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End of Year Tax Planning

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Below is a list of the main allowances and reliefs that we recommend you consider.

ISAs

Returns from an ISA are tax free and in the current tax year individuals can invest up to £20,000 in either a cash or a stocks & shares ISA, or a mixture of both. As part of your main allowance, a Lifetime ISA (LISA) is available to anyone between 18 and 40 and can be used to save for your first home or towards your retirement; these attract a 25% government addition.

You can invest up to £9,000 in a Junior ISA (sometimes called a JISA) for anyone under 18.

Remember ISA allowances cannot be carried forward past 5 April, so use it or lose it!

Pensions

Most people get Income Tax relief on pension contributions up to the annual allowance. For 2022/23 you can generally contribute £40,000 gross or 100% of your earnings (whichever is lower). As well as receiving a 20% top-up from the government on any net personal contributions you make, you may also be able to reduce the amount of income tax you pay by extending your basic rate band and/or reinstating your personal allowance and you may be able to claw back Child Benefit payments.

Business owners can extract profits as a pension contribution, saving on tax and National Insurance liabilities. Any unused allowances from the past three years can be carried forward.

Use Your Annual Tax Allowances

From April 2023 the Capital Gains Tax (CGT) allowance, currently at £12,300, will be reduced to £6,000. This figure will be halved again to £3,000 from April 2024. If you have plans to sell or gift any assets in the near future, you should consider timing the 'disposal' of your assets before the CGT allowance is cut. Remember that assets can be transferred between married or civil partners, so it makes sense to maximise the use of each partner's individual allowance before these are reduced.

Marriage Allowance allows a basic rate taxpayer to transfer part of their spouse's personal allowance to himself or herself, provided the spouse earns less than £12,570.

If you run your own business through a limited company, the first £2,000 of dividends that you draw is tax free, irrespective of other income.

The personal savings allowance is £1,000 of tax-free interest for basic rate taxpayers, and £500 for higher rate taxpayers. There is no allowance for those paying tax at 45%.

Two further £1,000 tax-free allowances are available; one for property and the other for miscellaneous trading income.

Inheritance Tax (IHT)

An individual can make gifts of up to £3,000, multiple smaller gifts of £250 or regular gifts out of their income each tax year – all exempt from IHT.

You can also make one off gifts on marriage or civil partnership; the amount exempt depends on your relationship to the couple. Larger gifts over and above these exemptions can also be made, but the giver needs to live for seven years before they are fully free of IHT.

Gift Aid Donations

If you are a UK taxpayer and make a charitable donation via Gift Aid, the charity is able to claim an extra 25p for every £1 you give. As Gift Aid assumes that the money has been taxed at the standard rate, higher or additional rate taxpayers are eligible to receive a further 20% or 25% (21% or 26% if you are a Scottish resident) of the grossed up donation as a reduction in tax liability. So remember to record any Gift Aid donations on your tax return.

Other Tax Efficient Investments

There are other investment options that are time limited and have tax incentives such as Enterprise Investment Schemes (EIS), Venture Capital Trusts (VCT) and Seed Enterprise Investment Schemes (SEIS).

You can find more details on each of these opportunities on the news section of our **website**.

As 5 April approaches we would advise everyone to consider all the tax-saving and investment opportunities available to them. With growing pressure on the government to increase tax revenues to combat ongoing economic challenges, there is a great deal of uncertainty around how wealth will be taxed in the future. This year more than ever it is a case of act now and use it or lose it!

Please be aware that your capital will be at risk when you invest, and that you may get back less than you invested. There is no guarantee of how future wealth will be taxed and everyone's situation is unique. This article does not constitute financial advice so before acting upon it, the reader should always take the appropriate financial advice.

New Year, New VAT Penalty Rules

In January this year a new penalty points system was introduced for the late filing of VAT returns and the late payment of VAT.

The new rules came into play for VAT return periods on or after 1 January 2023 onwards and have replaced the previous VAT default surcharge regime. The new system also affects the way interest is calculated when taxpayers are late in paying HRMC.

Late filing of VAT Returns

The new penalties system for late VAT returns, will work on a points system. HRMC will penalise taxpayers one point each time a filing deadline is missed. Once you reach the relevant number of points, a £200 penalty will be issued. The number of points required for a penalty to be charged depends on the frequency of your VAT returns.

Submission period	Points threshold
Annual	2 points
Quarterly	4 points
Monthly	5 points

If you miss any subsequent deadlines you will trigger another £200 penalty.

It is important to remember that points can be given for late repayment and nil returns which was not previously the case.

Late payment of VAT

For the late payment of VAT there are two elements, fixed penalties and daily penalties. The later the payment the higher the rate of penalty.

- Fixed penalties
  for VAT unpaid after 15 days following the payment due date, a 2% penalty of the amount outstanding at day 15 will apply. Late payment of 31 days or more will trigger an additional 2% penalty, based on the amount outstanding on day 30 (a total of 4% if nothing has been paid)
- Daily penalties
  from day 31 onwards a daily penalty of 4% per annum will be applied on the amount outstanding

Any payment up to 15 days late will not trigger a penalty regardless of the number of occurrences. Also if a taxpayer contacts HMRC and agrees a Time to Pay Agreement up to 15 days after the due date no penalties should be applied.

But, as a final sting in the tail, interest on overdue tax will continue to be charged from the due date at the Bank of England base rate plus 2.5% even where a time to pay arrangement has been agreed.

VAT Returns which will not incur a penalty

The late submission penalties will not apply to:

- your first VAT return if you are newly VAT registered
- your final VAT return after VAT registration is cancelled
- one-off returns that cover a period other than a month, quarter, or year

If you take over a VAT-registered business as a 'going concern' any penalty points built up by the business will not be transferred to your VAT registration number. This will be the case even if the VAT registration number is transferred from the previous owner to the new owner.

Expiration of late penalty points

Any points that you may accumulate will not automatically expire. To reset your points to zero you will need to meet a test of good compliance. This will include submitting everything on time for a certain period and submitting any outstanding returns from the previous 24 months.

This good compliance period again depends on the frequency of your VAT returns.

Submission period	Compliance period
Annual	24 months
Quarterly	12 months
Monthly	6 months

HMRC Period of Grace

To allow VAT registered businesses to adjust to the new regime, HRMC will not charge a first late payment penalty during 2023, providing businesses pay in full within 30 days of the payment due date or arrange a payment plan.

You can find out more about the changes on the **GOV.UK website**.

If you have any concerns reading these new changes please get in touch with our **expert VAT team**.

Scotland's Register of Persons Holding a Controlled Interest in Land

On 1 April 2022, a new register called the Register of Persons Holding a Controlled Interest in Land ("RCI") came into existence. The RCI is one of a number of initiatives by the Scottish Government with a view to increasing transparency as to who owns and controls land in Scotland.

Realising the RCI, will have implications for a number of our clients, we asked one of our professional colleagues, Louise Johnston, a partner at leading law firm Turcan Connell, to outline the key points of the Register's introduction.

What does the RCI cover?

The RCI will contain details of who exercises significant influence or control over the Titleholder of land (and references to land include any buildings on the land) in Scotland. The "Titleholder" is the party who is named as the owner or tenant of the land in question in the Land Register of Scotland or in the Sasine Register. For the purpose of this article, I will focus on Titleholders who are owners of land, although the RCI also applies to tenants whose lease is registered in the Land Register of Scotland or in the Sasine Register.

Will you need to submit an entry to the RCI?

It is the Titleholder's duty to provide the required information for the RCI and this must be done where another party has "significant influence or control" over the land in question.

The duty to provide information to the RCI is likely to be particularly relevant for farms, estates and other rural properties, as it is common for those types of properties to be held in trust or partnership structures. Where the Titleholder is not the party who has significant influence or control of the land, then the influencing or controlling party (who is known as an "Associate") must be disclosed in the RCI. So, for example, if the Land Register of Scotland shows Mrs Farmer as the person who owns the farm, but the reality is that Mrs Farmer is holding title to the farm for the benefit of her farming partnership with Mr Farmer and Jnr Farmer, then an entry in the RCI would be needed in order to record her fellow partners of Mr Farmer and Jnr Farmer as Associates.

Where the Titleholder is an individual and there is a contractual or other arrangement in place which gives another party significant influence or control over the Titleholder's dealings with the land, then that other party would be an Associate and an RCI entry would require to be submitted. Whether another party has any such significant influence or control will depend on the terms of the contract or arrangement in question, but it is possible that an Option Agreement for, say, a renewables or housing development may be captured by the RCI requirements.

What are the penalties for failing to submit an entry?

There are criminal penalties for non-compliance of a fine up to level 5 of the standard scale, which is currently £5,000. The criminal penalties do not come into force until 1 April 2023, which effectively gives Titleholders a grace period within which to comply with the RCI requirements. However, notices required to be served by the Titleholder on Associates both prior to and after submitting an entry in the RCI, and the required gap between the first of these notices and the submitting of the entry to the RCI means that the first notice needs to be served well in advance of the 1 April deadline.

Are there ongoing duties to keep the RCI up to date?

The Titleholder must ensure that the information in the RCI is up to date. So, for example, if the land is partnership property and a new partner is assumed into the partnership, the Titleholder will need to amend the RCI to reflect that the new partner is an Associate. When a Titleholder sells the property, the Titleholder must notify the RCI to remove their entry.

An Associate must continue to ensure that the information in the RCI about the Associate is correct and up to date.

How do I submit an entry?

The RCI is maintained by Registers of Scotland. Entries can be submitted to the RCI by a member of the public (in their capacity as a Titleholder) or by professionals holding a Registers of Scotland online services account with RCI permissions. Turcan Connell hold a Registers of Scotland online services account with RCI permissions and would be happy to deal with RCI registrations, both for existing clients or new clients.

We would like to thank Louise Johnston, a Partner at Turcan Connell for this article. Louise is a dual qualified lawyer, and practices in Scotland, England and Wales.

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2023 Outlook

2022, for investors, was one of the most dramatic in history. Against a backdrop of spiralling inflation, Central Banks in developed markets began to raise interest rates and reversed their decade long loose monetary policy, in the hope of bringing increased prices under control.

As a direct result, fixed income assets delivered the worst annual returns in living memory. In addition, we saw significant falls in equity market prices, especially in regions and sectors that had delivered outsized returns over the past 10 years, namely the United States and the tech sector.

If 2022 was the year of inflation, 2023 is the year of recession, or one with the potential for recession.

The intended consequences of interest rate hikes are to slow consumption, reduce demand and reverse inflationary pressures. However, a slowing economy and particularly one where inflation is falling from a double-digit peak, increases the risk of recession.

The questions today are, where do markets go now and how are portfolios positioned in order to reflect this?

Equities

We leave 2022 and begin 2023 with a noticeable bias towards large cap value equities across our portfolios. Large cap generally refers to the stock of companies with a market capitalisation of more than $10 billion.

This served our portfolios well during 2022, with value stocks (usually classified as companies that seem to be trading below their apparent intrinsic value) significantly outperforming their growth counterparts during the year, a reversal of over 10 years of underperformance.

Source: Morningstar

However, despite this outperformance over the year, value equities remain significantly undervalued against growth equities.

Value equities tend to dominate those sectors that could be considered "recession-proof" ie. defensive sectors such as utilities, energy, materials, and industrials. We believe value equities will continue to outperform growth equities throughout the year and therefore we plan to maintain our positioning towards this investment style.

What we do not expect to see is a "V-shaped" recovery in markets, akin to the post Covid lows of 2020. As Central Banks continue to tighten monetary policy, the risk of policy error rises, especially due to the threat of recession. As a result, we would expect equity markets to retest the lows of October 2022.

This combined with the anticipated slowdown in inflation, rising unemployment and declining corporate sentiment may be enough for Central Banks to consider a reversal in policy. Such a "pivot", would result in a cut in interest rates, stimulating growth and an increase in equity market values towards the year end.

Regionally and within developed markets, the UK remains our favoured allocation due to attractive valuations and its bias to value stocks. A continued weakening dollar should provide tailwinds for emerging markets, along with the much-heralded post-Covid reopening of China. US equities, despite struggling during 2022, continue to look broadly overvalued. Our expectation is for the US to fall further as we move into a recessionary period, and company earnings are revised down.

Fixed Income

The "annus horribilis" of 2022 for fixed income was breath-taking. As Central Banks increased interest rates and inflation escalated, fixed income investors were caught in a perfect storm. However, with the outlook becoming more stable, the yield expansion of 2022 could mean 2023 may be a very attractive year for asset class investors.

These negative returns are rare in a diversified fixed income portfolio and has resulted in historically high yields as we enter 2023.

Furthermore, with talks of inflation peaking, the consensus is that most Central Bank interest rate hikes are done. This is a positive backdrop for fixed income and, combined with current high yields, provides an attractive entry point.

As economic growth slows and inflation abates, long term yields will fall. Although not expected to be linear, US 10-year yields are currently close to 4%, we would not be surprised if these were closer to 3% at year end.

We are cautious about taking too much credit risk in the face of slowing economic growth or recession. And, it could be argued that current yields on riskier bonds, such as high-yield bonds, are not providing extra compensation for the extra risk. Although this may change as the year progresses, for now we are choosing to remain neutral.

Summary

In conclusion, volatility is likely to remain high as markets transition from a zero-interest-rate world to one with higher rates and heightened geopolitical risks.

Central Bank actions will continue to dominate portfolio positioning as they walk the fine line between inflation and recession. As such, investors need to be carefully positioned to take advantage of this.

We will continue to maintain our bias towards value equities, that provide, in our view, a fair balance between their natural dividend production and their attractive valuation. For bond investors our message is one of optimism after the falls of 2022 and we see the current high yields as very attractive.

However, as and when the market backdrop changes, so will our portfolios. Without the support of Central Banks and their ability to create liquidity without conscience, we firmly believe that the remainder of this decade will be one where opportunities will present themselves but only with activity.

The days of linear buy and hold, we believe, are over.

Please be aware that your capital will be at risk when you invest, and that you may get back less than you invested. This article does not constitute financial advice, so before acting upon it, the reader should always take the appropriate financial advice.

Arrivederci

The meaning of the Italian word arrivederci is 'goodbye, until we meet again'.

Since Greaves West & Ayre opened our doors in 1918, we have said arrivederci to some long-standing members of our team and this year is no different.

Tommy Wilson and Brian Simmons, who have been with GWA for a combined total of 93 years, are starting their well-deserved retirement. Brian and Tommy both joined GWA in 1976 after leaving Berwick Grammar School and are two of our longest serving members of staff. They have played an important part in delivering our Quality Advice Quality Service over all those years.

The whole GWA team sends their very best wishes to Brian and Tommy for a long, happy, and healthy retirement. They will both be greatly missed; however, we hope to keep in touch, and meet again in the future.

Tommy Wilson is an established and key member of our tax department. Like all our Berwick team, Tommy is based in our Walkergate office. Prior to this he worked in four different GWA locations, his first being in Sandgate after leaving school. In addition to Tommy and Brian, two other 1976 classmates Anthony Hogg and the late Graham Hush, who became a GWA Partner, joined the firm within months of each other.

When Tommy joined GWA there were four partners. He remembers being told that he was not allowed to use a calculator and all calculations had to be completed manually. When Tommy retires in March 2023, he will be leaving 13 Partners and it is likely that they will all be using calculators today!

When we spoke to Tommy about his retirement, he told us he has no set plans but is looking forward to spending time on home improvements and being able to devote more time to his garden. He used to travel overseas quite a lot with his father, taking 21 trips together over a 12-year period, a tradition that continued until his father reached the ripe old age of 88. Tommy is planning to add to his travel journal and has set his sights on a couple of long-haul trips to Japan and to New Zealand where he has relatives.

Brian Simmons retired from GWA at the end of January following more than 46 years of service. After leaving Berwick Grammar School he soon became an important member of the GWA accounts department.

Brian told us he had very much enjoyed his career at GWA. Looking back, he can't believe the firm has grown so much during his time here. When he first started he remembers there were around 20-30 staff members, now there are over 140. Brian has always been happy and willing to pass on his many years of knowledge experience and lend a hand in training new staff, some of whom are now Partners. One thing he knows he will miss is the great office rapport and camaraderie.

When asked about his plans for his retirement Brian said "I have no firm plans yet, I am very much looking forward to putting my feet up for the first few months and spending some quality time with my family. It will be nice to do what I want to do with no timescales involved, however it's going to take a little getting used to".

Should you make voluntary contributions to your State Pension?

The government has extended the voluntary National Insurance deadline from 5 April 2023 to 31 July 2023 to give taxpayers more time to fill gaps in their National Insurance record and help increase the amount received in state pension.

Who should consider voluntary contributions?

In general if you reach state pension age on or after 6 April 2016 you need 35 qualifying years to receive a full state pension. If you have less than 35 qualifying years but at least ten qualifying years, you will receive a reduced state pension. Individuals who reached state pension age before 6 April 2016 needed only 30 qualifying years to secure a full state pension.

Anyone with gaps in their National Insurance record from April 2006 onwards now has until 31 July 2023 to decide whether to fill the gaps with voluntary contributions to boost their State Pension. After this, you will only be able to go back six years to fill any gaps.

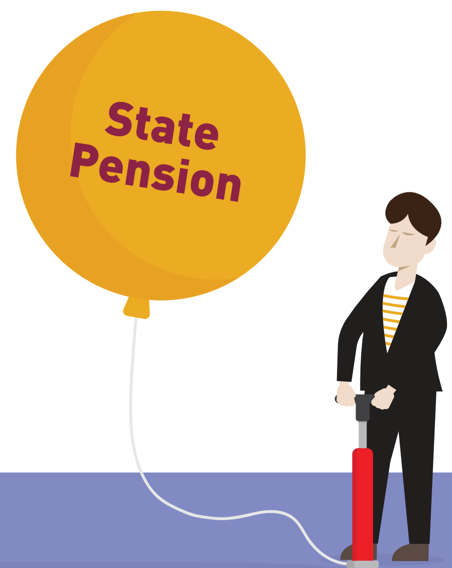
The decision to top up or not depends on each person's individual circumstances. For example, someone near to state pension age whose state pension is, or is forecast to be, less than £185.15 a week, and unable to plug gaps by any other means, topping up could be an easy decision. For someone older than 45 but some way off state pension age there may be other ways to fill the gaps. Or, if you are close to the threshold of either paying tax or hitting the 40% tax bracket once your state pension and other income is combined, any gains from buying extra pension years may be reduced.

What to do now

We would recommend that anyone who is not sure of their state pension position should check their individual situation which can be done online or by phone:

- for those not yet state pension age you can check your state pension forecast **here** or call the Future Pension Centre on **0800 731 0175**
- for those already at state pension age you can check your national insurance payment history for any gaps **here** or call the Pension Service on **0800 731 0469**.

If you need further guidance about voluntary contributions or your overall retirement income please do get in touch.



Staff News

We have started 2023 with many new faces joining the GWA team. We are pleased to welcome **Bethany Innes**, **George Opelt** and **Mark Whitehead** to our Accounts department in Berwick and **Emma McLean** to our Accounts team in Haddington. **Ashley Harrison** joins us as Marketing Assistant supporting both GWA and Three Counties and will be based at our office in County Durham. We hope all our new starters settle in quickly and are sure they'll soon feel part of the team.

We are sorry to say goodbye to **Brian Simmons** who retired from the Accounts department at the end of January, along with **Tommy Wilson** who will retire from his position in the Tax department at the end of March. We send our best wishes for a long and happy retirement to both.

And, whilst we are on the subject of long service, GWA is celebrating the long service of **Paul Weatherhead**, from our maintenance support team who celebrated 10 years with GWA this January. Thank you for your loyalty and dedication Paul.

Congratulations are due for **Joseph Findlay** and **Matthew Taylor** who are now both qualified Chartered Accountants, as well as **David Simpson** and **Loren Veitch** who have qualified as Independent Financial Advisers.

Community News

Both the Berwick and Haddington teams took part in Christmas Jumper day in December raising over £400. A £100 donation was made by the Haddington office to the local charity **Our Community Kitchen**.

The Berwick office donated the remaining funds to the **Great North Air Ambulance Service**. Linda Buchanan came to pick up the donation which was further topped up by Emily Patterson (seen wearing her amazing Christmas jumper and matching glasses) deciding to donate her annual staff community donation to the same cause.

In February we supported the local **Berwickshire Point to Point**, held at Friarshaugh, Kelso which saw a record turnout and in March we will again be supporting the annual **Borders Art Fair** taking place at Border Union Showground Kelso on 17- 19 March.

L-R Emily Patterson (GWA), Linda Buchanan (GNAAS) and David Black (GWA)

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