

MCPHERSONS TAX E-NEWS – December 2024

Welcome to the December 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. Have a great Christmas and best wishes for 2025.

FARMERS CAMPAIGNING FOR AGRICULTURAL PROPERTY RETHINK

The announcement in the Autumn Budget about restrictions to inheritance tax (IHT) agricultural and business property relief from April 2026 has upset farming businesses in particular, resulting in a demonstration in London on 19th November.



From 6 April 2026, it is proposed that 100% relief will only apply to the first £1 million of combined agricultural and business property, with the relief reducing to 50% on the value that exceeds £1 million. This means the relief will be focused on small family farms and businesses. Prime agricultural land prices currently exceed £10,000 an acre and with the cost of a new combine harvester approaching £1 million, many farming businesses will significantly exceed the proposed £1 million threshold. At £10,000 an acre, that means the £1

million threshold would be exceeded by a 100 acre farm so paying the IHT may mean selling off some of that land and threatening the viability of the business.

It should be noted that the IHT in respect of agricultural property and business assets can be paid to HMRC by 10 interest-free instalments but those may be difficult to pay without selling off assets.

BRING FORWARD SUCCESSION PLANNING TO AVOID A BIG IHT BILL

The current tax rules encourage farmers and other business owners to hold on to their business until death, when the assets then pass to the next generation at market (probate) value for capital gains tax (CGT). This is effectively a tax-free uplift of the value of the business, and combined with 100% APR and BPR, is currently the optimum tax strategy. However, with people living longer, the next generation are likely to be in their late 50s or early 60s when they inherit the business and looking forward to retiring themselves! There is a strong argument that this inhibits growth within the family business economy and if the next generation were to take over the business in their 30s and 40s they would be more motivated to grow the business.

The proposed IHT charges can potentially be avoided by transferring the business during the owners' lifetime and surviving 7 years (the potential exemption period) so that no IHT is payable. This would however result in a

capital gain which potentially results in CGT becoming payable. This gain can be "held over" by joint election between donor and recipient so that no CGT is payable; in other words no IHT or CGT would be payable provided the donor survives for 7 years following the date of transfer. The downside is that the recipient's base cost would be reduced by the gain held over which will normally mean that they take over the donor's CGT base cost, leaving them in the same tax position as their parents. Please contact us if you would like to consider this strategy.

CHECK YOUR STATE PENSION ENTITLEMENT

HMRC have developed an app that can help people prepare for their retirement. Individuals can use the app to check their State Pension Forecast, allowing them to:

- see their State Pension age;
- view their forecast State Pension amounts based on potential contributions; and
- view how much their State Pension would currently be worth, based on National Insurance contributions to date.

The app can also be used to check National Insurance contribution (NIC) years, and view any gaps in your record, including how many weeks you have paid and how much you need to pay for it to become a full qualifying year. If you have any

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NIC 'gap years', you may be able to make voluntary payments online or through the HMRC app.



Note that you have until 5 April 2025 to make up any gap years since 2006/07. Contributions made prior to 5 April 2025 will be at the Class 3 voluntary NI rate of £15.85 per week (£824.20 p.a.) which will provide an additional £342.86 a year State pension – a pretty good return! From 6 April 2025 it will only be possible to go back 6 years.

PAYING EMPLOYEES EARLY BEFORE CHRISTMAS

Some employers need to pay their employees earlier than usual in December. This can be for several reasons, such as businesses closing during the festive period and needing to pay workers earlier than normal. As in earlier years HMRC have announced that they have relaxed the RTI (Real Time Information) reporting obligations.

If you do pay early over the Christmas period, you must report your normal or contractual payment date on your Full Payment Submission (FPS). For example: if you pay on 20 December but your normal payment date is 31 December,

please report the payment date as 31 December. The FPS would need to be sent on or before 31 December.

Doing this will help to protect your employees' eligibility for income-based benefits such as Universal Credit, as an early payment could affect current and future entitlements.

REMEMBER CHRISTMAS GIFTS OF UP TO £50 PER EMPLOYEE ARE TAX FREE

Employers should note that certain gifts to staff at Christmas are tax free if structured correctly. Employers are allowed to provide their directors and employees with certain "trivial" benefits in kind tax free. This exemption applies to small gifts to staff at Christmas where the cost to the employer is no more than £50, this is in addition to gifts on their birthday, or other occasions and includes gifts of food, wine, or store vouchers.



CHRISTMAS PARTY TIME!

There continues to be no taxable benefit for employees provided that all staff are invited, and the cost to the employer does not

exceed £150 a head, inclusive of VAT.



If you have already had an summer event, provided the combined cost of the two events is no more than £150 a head, there would be no taxable benefit in kind. If, however, the summer event cost £80 a head and the Christmas party £100 a head, only one event would qualify for the exemption and the employees would be taxed on the £80 benefit. Alternatively, the employer could deal with the tax and NIC on behalf of the employees by entering into a PAYE settlement agreement (PSA) with HMRC.

The conditions for benefits to be included in a PSA are that they must be:

- (a) minor, as regards the amount of the sums paid or the type of benefit provided or made available;
- (b) irregular, as regards the frequency in which, or the times at which, the sums are paid or the benefit is provided or made available;
- (c) paid in circumstances where deduction of tax by reference to the tax tables is impracticable; or

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(d) in the case of a benefit provided or made available, shared between employees so that apportionment of the benefit between the employees is impracticable.

assessment tax return online and paying your outstanding tax for 2023/24 and first payment on account of 2024/25 tax.

DIARY OF MAIN TAX EVENTS – Dec/Jan2024

Date	What's Due
1 December	Corporation tax for year to 29/02/2024, unless quarterly instalments apply.
19 December	PAYE & NIC deductions, and CIS return and tax, for month to 5/12/24 (due 22/12 if you pay electronically).
30 December	Deadline for filing 2023/24 tax return online in order to request that HMRC collect outstanding tax via the 2024/25 PAYE code.
1 January	Corporation tax for year to 31/03/2024, unless quarterly instalments apply.
19 January	PAYE & NIC deductions, and CIS return and tax, for month to 5/1/25 (due 22/1 if you pay electronically).
31 January	Deadline for filing 2023/24 self-



TALK TO OUR EXPERTS

To see how we can help you &
your business give us a call on
01424 730000

GET A FIXED QUOTE

