

# 2022 SPRING STATEMENT

The bite sized summary for business owners



The Accountants that don't just keep the score - we help You win



## Welcome to our KMA Spring Statement Newsletter!

The main focus of the Spring Statement is for the Chancellor to update us on state of the nation's finances.

That said a number of tax announcements were made.

To make it super easy for you I've summarised the various tax announcements which are most relevant to you into this bite sized Spring Statement Newsletter.



## INCOME TAX

No change as the tax-free personal allowance stays at £12,570 and the higher rate tax threshold stays at £50,000. These amounts remain frozen until 5<sup>th</sup> April 2026.

An announcement was made to cut the basic rate of income tax rate by 1% to 19% in April 2024.

## NATIONAL INSURANCE & HEALTH LEVY

The 1.25% increase for employees, employers & self-employed will go ahead as planned from April 2022.

All National Insurance (NIC) rates will rise.

*Employees : 12% to 13.25%*

*Employers : 13.8% to 15.05%*

### *For Employees*

The NIC annual tax-free allowance for 2022/23 will rise in April to £9,880 and then in July to £12,570.

### *For Employers*

There is no change in the NIC annual tax-free allowance for 2022/23 – it remains at £9,100.

However, the Employment Allowance which reduces the employer NIC cost for eligible businesses for 2022/23 will rise from £4,000 to £5,000 a year.

## DIVIDEND TAX

Tax rates on dividend income more than £2,000 will go up by 1.25% from 6<sup>th</sup> April 2022.

The new dividend tax rates will be 8.25%, 33.75% and 39.35%.

## THE SELF EMPLOYED

The rate of Class 4 NIC which the self-employed pay on their profits will rise in April 2022 by 1.25% to 10.25%.

## CORPORATION TAX

Corporation tax rates will remain unchanged at 19% for next year.

The rate increase will go ahead as previously announced on 1<sup>st</sup> April 2023 to:-

1 For businesses with profits more than £250k – 25%

2 For businesses with profits from £50k to £250k – between 19% and 25% depending on the amount of profit made.

## CAPITAL ALLOWANCES

The 130% 'super-deduction' scheme (where companies get extra tax relief on their capital expenditure) will come to an end in 12 months' time on 31<sup>st</sup> March 2023.

It's likely that, in an attempt to encourage investment after April 2023, there will be a replacement scheme.

Remember there is still 100% first-year allowance available for electric cars.

The date of purchase of capital assets can make a difference to the amount of tax relief you can claim.

To ensure you avoid missing out on a tax relief which you can claim do speak to us before your next sizeable investment.

# 2022 SPRING STATEMENT (continued)

## NATIONAL MINIMUM WAGE TO RISE

From April 2022 the hourly rates will rise to: -

Age 23+	£9.50 (up 59p)
Age 21-23	£9.18 (up 82p)
Age 18-20	£6.83 (up 27p)
Age under 18	£4.81 (up 19p)
Apprentice	£4.81 (up 51p)

These are above inflation increases from the current rates so many businesses will have to plan for a rise in their payroll cost this year.

## R&D

Two changes will apply from 1<sup>st</sup> April 2023.

1 R&D qualifying cost expanded to include data & cloud costs.

2 Will be a requirement that a 'large %' of qualifying R&D cost to have been incurred in the UK.

The R&D tax relief schemes will be enhanced from April 2023 - a further announcement with more detail on this are expected over the summer.

## BUSINESS RATES

To help those who pay rates :-

1 Business rates multiplier frozen until 31<sup>st</sup> March 2023.

2 50% temporary business rates relief for eligible leisure, hospitality & retail businesses for the year 2022/23.

3 Businesses which make improvements to their premises

which enhance productivity and support net zero targets of decarbonization will not see their rates increase in the 12 months after completion.

## SELF EMPLOYED & PARTNERSHIPS - YEAR END REFORM

From 6<sup>th</sup> April 2024 all sole traders and & partnerships must have a year-end of either 31<sup>st</sup> March or 5<sup>th</sup> April.

For those businesses who currently don't, they must change their year-end by 5<sup>th</sup> April 2024 at the latest.

In the year in which the year-end is changed the taxpayer is likely to have a higher tax bill simply because the accounting period is more than 12 months.

## MTD UPDATE

The requirement for sole traders and landlords with income more than £10k to file tax returns using MTD is still set to come in – it will apply from 6<sup>th</sup> April 2024.

## VAT LIMITS

The VAT registration and de-registration limits of £85,000 & £83,000 remain unchanged.

Both these limits will remain unchanged until 31<sup>st</sup> March 2024 – so for at least another 2 years.

## REDUCED RATE VAT

Qualifying businesses in the hospitality & leisure sectors are currently benefiting from the reduced VAT rate of 12.5%.

This lower VAT rate will cease on 31<sup>st</sup> March – the 20% rate will apply from 1<sup>st</sup> April 2022.

## CAPITAL GAINS TAX

This annual tax-free allowance stays at £12,300 for 2022/23.

It will remain frozen for another 4 years until 5<sup>th</sup> April 2026.

## INHERITANCE TAX

The nil rate band (or tax-free allowance) stays at £325,000 for 2022/23.

It will remain frozen for another 4 years until 5<sup>th</sup> April 2026.

The additional £175,000 nil-rate band which applies if the main home is part of an estate also continues.

Disclaimer : This newsletter is designed to alert you to some of the major issues you should be considering and tax changes you should be aware of . It is not a replacement for professional advice tailored to your precise needs and circumstances. It is important that you take professional advice before making any decisions based on the information that you learnt here. While every effort has been made to make sure it is accurate it cannot be precisely tailored to your personal circumstances.

Please contact me or a member of the team if you would like to discuss any of the issues raised.

Call: 0161 929 4763 Email: kim@kmaaccountancy.co.uk



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