SUMMER 2023

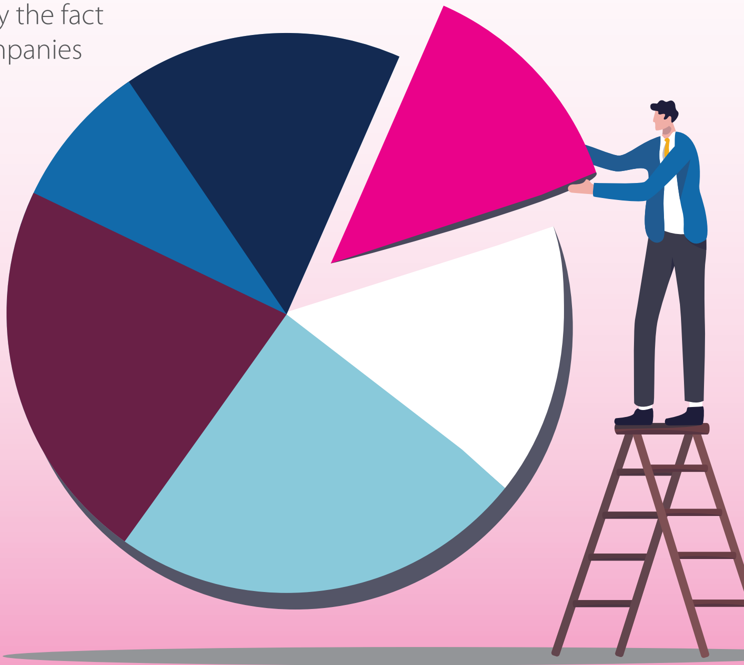
GREAVES WEST & AYRE
CHARTERED ACCOUNTANTS

NEWS
Quality Advice • Quality Service

Capital Allowances and the new allowances available

Following the Spring 2023 Budget, capital allowance rules are set to become more complex. The position is further complicated by the fact that the regimes for companies and unincorporated businesses differ, with some capital allowance claims only open to companies.

Read the full article on page 2.



Capital Allowances and the new allowances available

Following the Spring 2023 Budget, capital allowance rules are set to become more complex. The position is further complicated by the fact that the regimes for companies and unincorporated businesses differ, with some capital allowance claims only open to companies. As a result of these new measures, corporate clients can benefit from full expensing, a 50% first-year allowance and the Annual Investment Allowance (AIA). Of the three, only the AIA is available to clients running unincorporated businesses.

Full expensing

Full expensing is the new relief for companies only, brought in by the 2023 Budget to replace the super-deduction for companies, which applied in respect of qualifying expenditure incurred in the two-year period from 1 April 2021 to 31 March 2023. However, it is less generous than its predecessor, relief being given at 100% rather than at 130% of qualifying expenditure, as was the case for the super-deduction. Clients running unincorporated businesses cannot make a full expensing claim. However, this will generally not matter as the same result is obtained by claiming the Annual Investment Allowance (AIA) and most unincorporated businesses will be able to use the AIA to claim full and immediate relief for qualifying expenditure up to a limit of £1 million.

Full expensing is a 100% first-year allowance. Like the AIA, it provides 100% relief for qualifying expenditure in the accounting period in which it is incurred, and the relief is unlimited. It is available in respect of qualifying expenditure which would otherwise qualify for main rate writing down allowances (at 18%).

The expenditure must be incurred in the three-year period from 1 April 2023 to 31 March 2026, but the Chancellor hinted this may be extended past this date. Some expenditure is excluded:-

- Expenditure on cars (although a dedicated first-year allowance is available for new zero-emission cars which secures immediate 100% relief).
- Expenditure on assets purchased to lease to someone else.

Only expenditure on new and unused assets can be fully expensed. This restriction does not apply to the AIA, and where enough of the AIA limit is available, an AIA claim will provide full and immediate relief for qualifying expenditure on second-hand assets.

Full expensing was introduced to encourage investment and will be of benefit to large corporate clients planning significant investment within the next three years. Where a company pays corporation tax at the main rate of 25%, full expensing reduces the net cost of every £100 of capital expenditure to £75.

50% first-year allowance

A 50% first-year allowance was also introduced in the 2023 Budget for companies alongside the super-deduction. It was available for qualifying expenditure on new and unused assets which would otherwise qualify for special rate writing down allowances at the rate of 6%. Assets that fall into this category include thermal installations and electric installations known as 'integral features'; however, expenditure on cars is excluded.

The 50% first-year allowance has been retained and will remain available for qualifying special rate expenditure incurred in the three-year period from 1 April 2023 to 31 March 2026.

As with full expensing, unincorporated businesses cannot benefit.

Where the 50% first-year allowance is claimed, 50% of the expenditure is deductible in computing the taxable profits for the accounting period in which the expenditure is incurred. The remaining 50% is added to the special rate pool and will qualify for special rate writing down allowances in subsequent accounting periods at the rate of 6% of the pool balance on a reducing balance basis. There is no limit on the amount of expenditure in an accounting period in respect of which the 50% first-year allowance can be claimed.

Expenditure qualifying for the 50% first-year allowance will also qualify for the AIA, and where the AIA limit has not been fully used, making a claim for the AIA rather than the 50% first-year allowance will provide relief earlier and at a higher rate (100% rather than 50%). The AIA can also be claimed in respect of expenditure on second-hand special rate assets which do not qualify for the 50% first-year allowance.

If the asset is sold, the disposal proceeds must be brought into account, which may trigger a balancing charge.

Annual Investment Allowance

The AIA provides full relief for qualifying expenditure up to the AIA limit. This is now permanently set at £1 million (proportionately reduced for accounting periods of less than 12 months). The AIA is the most widely drawn of the three allowances. It is available to both companies and to unincorporated businesses and it applies equally to qualifying expenditure on both new assets and second-hand assets (but expenditure on cars is excluded).

Once the £1 million limit has been exceeded, any further expenditure is added to the relevant pool and relief is given by way of writing down allowances at the appropriate rate.

Choose wisely

Clients have a range of options when it comes to securing relief for capital expenditure. Corporate clients looking to make significant investment in new and unused assets, which would otherwise benefit from main rate writing down allowances, should be advised of the 31 March 2026 deadline for incurring the expenditure in order to benefit from full expensing. This should be the first port of call for achieving full and immediate relief. If the AIA limit is available, this will be a better option than the 50% first-year allowance, as it provides relief at 100% rather than 50%. However, if the limit has been used up (or is to be used for expenditure not qualifying for full expensing such as that on second-hand assets), the 50% first-year allowance will provide relief earlier than claiming a writing down allowance.

Clients with unincorporated businesses can claim the AIA to obtain 100% relief for qualifying expenditure, as long as they have not used up the AIA limit. However, a claim will not always be beneficial, for example, if it wastes personal allowances. Depending on circumstances, a claim for writing down allowances may be preferable. It is possible to tailor claims and a mix and match approach, claiming the AIA to reduce profits to the level of the personal allowance and writing down allowances for the remainder, may be beneficial.

Corporate clients can also benefit from the AIA as it provides valuable relief for expenditure on second-hand assets and offers an alternative to the 50% first-year allowance where the limit remains available. Consideration should also be given to the period for which the client expects to keep the asset. If it is likely to be sold in the near future while the value remains high, it may be preferable to claim writing down allowances rather than a first-year allowance followed by a high balancing charge.

As always there is no one size to fit all and the optimal claim will depend on the client's circumstances and what they want to achieve.

HMRC extends National Insurance deadline to 2025

It has been announced that taxpayers will now have an extra two years to make any additional payments to their National Insurance (NI), this enables people to make contributions to increase their state pension entitlements.

The original cut-off point for voluntary NI contributions from April 2006 to April 2017 has now been extended to 5 April 2025. This will give people the opportunity to fill any gaps in their NI record, this is an extension of nearly two years.

Due to capacity problems on government helplines HMRC moved the deadline from the 5 April 2023 to 31 July 2023, they have since extended the deadline further to 5 April 2025.

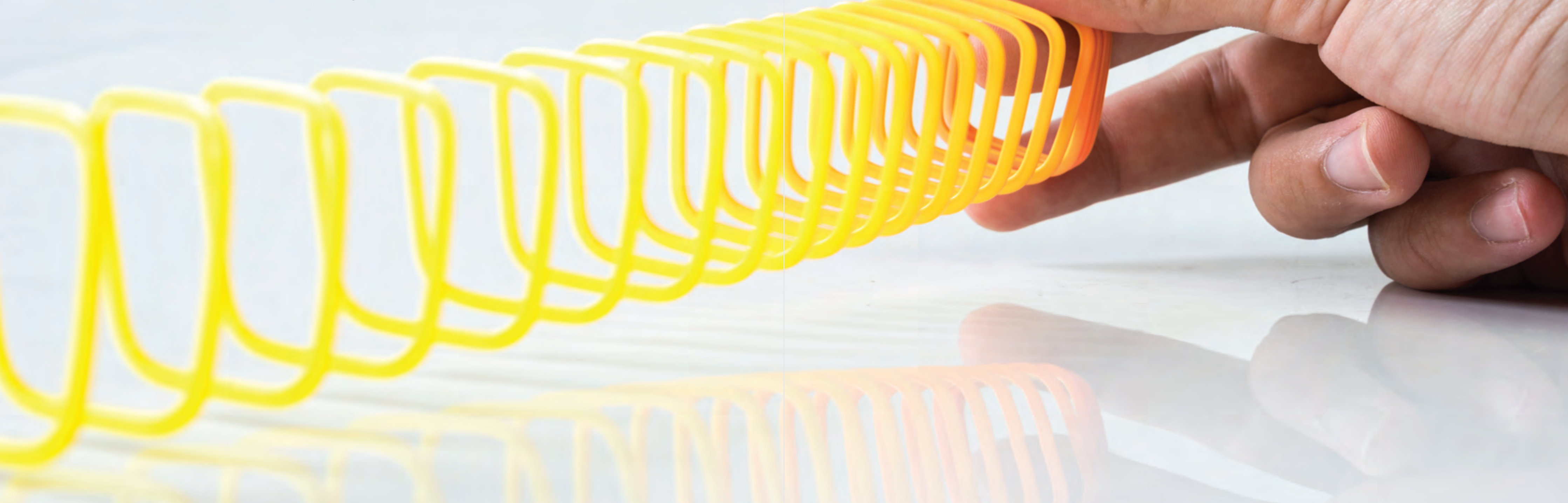
It will give taxpayers more time to properly consider whether paying voluntary contributions, which could boost their state pension entitlement, is right for them.

Filling gaps in National Insurance records can make a real difference to people's state pensions, this extension will give people more time to be able to do that. It will give people more time to spread the cost of filling in any gaps they may have.

All relevant National Insurance contribution payments will be accepted at the rates applicable from 2022 to 2023 until 5 April 2025.

The Department for Work and Pensions (DWP) hopes the extension will grant staff more time to cope with the high level of interest - as thousands of people are expected to take advantage.

Eligible taxpayers can find out how to check their National Insurance record via the HMRC app or their Personal Tax Account.



UPDATE - HMRC have extended the National Insurance deadline further to 5 April 2025

Understanding the new childcare allowances

It was music to many parents' ears when it was announced in the Spring Budget that there will be more support for many working parents with the extension of free childcare support.

The new offer comes into play in the UK in April 2024 in a staged approach and will more than double the current support. The aim is to make a positive impact for parents, particularly mums, who will be able to stay in work and keep the economy growing.

Childcare is one of the largest costs that working households face. In some cases it prevents parents from going back to work. The new scheme will hopefully enable many parents to have the best of both worlds, going back to work with less of the struggle to pay childcare costs.

Below we explain everything you need to know about the new UK childcare allowances announced in the Spring Budget. Unfortunately, these rules won't apply to Scotland, where parents will still receive support similar to that currently offered in England and Wales - you can find out more at **www.mygov.scot/childcare-costs-help**

Who will be eligible for 30 hours free childcare?

Currently, parents who work more than 16 hours a week and who earn less than £100,000 are entitled to 30 hours free childcare a week for children aged three to four.

Support will be expanded so working parents of all children over the age of nine months will be entitled to 30 hours of free childcare.

When will it start?

From **April 2024**, working parents of two-year-olds will be able to access 15 hours of free childcare.

From **September 2024**, 15 hours of free childcare will be extended to include all children from the age of nine months.

From **September 2025**, working parents of children under the age of five will be entitled to 30 hours free childcare per week.

Childcare support for people on Universal Credit

Parents on Universal Credit are also set to get further support. Currently, up to 85% of childcare costs can be claimed back. However, by summer 2023 parents will be able to access this funding upfront instead of in arrears.

The maximum amount of support will also be increased by almost 50%, to £951 for those with one child and to £1,630 for those with two.

Where Does All the Money Go?

Have you ever wondered what happens to the tax you hand over to HMRC?

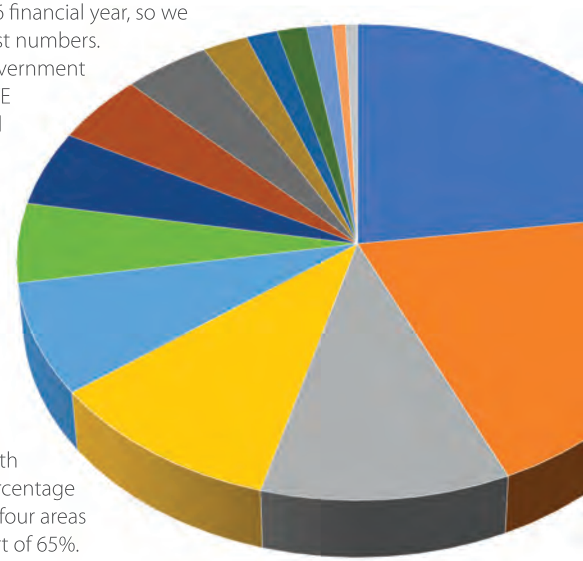
The government used to send a printed annual summary to taxpayers that outlined how much Income Tax and National Insurance individuals paid in the last financial year and how these contributions were used in government spending. Since 2020, this information has been available online via your Government Gateway account or you can request a paper copy from HMRC.

We last looked at the summary for the 2015/16 financial year, so we thought it might be interesting to revisit the latest numbers.

According to ONS statistics* in 2021/22 the government received a total of £230 billion in income tax (PAYE and Self-Assessment) and £161 billion in National Insurance contributions. These taxes made up around 43% of the £918 billion total current receipts in 2021/22.

This compares to £170 billion (income tax) and £114 billion (NI contributions) in 2015/16 when the total receipts figure was £680 billion.

The diagram shows how the government spent the money it raised through tax and NI in the financial year to 5 April 2021 income.



The four top categories remain the same as six years ago, health, welfare, state pensions and education, although the order has changed; health spending is now higher that welfare. Also the percentage of income tax and NI receipts spent across these four areas in total has reduced from almost 70% to just short of 65%.

There are only two categories where actual spend has fallen since 2015/2016; payments to the EU and overseas aid. The UK contribution to the EU was £7.7 billion six years ago, and outstanding EU payments in 2020/21 were £6.5 billion. Overseas aid spending has fallen from £7.7 billion in 2015/16 to £5.4 billion in the latest figures.

If you want to see the full details of spending these can be found in Public Expenditure Statistical Analyses on the **GOV.UK** website.

*February 2023

MGTS Qualis Fund Launch

QUALIS

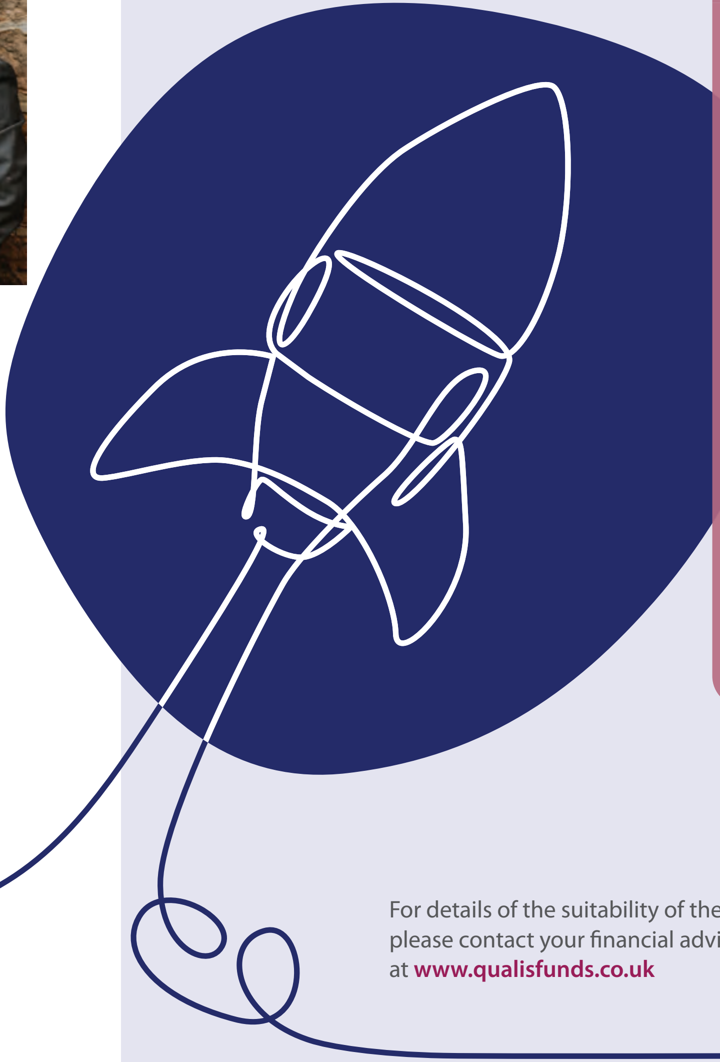
We are delighted to introduce GWA Asset Management Ltd (GWAAM), a wholly owned subsidiary of Greaves West & Ayre. GWAAM is the appointed investment manager of the **MGTS Qualis** fund range, which has been created in conjunction with the Authorised Corporate Director ***Margetts***.

The MGTS Qualis range comprises two funds: ***Growth*** and ***Defensive***. The funds have been designed as complementary positions, to be held together by investors. The Growth fund invests in higher risk assets – namely company shares, or 'equities' - whilst the Defensive fund invests in a range of assets that specifically exclude equities, including investment grade bonds, commercial property, and infrastructure. Together, the funds provide an actively managed, diverse portfolio with exposure to major asset classes and regions at a competitive ongoing charge.

Andrew Alexander is GWAAM's Chief Investment Officer and lead manager of the MGTS Qualis funds, supported by fellow director and deputy manager Neil Robertson, and investment analyst Chris Brown. The company is overseen by its chair, John Coats.

All at GWAAM have been pleased with the strong performance of the MGTS Qualis funds in the period since launch on 19 June 2023, the MGTS Qualis Growth fund returning 3.60% to 27 July 2023, whilst the MGTS Qualis Defensive fund returned 0.47%. For context, the FTSE All World returned 2.23% over this term, whilst the Bloomberg Global Aggregate returned -0.13% .

Please note that past performance is not a guide to (not of) future returns. This article is not an invitation to invest.



"The GWAAM team brings together extensive experience from Greaves West & Ayre and sister company Three Counties Limited.

For more than 100 years, we have advised generations of clients on how best to manage and invest their wealth. We believe that this heritage, together with our unique research driven approach, will provide investors with an attractive new investment opportunity backed by a century of expertise."

John Coats, Chair

GWA ASSET MANAGEMENT

For details of the suitability of the MGTS Qualis funds for your circumstances, please contact your financial adviser. Further details of the funds are available at **www.qualisfunds.co.uk**

> GWA is a dynamic, forward-thinking firm with an excellent client base and fantastic reputation...
>
> **Billy**

New Associate welcomed at Greaves West & Ayre

We are delighted to welcome new Associate Billy Cleland to the GWA Team on 1 August 2023.

William (Billy) joins us having previously worked with Johnston Carmichael for ten years in Elgin and Edinburgh, and ten years with PwC in Leeds and Newcastle.

With over 25 years of experience in tax, he is a Member of both the Chartered Institute of Taxation (CIOT) and the Society of Trust and Estate Practitioners (STEP). Based at the Berwick upon Tweed office, he will be utilising his extensive experience in private client tax and general practice to support the firms 14 Partners.

Outside of work, Billy enjoys golfing, mountain biking and reading.

Commenting on his appointment Billy said, "I have been impressed with everyone that I have met at GWA and with the firms ambitious plans for the future. GWA is a dynamic, forward-thinking firm with an excellent client base and fantastic reputation in the local community and beyond. I am thoroughly excited to join such a marvellous team and cannot wait to start work with my new colleagues and help clients with their business needs."

GWA Partner, Robbie Dalgleish, added, "Billy is quickly proving himself to be an asset to the firm with a depth of technical tax knowledge and practical experience which strengthens our tax team, and will be of great help to our clients".

Community News

We are always delighted to get involved with various community events around the local and surrounding areas.

We had a speedy GWA team from our Berwick office enter the **'Curfew Run'** (right) on 5 July. Participants in this fun run are required to complete the 1.28 mile route around Berwick's Elizabethan town walls before the Curfew Bell stops tolling. The event is generously sponsored by Simpsons Malt.

We also had a GWA team entered in the **Berwick Rotary Club Annual Charity Golf Tournament** which ran on 9 August with proceeds being donated to many local charities.

GWA was proud to support the **Horncliffe Beer and Music Festival** which took place on 8-9 July.

The annual agricultural shows across East Lothian, the Borders and Northumberland are the social highpoint of the year for many of our clients and associates. It was fantastic to be back at the **Haddington Show** (right) on 1 July as main sponsor and to see so many familiar faces.

We also had our usual stand with hospitality at the **Border Union Show** (below) on 28 and 29 July.

GWA 2023 Golf Day

Monday 26 June saw the welcome return of the GWA Golf Day. This popular staff outing is held annually.

13 members of staff gathered at the Hirsel Golf Club, Coldstream for a great day on the fairways. Last year was the first year that some of our female staff took up their clubs, we were pleased to see that this paved the way and set a new trend with a few more ladies choosing to play this year.

It wasn't all about the craic, some great golf was played which resulted in impressive scores from both novice and more experienced golfers.

2023 Winners:

- The overall winner and holder of the **GWA tankard** and Aran cardigan, was **Chris Brown** who scored an outstanding 44 stableford points.
- The best partner was **Richard Ayre** with 24 stableford points who won the **Graham Hush Shield**.
- **The Bill Renton Cup** (best employee) was won by **Steven Burns** who scored 33 stableford points.
- The longest drive was won by **Graeme Hyland**.
- Closest to the pin was won by **Stephen Gilchrist**.
- **Robbie Dalgleish** won the scratch prize.
- In the afternoon we played 2-person blind pairs stableford points, the **Jim Spence Salver** was won by **Jay Baverstock** & **Beth Mill-Irving**.

Staff News

Once again, there are many new faces around the GWA offices. We are pleased to welcome **Ademola Ajayi** to our Audit Department, **Rinlada Wilson** to our VAT/Bookkeeping team. Lynne Fraser, Marketing Coordinator took the leap into the retirement world after nearly 5 years with us, we are looking forward to welcoming **Gayle Skelly**, who will join the Marketing team. As ever, we hope all our recent starters settle in quickly and soon feel part of the team.

VAT/Bookkeeping team member, **Andrew Blair** celebrates 20 years of service this summer and Head of Accounts, **David Black** celebrates a very impressive 40 years of services. Thank you, Andrew, and David, for your loyalty and dedication, here's to many more years.

GREAVES WEST & AYRE
CHARTERED ACCOUNTANTS

17 Walkergate, Berwick-upon-Tweed, Northumberland TD15 1DJ
Tel: 01289 306688 Email: berwick@gwayre.co.uk
8 St Ann's Place, Haddington, East Lothian EH41 4BS
Tel: 01620 823211 Email: haddington@gwayre.co.uk
@GreavesWestAyre greaveswestayre.co.uk