.

Earlier this year HMRC sent nudge letters to thousands of influencers as well as gamers and online traders on sites such as Etsy and Facebook Marketplace to remind them that they should be paying tax on their earnings.

### **What if instead of cash you are paid for your services as an influencer with freebies?**

The latter is less ambiguous – there is usually a contract in place specifying the required output and the 'gifts' would be seen as payment-in-kind for advertising and should be declared as income.

Where receipts are in the form of cash in return for goods; advertising revenue from YouTube hits; or paid-for-posts they are clearly taxable earnings and, if above £1,000 in total in a tax year, should be declared to HMRC via self assessment. But what if instead of cash you are paid for your services as an influencer with freebies such as the latest trainers or a luxury holiday?

A greyer area surrounds the sending of gifts to social media stars with no obligation to share promotional content. The question then is whether the recipient is carrying on a trade. For influencers that carry on promotional activity as a sole trader the receipt of a free item, even though badged as a gift, is likely to be seen by HMRC as a barter transaction, or consideration.

These so-called gifts are sent by brands hoping for content in return. This can range from a brief favourable mention of the product to gushing Instagram posts and even promotional videos.

Put simply, if you are creating content with a view to making a profit then this is trading and the earnings – whether cash or non-cash items – are taxable. The amount of income to be recognised should be based on the cash value of the item.

## MERGED R&D RELIEF SCHEME

If your company undertakes research and development (R&D) you will usually benefit from generous tax relief.

HMRC has published draft legislation for a new merged R&D scheme which would unify the existing R&D expenditure credit (RDEC) which currently applies to large companies and the small or medium entity (SME) relief schemes.

The merged scheme will offer a taxable credit based on a percentage of R&D expenditure. This will be at 20% in line with the recent increase in the RDEC credit from 13% to 20%.

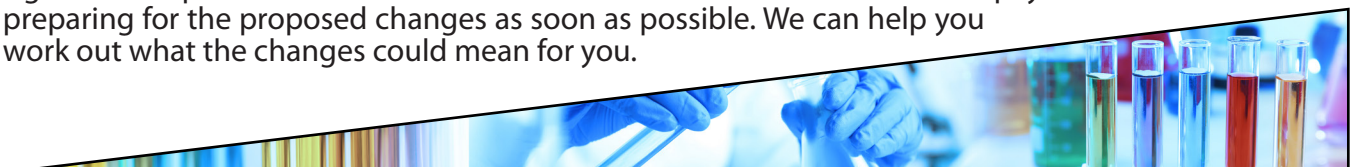
### Subcontracted services

Under the current RDEC scheme, services contracted out to another individual or company do not attract relief except in very limited circumstances. The draft legislation allows for a more generous approach to subcontracting, closer to the SME rules.

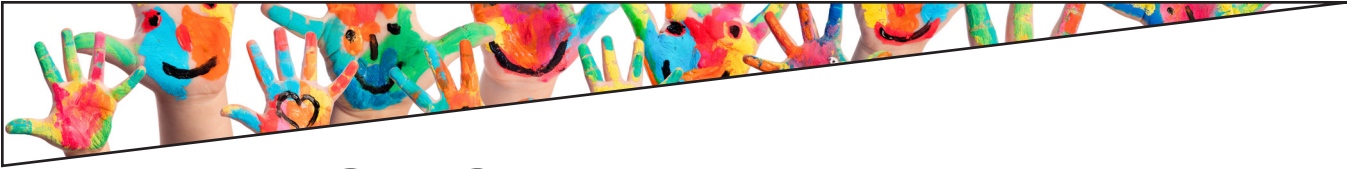
### Subsidised expenditure

According to the draft legislation, expenditure will not qualify for relief if the R&D project is subsidised in any form. This could have significant consequences for many research entities who rely heavily on grants.

The legislation is currently in draft form with an announcement anticipated in the Autumn statement and changes expected to come into force from April 2024. It is likely that the changes will have significant implications for most if not all businesses involved in R&D so taxpayers should start preparing for the proposed changes as soon as possible. We can help you work out what the changes could mean for you.







## KEEPING A CHILD BENEFIT ENTITLEMENT

Claiming child benefit is, after the initial claim, an incredibly straightforward process (subject to the issues raised above regarding higher earners).

However after sixteen years of automatic claiming it is easy to forget to update HMRC on whether you will continue to be entitled for a further two years. This situation arises when the relevant child completes their GCSEs and decides whether to continue in relevant full time education.

Anyone who claims child benefit can use HMRC's app to see details of their claims and also advise HMRC that, because of their child's continuing education, the family will continue to be entitled to claim for an additional period.

Taxpayers with children aged 18 or over who are staying in approved education or training can still advise HMRC online with changes applied automatically.

Individuals can also update their bank and address details using the HMRC app. Child benefit recipients will see payments stop automatically from the September following their child's 16th birthday if the information is not updated.

## DEADLINE EXTENDED FOR VOLUNTARY NIC PAYMENTS

HMRC has given taxpayers an extra two years to plug any gaps in their NIC record from April 2006.

The deadline for making voluntary contributions has been extended from 5 April 2023, as previously reported, until 5 April 2025.

The deadline was first extended to 31 July 2023 and HMRC reports that tens of thousands of people have opted to make voluntary contributions since then.

You normally need 35 complete years of NIC (payments or credits) in order to receive the maximum state retirement pension and at least ten complete NIC years to receive any state retirement pension. Ordinarily, individuals can make voluntary contributions to fill in missing weeks for the previous six years but HMRC is currently accepting voluntary payments for gaps between April 2006 and April 2017.

Paying voluntary contributions will not necessarily increase your state pension, so taxpayers are encouraged to check their NIC record and state pension forecast on GOV.UK before deciding whether to fill the gaps.

You now have more time to consider whether making voluntary contributions to boost

**You now have more time to consider whether making voluntary contributions is right for you** your state pension entitlement is right for you. We can help you check how much NIC you have paid.

Extending the deadline gives people more time to spread the cost of filling in the gaps, allowing many more to significantly boost the amount of state pension they are entitled to. Voluntary NIC payments will be accepted at the rates applicable in 2022-23.

Some people may also have home responsibilities protection (HRP) missing from their NIC records. If you claimed child benefit before May 2000 and did not provide your NI number on the claim, some qualifying HRP years could be missing. This again could affect your state pension. DWP and HMRC are working together to find and contact potentially affected individuals - in order of proximity to state pension age - and correct their records.

Women in their 60s and 70s are most likely to be affected. If you receive such a letter from HMRC, contact us.