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Business Partners

HMRC RELEASES GUIDANCE ON LTA ABOLITION

HMRC has released guidance clarifying how it will phase in the abolition of the lifetime allowance (LTA) for pensions.

As announced by Chancellor Jeremy Hunt in his Spring Budget 2023, the current £1,073,100 threshold on the LTA ended on 5 April.

However, because the legislation is not included in the Spring Finance Bill 2023, the current LTA framework will remain in place until the Government fully removes it in 2024/25. This means that pension scheme providers must wait another year for their LTA-related duties to end.

The guidance states that pension scheme administrators should continue to operate standard LTA checks when paying benefits in 2023/24.

The current rules and charges will apply for any benefit crystallisation events (BCEs) occurring before 6 April 2023, but no LTA charge will arise for BCEs that take place from 6 April onwards.

Furthermore, while payments such as defined benefits and lump sum death benefits would usually be subject to a 55% LTA charge, this will be replaced with income tax at the recipient's marginal rate.

As a result, HMRC says that employers will need to update their payroll systems "as soon as possible" and no later than 30 September 2023.

Talk to us about your pension.

DIGITAL SERVICE TAX COULD BECOME PERMANENT

A new report from the Public Accounts Committee (PAC) warns that the "temporary" digital services tax (DST) could stay in place longer than planned.

The DST raised £358 million in its first year - 30% more than expected. However, the Treasury acknowledges that it is a "second best" solution until the international community introduces a permanent international tax deal, according to the PAC.

"However, we saw little evidence to support the confidence expressed by the departments in evidence to us that the OECD reforms will be implemented to the current timetable," the PAC wrote.

MPs on the committee warned that delays to this deal could prompt larger tech companies to circumvent the DST with the "huge resources and expertise at their disposal".

The tax charges a 2% levy on the revenues of search engines, social media services and online marketplaces that profit from UK users.

The Chartered Institute of Taxation (CIOT) agreed that the DST risks becoming a permanent part of the UK tax system.

John Cullinane, director of public policy at CIOT, said the fact that the tax still exists represents a "failure". He continued:

"A revenue tax such as this is a blunt instrument that cannot accurately represent the tax on the profits generated in the UK. It will inevitably over-tax some companies and under-tax others."

Talk to us about your corporation tax liabilities.

NEW BUSINESS RATES BILL AIMS TO “LET COMMUNITIES THRIVE”

The Government has introduced a new bill to modernise business rates across the country.

Following feedback from businesses calling for a fairer system, the new Non-Domestic Rating Bill, announced on 29 March, will support businesses by incentivising property investment and introducing more frequent valuations.

A new business rates improvement relief will remove barriers for businesses to extend or upgrade their property. Businesses undertaking qualifying building improvements will not face higher rates for a year.

According to Melanie Leech of the British Property Federation, this relief could also support the UK’s journey to net zero as businesses work to future-proof older buildings.

Furthermore, valuations will now take place every three years instead of every five years, meaning businesses with falling values could see their bills drop earlier than expected.

The Government says these new measures will make business rates in England fairer and more responsive to changes in the market. The bill will build on recent measures from the 2022 Autumn Statement, which saw £13.6 billion announced in business rates support.

Victoria Atkins, Financial Secretary to the Treasury, said:

“I want businesses to know that the Government is on their side. Businesses have asked for changes to the business rates system, and we are acting, including more frequent revaluations to make the system fairer and more responsive.

“And they come on top of £13.6 bn of business rates support which resets the balance between bricks and clicks businesses, helping our much-loved high streets and communities.”

However, Helen Dickinson, chief executive of the British Retail Consortium, urged the Government to take further action to support businesses:

“These are all positive changes, but the job is not done. Government’s focus must remain on reducing the rates burden, enabling more local communities across the country to thrive.”

Talk to us about your business rates.

HMRC U-TURNS ON PAPER ONLY SELF-ASSESSMENTS

Just weeks after announcing downloadable self-assessment returns would no longer be available online, HMRC has backtracked its decision.

Originally, the Government planned to take the option of physical self-assessment forms off the online portal, meaning taxpayers would have to call a dedicated line to request one.

At the end of March 2023, HMRC contacted almost 135,000 people who file paper tax returns to tell them downloadable self-assessments would no longer be available. The move was an attempt to push more people to file their returns digitally.

In reaction to the announcement, professional bodies such as the Institute of Chartered Accountants for England and Wales argued against the change in a bid to reverse HMRC’s decision.

Following this feedback, the forms will remain available for download from the Government website.

As well as self-assessment tax returns, HMRC will be moving the following forms to digital by default:

- SA316 Notice to file
- SA300 Statement of account
- SA250 Welcome letter
- SA251 Exit letter
- R002 Repayment notification
- CT603 Postal notice to deliver a company tax return
- P2 Employee coding notice
- P800 Tax calculation.

Recent reports from HMRC show that even though it had planned to require taxpayers to call for a paper return, its average phone waiting times increased to 10 minutes in February 2023, while over a third of calls were unanswered.

In the same month, HMRC received 3,229,945 calls, up 20% compared with 2.68m calls in February 2022, despite the tax authority’s attempts to encourage people to use online services and webchat to resolve queries.

Glenn Collins, head of technical and strategic engagement at the Association of Chartered Certified Accountants (ACCA), said:

“It would be good to see a long-term action plan, but in the short term, the Government does have an urgent duty not to make a bad situation even worse.”

Talk to us about your self-assessment tax return.