

# BUSINESS SUCCESS

Improving the lives of our clients

Carthy  
Accountants

APRIL 2023

## 2023 Budget Edition

- Corporation tax changes
- Carthy Book Club
- A client's story
- Selling your business
- Tax planning

"Dear HMRC, I am writing to you to cancel my subscription. Please remove my name from your mailing list." Snoopy



# LET'S HELP YOU KEEP AS MUCH OF YOUR MONEY AS POSSIBLE!

**T**he first quarter of the year is over. Where did that time go? We may only be three months of the way through the actual year, but we are about to enter a new tax year.

One of the most significant changes this April brings for business owners like us is the new corporation tax rates.

This will see the main rate of corporation tax jumping from 19% to 25%, which will significantly impact many of us.

The good news, however, is there are always ways to lower the amount you hand over to the tax man.

Achieving that can be done by looking at what costs can legitimately be put through your business or looking at other investment opportunities.

However, there's no escaping the current state of the UK economy and the challenges small businesses face. As a business owner, you may currently be facing the accumulating hurdles of high prices and utility bills, poor supply chains and a prolonged talent shortage.

Whatever is happening within your business, please remember we are here to support you and help you keep as much of your money as possible in your pocket.

“ The good news is there are always ways to lower the amount you hand over to the tax man. ”



A handwritten signature in blue ink that reads "Michael".

**Michael Carthy**  
Managing Director



**PAY YOUR TAX**  
**NOW**  
*Here!*

## The UK corporation tax rates are changing from this month

**From 1 April 2023, the rate of Corporation Tax changes from 19% to a variable rate between 19% to 25%, depending on the profits made by your business. This could mean changes in what you will owe in tax for the 2023/24 tax year.**

### **WHAT ARE THE MAIN CHANGES TO CORPORATION TAX?**

Prior to the change, Corporation Tax was charged at 19% for most companies. (The only exceptions are companies in specific sectors like banking, oil, gas and life insurance.)

### **FROM 1ST APRIL 2023, THE RATE OF TAX CHANGES:**

- The rate remains at 19% for companies with profits below a threshold of £50,000.
- The rate increases to 25% for companies with profits above a threshold of £250,000.
- The rate for businesses with a profit of between £50,000 and £250,000 will be given marginal relief, which has the effect of increasing the average rate from 19% up to 25%, as your profits increase.

Simple? Not really, so please talk to us about any concerns you may have over any of the changes mentioned.

# Selling your business?

## Understand the tax implications.

**S**elling your business is a big decision. If you're a limited company, you'll usually be faced with two choices for structuring a sale.

1. Selling the trade – i.e. the operational assets owned by the business
2. Selling the company shares – i.e. selling your shares in the company to a new owner

Both routes have their own distinct tax outcomes. Having a good understanding of these implications will help you decide on your preferred route.

### **Deciding on the most tax-efficient route to a sale**

Let's assume you're running a business set up as a limited company. When you want to sell the business, the tax and other implications of selling either the trade or the company shares can be very different.

- Selling the trade means selling any assets used by the business. This would mean your business premises, equipment, and any goodwill associated with the business. In this case, the vendor is the limited company.
- Where the company shares are sold instead, the vendor is the shareholder, and the company continues as before.
- From your viewpoint as the exiting owner, the primary tax consideration revolves around tax on any capital gain where the selling price is above the deductible cost.
- In the case of a share sale, the sales proceeds less any associated cost ('base cost') will produce a taxable gain. In many cases, the base cost is close to zero – often just the nominal value of the shares.

- Presuming the sale qualifies for Business Asset Disposal Relief (BADR), the first £1 million is taxed at 10% with the balance at 20%. Where BADR does not apply, any gain in the basic-rate band will be taxed at 10%, and the remainder at 20%. Where there are multiple shareholders, e.g. husband and wife, each is entitled to the £1 million BADR band.

“ **the tax implications of selling either the trade or the company shares can be very different** ”

- If the trade (assets) are sold instead of selling the company shares, any gain is taxed at normal corporation tax rates. This will be between 19% and 25%, depending on overall profits. When the shareholders take any remaining surplus out of the company, either as dividends or on liquidation, if the company is no longer needed, there will be a further tax charge on the owners.
- Unless there are specific reasons to the contrary, the seller will usually want to sell the company shares rather than the trade and assets.

### **Talk to us about a tax-efficient business sale**

It's important to clearly understand which route has the most benefits and advantages for you. If pressure from the other party pushes you towards a sub-optimal choice, you should seek some appropriate adjustment to the selling price.

If you're considering selling up, we can run you through the best way to plan this sale.

# Carthy Club

CONNECT COLLABORATE COMMUNITY

The first Carthy Club of 2023 was held last month and went down a storm. With a St Patrick's Day theme celebrating everything Irish, we welcomed nearly fifty local business owners to our offices for an evening of informal networking. From Irish Coffee's to Colcannon, Guinness, and Tayto Crisps, we went all out to make it a proper Irish night.

On the networking front, several great connections were made. Two attendees from different sides of the well-being industry connected and are exploring some collaborative opportunities. A client was introduced to a fire health and safety firm to ensure their place of work is up to standards, and a mortgage broker was introduced to a will writer with great potential opportunities to work together.

If you would like to attend the next Carthy Club in June, please let us know by email, and we will send an invite:

[clientservices@carthyaccountants.co.uk](mailto:clientservices@carthyaccountants.co.uk)

# Carthy Accountants



# Change of Tax Basis Period for unincorporated businesses

**Carthy**  
Accountants

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**Are you self-employed? Or are you a partner in a trading partnership? There are proposed changes to the tax basis period for unincorporated businesses.**

HM Revenue & Customs (HMRC) is proposing changing how unincorporated businesses are taxed, moving from a 'current year' basis to a 'tax year' basis. For affected businesses (those that don't have a year-end between 31 March and 5 April), this could mean a much larger tax bill for the 2023/24 tax year.

## **What does a change in the base period mean?**

Self-employed people and partners in trading partnerships generally prepare accounts for the same fixed date each year. This is the 'basis period'. For tax purposes, profits are currently taxed in the tax year the basis period ends.

- For example, if your business has a 30 June period end, profits for the year to 30/06/2022 would be taxed in the 2022/23 tax year ending 5 April 2023. The tax would then be payable by January 2024.
- From the 2024/25 tax year, all business will be taxed on a tax-year basis (with 31 March to 5 April being treated as coterminous with the tax year-end). This means they will pay tax for the 2024/25 year on profits earned in that year.
- All self-employed businesses and partners with any other year-end will be required to pay tax earlier than they

would previously have done. And this could have a severe impact on tax planning and cash flow!

- The 2023/24 tax year is a transitional year in which all affected businesses will be taxed on the profits for their basis period as now, plus the tax on profits from the end of that basis period up to 31 March/5 April 2024.
- Some of these businesses will have overlap profits carried forward in their tax returns. This will represent profits considered to have been taxed twice in their earlier years. That overlap profit can be deducted from the combined taxable amounts in 2023/24. Additional taxable profits may be spread over up to five years to reduce the impact.
- The change to the base period will simplify reporting requirements as the Making Tax Digital for Income Tax Self-Assessment (MTD ITSA) changes are rolled out. This change to the base period considers all other forms of income for individuals on a tax-year basis, making the whole process easier to administer.

Talk to us about the proposed changes to your accounting period-end!

## Team News

**This month our Client Relationship Manager Edith Woodward ACCA and partner Dave found out the gender of their new arrival later this year. They are having a boy! Huge congratulations to them both.**

**Lucy Mays MAAT, also a Client Relationship Manager sat another exam towards her ICAEW chartered qualification for which she will get the results in the summer. Only three more to go!**



## They are accessible, friendly, and always available

Grace Challinor is the Business Manager at The Inspirational Learning Group (TILG) and is responsible for everything to do with the company finances. We help Grace and her team with day-to-day advice on anything from tax queries to raising an invoice on Xero.

We have trained Grace and her team to get the most from the accounting software and are here when she needs us with any questions.

“ Carthy Accountants have helped us maximise the potential of Xero. ”

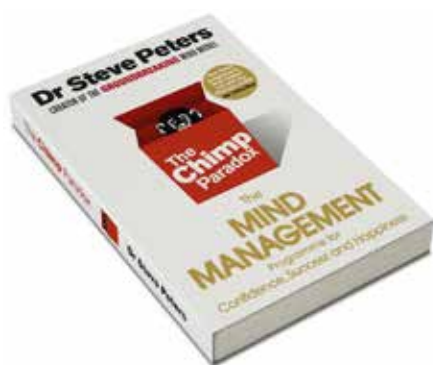
Grace Challinor, TILG.

Discover how transitioning to Xero can help you:  
[info@carthyaccountants.co.uk](mailto:info@carthyaccountants.co.uk)

Find out more about TILG: [inspirationallearninggroup.co.uk](http://inspirationallearninggroup.co.uk)



## CARTHY BOOK CLUB



### THE CHIMP PARADOX PROF. STEVE PETERS

THE MIND MANAGEMENT PROGRAM TO HELP YOU ACHIEVE SUCCESS, CONFIDENCE AND HAPPINESS.

**Y**our inner chimp can be your best friend or your worst enemy... This is the Chimp Paradox.

The Chimp Paradox explains about the complicated and crazy mess that is our brains. It describes how one minute we can be calm and rational and the next angry and irrational.

FACT - The brain has two main ways of thinking and often come into conflict with each other.

We have the 'human' brain that is rational, thinks things through and acts based on fact. We then have our inner chimp brain, which loves

to sabotage our own happiness and success.

The Chimp Paradox shows us how to recognise how our mind works, manage our emotions and thoughts, and train ourselves to become the person we want to be.

Prof. Peters has also written a children's version entitled My Hidden Chimp that helps children understand and manage their emotions, thinking and behaviour.

We have a few copies of The Chimp Paradox available. If you would like a copy contact [info@carthyaccountants.co.uk](mailto:info@carthyaccountants.co.uk).  
Once they're gone, they're gone!

# Tax planning sessions

**Plan ahead for the corporation tax changes with a Tax Planning session, which is most effective in month 11 of your financial year.**

**T**ax planning is a critical aspect of managing your finances. Our Tax Planning sessions are one hour long, and we will discuss how you can best save tax over the coming financial year.

There are two ways to access this service: add it to your service level agreement so it becomes an annual occurrence or have a stand-alone session for a one-off fee. You may find this particularly helpful now to account for the new corporation tax increases.

For limited company directors, in particular, these sessions will also impact your personal tax. Hence, we always advise bringing your financial advisor (if you have one) to the meeting so we can cover all bases.

By taking a strategic approach, you can minimise your tax liability, maximise your wealth, and ensure that you comply with all current tax laws and regulations.

Contact Client Services and book a Tax Planning session: [clientservices@carthyaccountants.co.uk](mailto:clientservices@carthyaccountants.co.uk)



**'By taking a strategic approach, you can minimise your tax liability and maximise your wealth'**

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**Carthy**  
Accountants

Every client matters