

## I have heard HMRC are changing my year end. What does that mean for me?

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This is not exactly true. UK Gov are considering reforming the Income tax basis period and if changed in the way that they are currently proposing, some people may be seriously affected.

Before writing this article, I thought long and hard as to whether it was a good idea. On the one hand, these are only proposals at this stage and therefore, may never be enacted, but on the other, if the changes are introduced, the effects could be serious. Therefore, I decided to briefly explain what is being considered.

As part of UK Gov's drive to overhaul the tax system (see previous articles on Making Tax Digital [MTD]), HMRC are considering changing the way in which trading income is taxed. Specifically, they are considering changing the basis period from a current-year basis to a tax-year basis. Now, this is a technical issue and could be considered by some to be 'a little bit boring' but the implications could be far-reaching. To put some people's minds at ease, I can confirm that if your business accounts are usually made up to 31 March or 5 April each year, you will not be affected and therefore, you do not need to read on.

For those whose business accounts are drawn up to a date other than 31 March or 5 April, please read on.

Essentially, the proposed changes will alter the profits (or losses) taxable with effect from the 2023/24 tax year onwards. HMRC are proposing that for this tax year, your profits (or losses) will be calculated as those earned in the tax year and not those earned in your usual accounting year end which falls between 6 April 2023 and 5 April 2024.

This seems very minor, but basically, what it means is that in the 2023/24 tax year, depending on what your usual accounts year end is, HMRC will be looking to tax more than 12 months profits. Potentially, and subject to any overlap relief brought forward, this could mean that your business profits will be higher than normal and that may mean you have more tax to pay.

HMRC are proposing to introduce measures which will allow you to spread the tax on 'excess profits' over a 5-year period, but either way, these proposed changes represent a tax-grab, and you need to be aware of how you may be affected.

Moore (NW) will of course keep you updated but if you want to understand the proposed changes in more detail, feel free to read more [here](#) and/or give us a call to discuss.

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