

MSC ACCOUNTING

Changes to taxation for new tax year (2024 – 2025)

Personal Allowance

The personal allowance in 2024/25 will remain **£12,570**. This is how much you can earn tax free.

The government has frozen this tax allowance until **2028**.

UK Tax Brackets

- **basic rate** – 20 per cent on income between £12,571 and £50,270 – you pay tax on £37,700
- **higher rate** – 40 per cent on income between £50,271 and £125,140
- **additional rate**– 45 per cent on income above £125,140 (reduced from £150,000).

National Insurance Tax Rate Changes

The self-employed usually pay both **Class 2 and Class 4** National Insurance through their annual Self-Assessment tax return.

Following the Autumn Statement, from 6 April 2024 the self-employed no longer need to pay Class 2 National Insurance. The Spring Budget saw a reduction in the main rate for Class 4 NICs.

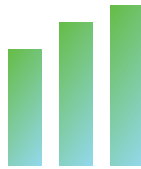
Tax thresholds for Class 2 NICs and Class 4 NICs

	2024/25 thresholds	2023/24 thresholds
No National Insurance incurred between	£0 to £6,724	£0 to £6,724
Small profits threshold for Class 2 NICs	No longer applies	£6,725
Lower profits limit for Class 4 NICs	£9,880	£9,880
Upper profits limit	£50,270	£50,270

Here are the National Insurance rates for 2024:

- Class 4 NICs up to the upper profits limit at **6 per cent** (for 2024/25 tax year)
- Class 4 NICs above the upper profits limit at **2 per cent** (for 2024/25 tax year)

Check <https://www.gov.uk/self-employed-national-insurance-rates> for more information.



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Changes to Wage Rates for Employers

	Rate from April 2024	Rate from April 2023
National living wage	£11.44 (aged 21+)	£10.42
Rate for 21-22 year olds	National living wage rate applies	£10.18
Rate for 18-20 year olds	£8.60	£7.49
Rate for 16-17 year olds	£6.40	£5.28
Apprentice rate	£6.40	£5.28

Tax Rates for Dividends in 2024/25

The dividend tax rate is staying the same in 2024/25.

Dividend Allowances have been cut for 2024/25 so for 2024/25 you will pay dividend tax on the dividends you earn above £500 (instead of £1,000) at these rates:

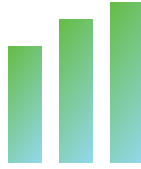
- **basic rate taxpayers** – 8.75 per cent
- **higher rate taxpayers** – 33.75 per cent
- **additional rate taxpayers** – 39.35 per cent

Making Tax Digital

Self- Assessment taxpayers have until April 2026 to start using Making Tax Digital for income tax. Initially this will apply to those with an income over £50,000 and then those earning £30,000 to £50,000 will need to use the system from April 2027.

Those earning less than £30,000 will not be required to file using Making Tax Digital (at least for now).

This system requires businesses to keep digital records and file tax returns digitally. Businesses need to use relevant accounting software.



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Tax credits – Self-employed changes

Working tax credits are coming to an end, and people claiming solely working tax credit should be migrated to Universal Credit before the start of the 2024/25 tax year. The remaining people claiming will be migrated by the start of the 2025/26 financial year.

Make sure you check your tax credits information and how this could impact your Self-Assessment.

Capital Gains Tax Allowance

Capital Gains Tax Allowance reduces from £6,000.00 to £3,000.00 for 2024/25 tax year.

Annual Investment Allowance (AIA)

You can deduct the full value of an item that qualifies for Annual Investment Allowance (AIA) from your Profits before Tax.

You can claim AIA On most Plant and Machinery up to the value of £1,000,000.

You cannot claim AIA on the following:

Business Cars

Items you owned for another reason before you started using them in your Business

Items given to you or your Business.

The Allowance must be claimed in the accounting period that you purchased the item.

Check <https://www.gov.uk/capital-allowances/annual-investment-allowance> for more information on the Annual Investment Allowance.