

BULLETIN

Happy New Year and welcome to the January 2025 edition of Bulletin. Please contact us if you wish to discuss any of this month's news in more detail.

SCOTTISH AND WELSH BUDGETS

SCOTLAND

The key tax takeaways from the Scottish Budget, held on 4 December, concerned the Scottish Rate of Income Tax (SRIT) and Land & Buildings Transaction Tax (LBTT).

Scottish Rate of Income Tax

If a taxpayer's main residence is in Scotland or they are otherwise classed as a 'Scottish taxpayer', their non-savings/non-dividend income is subject to the SRIT. Cabinet Secretary for Finance & Local Government, Shona Robinson, announced that the SRIT will not be increased and no new bands will be introduced for the remainder of this parliament. From 6 April 2025, the Basic and Intermediate rate thresholds will however increase by 3.5%, meaning more income of a Scottish taxpayer can be taxed at the lower 20% and 21% rates, before moving into the higher 42%+ rates.

For 2025/26, after the personal allowance has been deducted, non-savings/non-dividend income will be taxed in bands as follows:

	2025/26		2024/25	
Starter rate	£1 - £2,827	19%	£1 - £2,306	19%
Basic rate	£2,828 - £14,921	20%	£2,307 - £13,991	20%
Intermediate rate	£14,922 - £31,092	21%	£13,992 - £31,092	21%
Higher rate	£31,093 - £62,430	42%	£31,093 - £62,430	42%
Advanced rate	£62,431 - £125,140	45%	£62,431 - £125,140	45%
Top rate	Over £125,140	48%	Over £125,140	48%

Land & Buildings Transaction Tax

Rates and bands of residential and non-residential LBTT will remain at their current levels, although the Additional Dwelling Supplement (ADS) increased from 6% to 8% from 5 December 2024. The increase does not apply to transactions for which legal missives were signed on or before 4 December 2024.

WALES

The Welsh Budget took place on 10 December 2024. There were no changes announced to the Welsh Rate of Income Tax (WRIT). For 2025/26 the rates and bands remain the same as those applicable in England and Northern Ireland.

Land Transaction Tax

The Higher Residential Rates of Land Transaction Tax (LTT) apply to purchases of additional residential properties in Wales. These rates were increased from 11 December 2024 as follows:

BAND	RATE FROM 11/12/2024	RATE FROM 22/12/2020
£0-£180,000	5%	4%
£180,000 - £250,000	8.5%	7.5%
£250,000 - £400,000	10%	9%
£400,000 - £750,000	12.5%	11.5%
£750,000 - £1.5 million	15%	14%
£1.5 million and over	17%	16%

GET READY FOR MAKING TAX DIGITAL FOR INCOME TAX

Prior to the Autumn Budget, there was hope that the new Labour Government might further delay the introduction of Making Tax Digital for Income Tax (MTD for IT). However, such hopes were dashed on Budget day, with confirmation of the previously-announced timescales and an additional announcement that individuals with income from trading or property of over £20,000 will be mandated to comply with MTD for IT requirements in future. The mandate timescales are as follows:

From April 2024	Eligible individuals can voluntarily participate in the MTD for IT testing programme.
From April 2026	MTD for IT will be mandated for landlords and self-employed individuals with combined trading and property income over £50,000.
From April 2027	MTD for IT will be mandated for landlords and self-employed individuals with combined trading and property income over £30,000.
From a future date (TBC)	MTD for IT will be mandated for landlords and self-employed individuals with combined trading and property income over £20,000.

At present, no mandate deadlines have been set for partnerships.

Complying with the requirements of MTD for IT will involve keeping business records in specialist compatible software and then using that software to submit the business results to HMRC on a quarterly basis.

The introduction of MTD for IT is just over one year away, so now is the time to start thinking about the changes it will bring to your business, if you are self-employed (but not in a partnership) or receive rental income. **We are here to help, so please talk to us to find out how MTD for IT will affect you!**

CORPORATE TAX ROADMAP

The Government published a 'Corporate Tax Roadmap' as part of Autumn Budget 2024. The Roadmap is designed to give corporate businesses (and, in some areas, non-corporate businesses) certainty about the tax framework ahead to give confidence in business decisions being made now. The Roadmap sets out the areas in which the Government intends to maintain the status quo for the duration of this parliament, as well as areas in which change is expected.

Starting with corporation tax rates, the Government have committed not to increase the rates of corporation tax paid by small or larger companies and to keep the rates under review to ensure they remain competitive. This means that small companies (those with profits below £50,000 a year) will continue to pay at 19% and larger companies (with profits above £250,000 a year) will continue to pay at 25%, with marginal relief given from the 25% rate for companies with profits between the two thresholds. No changes have been made to the 'associated company' regime so, to ensure the correct rate of corporate tax is applied, it remains crucial to fully identify group companies and those under the control of the same individual(s).

Turning to capital allowances and of interest to unincorporated businesses as well as companies, the Government have committed to maintaining the rates of writing down allowances in the main and special rate plant and machinery pools, as well as the availability of the very valuable 100% annual investment allowance for up to £1 million of qualifying expenditure each year. For companies, the unlimited 'full-expensing' regime will also be maintained for expenditure on brand-new and otherwise qualifying plant and machinery, with a continued hope of seeing the qualification criteria expanded.

For companies, the two mechanisms for obtaining tax relief for revenue research and development (R&D) expenditure that have been in place since 1 April 2024 will also be maintained. **This remains a very complex area so please do reach out to us if you need support in this area or are considering whether you may be able to make a claim.**

PAYROLLING BENEFITS IN KIND

'Payrolling benefits in kind' means that employee benefits in kind (e.g. company cars and medical insurance) are reported to HMRC through the employer's payroll. Employees' tax codes are amended so that any income tax due on the benefits is paid throughout the tax year. If a benefit has been payrolled, it does not need to be included on form P11D.

Payrolling is possible for all benefits in kind, except for employer-provided living accommodation and beneficial (interest-free or low-interest) loans; these must still be reported on the P11D.

If an employer wishes to payroll benefits, they must register with HMRC before the start of the tax year in which they plan to start.

Regardless of whether benefits are included in the payroll or on a P11D, the employer must still include them in summary form P11D(b) and pay Class 1A National Insurance Contributions on the total taxable benefit value across the workforce. The deadline for filing the P11D(b) and paying the Class 1A NIC due is 6 July following the end of the tax year.

From 6 April 2026, payrolling benefits in kind will become mandatory for all employers for all benefits except for beneficial loans and living accommodation, although these will be able to be included in the payroll on a voluntary basis. It is hoped that this will bring simplification and clarity for employers and employees. As mentioned above, it is possible to choose to enter the regime one year early, from 6 April 2025, on a voluntary basis. Please talk to us if you are considering this or otherwise have any questions about future obligations.

HMRC SCAM WARNING

With the 31 January self assessment deadline fast approaching, HMRC has warned taxpayers to be alert to fraudsters. In the past year, there has been a 16.7% increase in scam referrals to HMRC, with almost 150,000 received in the year to November 2024. A significant proportion of those referrals were fake tax rebate claims. HMRC say that they never ask for personal or financial information via text message, nor will they leave voicemails threatening legal action or arrest. If you receive communication claiming to be from HMRC that asks for your personal information or is offering a tax rebate, check the advice on GOV.UK to help identify if it is scam activity (<https://www.gov.uk/guidance/identify-hmrc-related-scam-phone-calls-emails-and-text-messages>).

IMPORTANT DATES

JANUARY / FEBRUARY 2025

DATE	WHAT'S DUE
1 January	Corporation tax for year to 29/03/2024, unless quarterly instalments apply.
19 January	PAYE & NIC deductions, and CIS return and tax, for month to 05/01/25 (due 22/01 if you pay electronically).
31 January	Deadline for filing 2023/24 self-assessment tax return online and paying your outstanding tax for year 2023/24 and first payment on account of 2024/25 tax.
1 February	Corporation tax for year to 30/04/2024, unless quarterly instalments apply.
19 February	PAYE & NIC deductions, and CIS return and tax, for month to 05/02/25 (due 22/02 if you pay electronically).

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