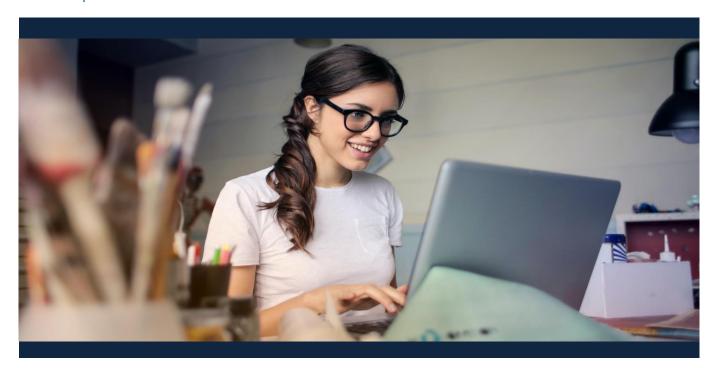
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FACTSHEET: OVERLAP RELIEF SPECIAL ISSUE

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On 11 September 2023, HMRC launched an online service which allows sole traders and partners to request details of their unrelieved overlap profits so that they can claim overlap relief. As a result of the move to the tax year basis from April 2025, there is only a limited window remaining in which to secure relief for overlap profits.

Key dates

The last tax year for which relief for overlap profits can be claimed is 2023/24. You must file your tax return for the 2023/24 tax year online by midnight on 31 January 2025.

This note explains how to use the online service to request details of overlap profits available for relief.

Overlap profits

Under the current year basis of assessment, which applied for 2022/23 and previous tax years, in the early years of an unincorporated trade some profits may have been assessed twice. These are known as overlap profits. Overlap profits may also arise on a change of accounting date.

Relief for overlap profits

To ensure that over a lifetime of the profits of a business are only taxed once, relief is given for overlap profits. Under the current year basis, relief was given either in a tax year for which a change of accounting date meant that more than 12 months' profits were assessed in that tax year or, if overlap profits remained unrelieved, on the cessation of the business.

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From 6 April 2025 onwards, unincorporated businesses are taxed on the profits for the tax year regardless of the date to which they prepare their accounts. Consequently, overlap profits will no longer arise. The 2023/24 tax year is a transition year moving the assessment of profits from a current year basis to a tax year basis. It is also the last year for which overlap profits can be relieved, being deducted from the transition part of the profits for that year. Relief for overlap profits will be lost if a claim is not made for 2023/24 or an earlier tax year.

Establishing overlap profits

In order to make a claim for overlap relief, you will need to know the amount of your overlap profits. This may not be information that is easily to hand, particularly if you started your business many years ago. However, you can use the HMRC online service to request details of your overlap profits which are available for relief, as long as you have previously reported details of your overlap profits to HMRC. Details can only be provided if the relevant figures are recorded on HMRC's systems.

The information is taken from previous returns submitted to HMRC. If you did not provide details of your overlap profits in your returns, HMRC will be unable to supply a figure for your overlap profits. However, it may be possible to obtain historic profit figures from which details of overlap profits can be recalculated.

Making an online request

If you have previously provided details on overlap profits on past tax returns, you can use the dedicated online service to request details of your unrelieved overlap profits. You can find the service at www.gov.uk/guidance/get-your-overlap-relief-figure.

You will need to log into the service using your Government Gateway user ID and password. If you do not already have one, you will be able to set one up.

In order to make a request, you will need to ensure that you have the following information to hand:

- your name;
- your 10-digit Unique Taxpayer Reference (UTR) or your National Insurance number;
- the name and/or a description of your business;
- whether you operate as a sole trader or in partnership;
- if you are a partner in a partnership, the partnership's UTR;
- the date that you started in business as a sole trader or became a partner in the partnership;
- the most recent accounting date used by your business to report its profit or loss;
- if applicable, the tax years in which you changed your accounting date.

You will be asked to provide your contact details and whether you would prefer to be contacted by email or by letter.

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HMRC 's response

After you have made your request online you will receive a confirmation letter or email containing your submission reference. So that you can be sure that is a genuine contact from HMRC, the response will contain the last 4 digits of your UTR, the first initial of your name and your last name.

HMRC state that they should be able to provide the requested information within three weeks; however, complex cases may take longer.

We can help

If you would like to consider your business exit planning options in more detail, please call us on **01753 888 211** or email **info@nhllp.com** if you need guidance with any of the issues raised in this Broadcast. We would be happy to help.