



The Little Blue Book

Issue 52 | Spring 2024

Farewell to Angie



Chartered Accountants | Independent Financial Advisers

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Welcome

to the Spring edition of the Little Blue Book.

It does feel like change is in the air, not just in terms of the weather.

The Chancellor, Jeremy Hunt, revealed his Budget, which served to confirm he had little wriggle room for big tax giveaways despite an expected General Election later this year. A stagnant economy and large national debt did little to help his cause.

Clients will still be impacted by the statement and we look, in simple terms, at what changed and what didn't.

We also see change in our staffing, with long-serving Angie Simms taking a much-deserved retirement.

On behalf of past and present partners, I would like to thank her for unstinting loyalty and dedication to the firm. She will be missed.

One of the firm's strengths over many years is continuity. As we say 'goodbye' to Angie, we look to the future and congratulate four trainee accountants in the early stages of their careers on latest exam successes (see opposite).

Change also, for partner Chris Driver, who has stepped down from his role as President of the Humberside and District Society of Chartered Accountants. He looks back on his highlights in this edition.

I hope you enjoy reading it.

Please feedback any comments through your partner or email action@rnscs.co.uk

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Staff exam success

Four of the firm's trainee accountants have passed more professional exams on their way to being fully qualified.

Jacob Norburn and Sam Neal are now part qualified having passed ACA exams in taxation and business strategy and technology.

They only have three advanced level exams to sit to qualify which, hopefully, they may have achieved by the end of the year.

Helen Bolger and Kiera Twells passed exams in financial management and tax compliance. They have two left at professional level and three at advanced, so hope to be part qualified in the summer.

Partner Sinéad Catchpole said: "Congratulations to all four of our trainees on passing their latest exams.

"I remember only too well how tough it is to balance studies with the day job. The hard work and sacrifices are all worth it in the end."



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Partners Chris Driver (second left) and Robert Smith congratulate Jacob (left) and Sam on becoming part qualified.

Budget

So what difference will Chancellor Jeremy Hunt's Spring Budget make to individuals and businesses? Partner Robert Smith looks at some of its key takeaways, focusing on what changed and what didn't.

What changed?

National Insurance Contributions - employed

Class 1 employee NICs were cut from 10% to 8% on 6th April. This follows the cut from 12% to 10% in January.

Comment: This will see employed clients and employees take home pay increase. It has been noted that some employees have enquired about using the saving to boost their pension contributions.

National Insurance Contributions – self employed

Class 4 NIC will reduce to 6% for 24-25. It had previously been 9% for 23-24.

Tax on dividends

The Dividend Allowance – (the amount chargeable to tax at 0%) – is being reduced from the first £1,000 to £500 for 2024/25.

High Income Child Benefit Charge

The income threshold at which HICBC starts to be charged will increase from £50,000 to £60,000. Child Benefit will not be withdrawn in full until individuals have 'adjusted net income' of £80,000 or more.

Comment: Tax planning around preservation of Child Benefit will need to be revisited to consider the increased thresholds depending upon individual circumstances.

The VAT registration threshold

The VAT registration threshold has increased from £85,000 to £90,000 and the deregistration threshold from £83,000 to £88,000.

Comment: For those businesses that operate close to these thresholds they need to contact their usual partner to review their options and potential impacts.

Furnished Holiday Lettings

The Furnished Holiday Lettings (FHL) tax regime will be abolished from April, 2025. This will mean short-term furnished holiday lets and longer-term residential lets are treated the same for tax purposes and individuals will no longer need to report the two income streams separately.

CGT annual exemption

The CGT annual exempt amount has been reduced from £6,000 to £3,000.

CGT residential property gains

These are presently taxed at either 18% or 28% depending on the individual's other income. From April 24 the upper rate will drop to 24%.



Chancellor Jeremy Hunt

What didn't change?

Personal allowance

The income tax personal allowance is fixed at the current £12,570 until April 2028.

Income tax

The basic rate of tax remains at 20%. For 2024/25 the band of income taxable at this rate is £37,700 – and will remain frozen until April 2028 – so that the threshold at which the 40% band applies is £50,270 for those entitled to the full personal allowance. For 2024/25, the point at which individuals pay the additional rate of 45% is £125,140.

Comment: Fiscal drag is a phrase that many clients are now familiar with. Personal tax planning will continue to be an important area to discuss with your usual RNS partner.

Individual Savings Accounts

Individual Savings Accounts are frozen at £20,000, Junior Individual Savings Accounts (£9,000).

Comment: Fiscal drag and rising bank interest income, coupled with falling dividend tax and capital gains tax bands will see using ISA allowances become even more important to lower personal tax burdens.

Company vans

For 2024/25 the benefit remains £3,960 per van and the van fuel benefit charge where fuel is provided for private use remains £757.

Corporation Tax rates

Corporation Tax will remain 25% for companies with profits more than £250,000. The 19% small profits rate will be payable by companies with profits of £50,000 or less, with a marginal rate applying between the bands.

Capital allowances

The Full Expensing rules for companies allow a 100% write-off on qualifying expenditure on most plant and machinery (excluding cars).

Capital Gains Tax rates

The Capital Gains Tax (CGT) rate remains at 10%, to the extent that any income tax basic rate band is available, and 20% thereafter.

Inheritance Tax nil rate bands

Despite much speculation before the Budget, Inheritance Tax (IHT) was not abolished. The nil rate band has been frozen at £325,000 since 2009 and this will continue up to 5 April 2028.



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Companies House fees increase

Companies House fees have increased for the first time in eight years.

Annual confirmation statements for limited companies have gone up from £13 to £34, for example.

Partner Gary Makinson explained Companies House had warned of increased charges some time ago to help pay for changes in the law.

The Economic Crime and Corporate Transparency Act came into force last year introducing reforms to tackle the abuse of UK corporate structures for the purposes of fraud and money laundering.

Gary said: "Presently, for every limited company we deal with, we settle the £13 confirmation statement fee to Companies House direct. This then gets recharged to the client on their next invoice."

"Going from £13 to £34 is obviously a huge hike in disbursements that we need to pass on."

"Understandably, having been £13 for so long, clients are wondering about the additional charge."

"Companies House has new powers and it is saying the increased fees will help pay for them."

"Clearly, it is aiming to improve the quality of data it holds on firms. In time, this may mean more financial information will need to be submitted to Companies House and put in the public domain."

The full list of new charges can be found by going to: <http://changestoukcompanylaw.campaign.gov.uk>



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Staff profile

Judith Cousins-Woodrow

Title: Accounts Manager

When did you join RNS? 2nd October 2019

School / college / university: Brumby Comprehensive School, John Leggott College, Sheffield Hallam University

Qualifications: Chartered Accountant - FCA

Interests out of work: Very busy taking my two children to their after-school activities and helping them with practising their violin and piano. When I do get some time to myself I love to bake and try to get to the gym at least a couple of times a week. To try and keep up with my children's musical interests, I have started studying music theory with the aim of picking up the saxophone again when time permits.

Favourite holiday destination (and why): My favourite holiday has to be Cornwall. We are lucky to have a holiday home there and just love it. We love walking the coast paths and spending time at the beach.

Favourite TV programme (and why): Don't watch much TV, together we watch family shows like Strictly and Great British Bake Off. I like to watch Ambulance. My all-time favourite show has to be Peter Kay's Car Share. No matter how many times we watch it, it still makes us laugh.

Favourite music: Music is very important to me and can always be heard at home. I like most music across a broad spectrum. I enjoy listening to older music like Mr Blue Sky by Electric Light Orchestra but can also be found dancing in the kitchen to a bit of Whitney Houston and Beyoncé. I also enjoy listening to classical music and am proud that my children both enjoy singing in the Scunthorpe Junior Co-operative Choir.

Favourite food: My favourite food would have to be a nice Greek salad with lots of feta cheese.

Favourite book: I'm afraid I don't get much time to read any books other than bedtime stories to my children.

Best thing about living in North Lincolnshire: Being close to my family and having the Baths Hall close as it does attract some decent talent. We have some lovely countryside walks on our doorstep too.

What is the best thing about working at RNS: When a client says thank you for helping them, it feels like a job well done. Sometimes the work we do isn't the most interesting but I work with some great people and we do have a giggle on the way.



Presidency ends



Chris is congratulated on his tenure in office.

As terms of office go, Chris Driver's has been unusual.

The RNS associate partner became President of the Humberside and District Society of Chartered Accountants in 2021, having been deputy the previous 12 months. His expected year-long tenure actually ended in December.

His time in office coincided with the pandemic and its aftermath, throwing up plenty of challenges. But he had enjoyed the role.

"The term was extended due to Covid and because I wanted to oversee changes to the District Society that were going through. These came into effect on 1 January 2024," Chris said.

"I have really enjoyed the role, the highlight being meeting many different people, both in our local area as well as from across the country.

"I was delighted that we were able to get people meeting again back at the start of 2022, following the Covid lockdowns, effectively restarting the District Society."

He said the biggest success was running two charity dinners, hosted at the fantastic Hull Minster, that helped raise more than £1,000 for two local charities.

"One of the best and, in a good way, surprising outcomes was that I've remained in contact with a number of the Presidents, many of whom I would not have had the pleasure of meeting if not for the role."

Sophie, a contemporary from Chris's days studying and director at a Hull-based firm of accountants, succeeded him in January. He remains on the Board of the now Local Network.

Chris, who joined RNS in 2015, is a member of the agricultural team based in the Brigg office.



Chris addresses one of the fund-raising dinners in the wonderful setting of Hull Minister.



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Savers' tax

Fiscal Drag and Unexpected Tax Bills

Fiscal drag might be something discussed in the news – but few understand what it means until they feel its impact.

Put simply, individuals are finding themselves in higher tax brackets because income tax bands have remained static while wages have grown. At the same time those with savings have seen interest income rise as savings rates have increased.

Official figures from February show 4.2 million more workers pay income tax compared to just three years ago because of fiscal drag.

Tax thresholds have remained frozen since April 2021 and, as announced by the Chancellor in his March Budget, will remain so until April 2028.

It has meant 1.6 million more people have found themselves in the 40% tax bracket.

The Institute for Fiscal Studies estimates a fifth of workers will be paying the rate by 2027.

Partner Alex Douglas said individuals with savings have also become victims of fiscal drag.

“Interest rate rises have meant they are getting more of a return,” he said.

“They should be paying tax on this savings income - it used to be deducted at source by the banks at 20% many years ago - but the only real mechanism for paying it now is by completing a tax return.

“The other issue is that, in the past, the basic state pension was well below the tax-free personal allowance that everybody gets so, even if retired, interest was

usually covered by tax-free personal allowances. However state pensions are almost using up tax-free personal allowances.”

Interestingly those with additional private pensions are potentially being pushed into the 40% tax bracket, something they have often not reached in their working lives.

Alex said: “Nothing has changed with regards to the tax principles, but it is so long since individuals with modest savings received meaningful interest that they probably won't be aware they should be paying tax.

“Perhaps the first they will know is an HMRC demand as savings institutions share information with HMRC so they will catch up eventually.”



Comment:

“The best advice is to speak to RNS so we can assess if anything can be done to help with tax planning and, of course, complete a tax return so the tax is paid and HMRC don't chase causing you stress and potentially penalties.”

Clients may have relatives that have not considered this issue, or have ever even had to deal with HMRC and completing a tax return. Here at RNS we are always happy to have a free initial consultation with any new contacts to assess their circumstances and actions required, so do not hesitate to contact your usual partner.



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Example 1

A retired worker in their late 60s with a state pension of £10,600, a private pension of £5,000 and gross bank interest on £100,000 of savings of £5,000 will have a total income of £20,600.

In previous years the £100,000 of savings may have only been generating £1,000 of income so no tax to pay, and no tax return submitted either.

The savings income now would mean an additional tax bill due on the savings income in the region of £400.

Example 2

A retired professional, in their 70s, has an index-linked private pension of £30,000 for the tax year that ended in April.

They have three other sources of income, state pension (£10,600), rental income (£7,000) and gross bank interest on £100,000 of savings (£5,000).

So their total income for the tax year is £52,600, pushing them over the higher rate threshold of £50,270 by £2,330.

In previous years with low interest rates the savings of £100,000 may have only generated income of say £1,000 on which the tax payable would have been minimal, and certainly not an income figure that pushed them into the higher rate (40%) tax bracket.

Inheritance Tax trap

Once a tax only the minority worried about, Inheritance Tax (IHT) will continue to catch unsuspecting clients after the Chancellor announced there would be no increase to its threshold.

The Government will levy tax on the value of a person's estate if it is worth more than the Nil Rate Band (NRB) of £325,000, a figure that has remained unchanged since 6 April 2009.



There is an additional 'main residence' allowance called the Residence Nil Rate Band (RNRB) which applies if a person's home is given to their children (including adopted, foster or stepchildren), or grandchildren.

This is set at £175,000 for the current tax year and is added to the NRB, providing up to £500,000 of assets that can be passed to beneficiaries without suffering IHT.

Property price inflation has meant many now have taxable estates, with beneficiaries paying 40% tax on asset values in excess of the NRB (and RNRB if applicable).

When a relative dies, families are required to pay the tax within six months. After this, they are charged interest at a rate of 7.75% currently.

Your estate could include more than you originally realise. It is often easy to dismiss IHT as something that may not affect you as your property may not be over, or only marginally over, the IHT threshold.

However, with all your other assets such as investments, life cover, bank accounts, as well as physical property such as cars, furniture and family heirlooms, many estates are considerably over the threshold without the individual being aware of it.

However, there are ways to lessen the burden of IHT. Assets passed between spouses and civil partners are exempt from Inheritance Tax. If you do not fully utilise your NRB or RNRB, the unused proportion will be passed to the surviving spouse or civil partner.

Based on current thresholds, this gives a couple available Nil Rate Bands of up to £650,000, which increases to £1,000,000 with the addition of the 'main residence' allowance detailed above.

Estate planning

Few of us like to think about dying, however the relevant legislation requires us to plan well in advance.

This means making the necessary provisions now. There are many tax opportunities available and the earlier arrangements are made, the greater the chance of taking full advantage of our complicated tax system.

It is important when planning to transfer an estate that adequate provision is made and getting the right balance requires considerable skill and foresight - along with a detailed knowledge of the current tax regime.

Your contact at RNS can provide a discreet comprehensive estate planning service that includes:

- Help with planning and reviewing a will;
- Making full use of exemptions and lower tax rates on lifetime transfers;
- Optimising lifetime transfers between family members;
- Transferring agricultural or business property;
- Transferring assets into trust; and
- Arranging adequate life assurance to cover potential inheritance tax liabilities.

We have expertise in dealing with trusts; a relatively easy and very tax efficient way to set aside assets for future beneficiaries outside the Inheritance Tax net.

We also work in conjunction with other professional advisers to ensure the best outcomes.



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Angie Simms' retirement

Senior manager Angie Simms is retiring from the practice this Spring – giving her time to invest in herself.

She began at RNS 26 years ago and, while sad to leave colleagues and clients, is looking forward to retirement.

“I was going to retire five years ago when my husband, Ivan, retired from the police but he took another job and I decided I may as well stay on a bit longer,” she said.

“But now I feel I’m ready. I’ll miss my colleagues who are friends as well, some very close friends.

“I’ll continue to see them but, obviously, not at work. I shall miss being in the office and enjoying the banter.

“But the plan is to focus on me and my health. I’ll potter in the garden and we will have more time to travel in our caravan.”



Angie had a baptism of fire when she started at RNS on the 5th January, 1998, as a senior clerk in the accounts and taxation team.

“It was the first year of self-assessment and the 31st January deadline to send in tax returns. I remember sitting in this room, with Rebecca, processing tax returns for a month before I moved upstairs to my own desk!”

It was not long before she was promoted to manager, working for retired partners Ian Pounder and John Bletcher for many years. Both remain good friends. When they retired Angie worked predominantly for Rebecca and latterly for Karen. They all remain good friends.

She has been a senior manager for 20 years and, up to reducing hours to two days a week five years ago, was responsible for the book-keeping and payroll department as well as accounts and taxation.

Angie was responsible for the firm’s own payroll for around 10 years.

“Clearly, it was a sensitive job and I was pleased to be trusted to do it.

“Overall, I’ll reflect on my time here with joy. I have been lucky to always enjoy my job and the work I have done. I would not have stayed 26 years had I not done so.

“I’ve worked with some diverse clients. Some have been my responsibility since my first day here and I’ve worked with generations of the same family.

“I have got to know them really well and some I class as lifelong friends, getting to know them as people as well as in their business.



“It’s really nice to have been able to have enjoyed a job to that extent.”

Angie has faced many challenges in her professional and personal lives. In the office, she has overseen major changes such as self-assessment, auto enrolment in pension schemes and Real Time Information, the new way of reporting pay-as-you-earn.

Sadly, she has faced traumatic times out of work. She lost youngest son Adam, aged 18, in an accident three years ago, in 2007/2008 her parents died six months apart and arthritis has had a big impact.

“The partners and colleagues have always been there for me, no matter what.

“When we lost Adam, I was ready to give up. They just said take your time and they welcomed me back when I was ready.

“Nothing has been too much trouble and I have been lucky to have such understanding partners.

“But now I want to focus on me and my health, investing time in myself.”

Angie, Ivan and their eldest son Jack established the Adam Simms Foundation in her younger son’s memory, providing sporting opportunities for local youngsters.

“Adam was a very talented sportsman and he would be proud of the Foundation. I’ll have more time to dedicate to it and be more proactive and raise more money.

“But I’ll always look back fondly and be grateful for my time at RNS and the support the partners and colleagues have given me.”

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Income tax rates and bands 2024/25

	£ per year
Basic rate - 20%	0-37,700
Higher rate - 40%	37,701-125,140
Additional rate - 45%	Over 125,140

The tax rates for dividends are 8.75% basic rate, 33.75% higher rate and 39.35% additional rate.

Income tax allowances 2024/25

	£ per year
Personal allowance	12,570
Income limit for personal allowance	100,000
Dividend allowance	500
Marriage allowance	1,260

Give us a call for a free, no obligation meeting.

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