

December 2024

Tax

Newsletter

Tax and AI

The government is trialling an [AI “chatbot”](#) to answer questions on government processes (not just tax questions). It is confined to “up to” 15,000 users and it is not clear how they are selected. This is separate from HMRC’s [digital assistant](#). Although neither service seems particularly useful at present this is clearly going to be the direction of travel in future.

Apprenticeship Levy: compliance guidelines

If you are subject to the Apprenticeship Levy, you might wish to look at the new [HMRC compliance guidelines](#).

These guidelines:

- summarise the rules for the Apprenticeship Levy and Employment Allowance
- help employers to avoid making the most common mistakes seen by HMRC
- provide help with specific issues public body customers encounter
- help employers to identify connected companies, charities and other entities
- help employers reduce their tax compliance risk in these areas

You should read these guidelines alongside HMRC’s Apprenticeship Levy manual and the National Insurance manual.

Overlap relief

This only affects you if you are an individual or partnership in self-assessment and you make up your accounts to a date that is not April 5th (for these purposes March 31st-April 4th also count as April 5th).

This tax year (2023/24) is when sole traders and partnerships have to move from accounting year basis periods to the tax year basis. If you are affected, the tax return for 2023/24 must include:

The standard part: The 12 months following the end of the basis period for 2022/23, ie accounts made up to your usual non-April 5th date.

The transition part: The period from the end of the standard part to April 5th 2024, which is the date you’ll have to make up your accounts to in future (or else do a balancing calculation every year).



If you are affected by this, get an accountant to help you, even if you usually do your accounts yourself or use the [HMRC calculator](#). Historically, if you started on self-assessment with a non-April 5th accounting date there would have been a first year adjustment carried forward and available to set against your final year’s profits. You can use this overlap relief now to mitigate the effect of having to pay tax on a period longer than a year. Unless you have incredibly good records you might need HMRC to remind you what your available relief is: HMRC has an [online service](#) that can (but not always) give you the figure. If you need to use this service they recommend you do so before the end of December.

Interest rates

Here is the usual [routine updating](#) of HMRC interest rates (paid and charged) after the latest reduction in the Bank of England base rates.

“Partnership model” avoidance scheme

HMRC have [issued a warning](#) about a disguised employment income avoidance scheme called “the partnership model” which – to put it simply – seems to rely on pretending the employee has ceased to be an employee but is paid compensation for this loss via a capital contribution to a limited liability partnership..... but they carry on receiving the same gross pay, only without the deduction of tax and NI. Needless to say, HMRC say the scheme does not work and are likely to go after anyone who uses it.