

## Spring Statement – What this means to your business

Mar 31, 2022

**An update on how recent and known changes will affect your Business from now onwards ...**

### **Making Tax Digital for Business: VAT**

April 2022 sees the final phase of the introduction of the Making Tax Digital (MTD) for VAT regime. All VAT registered businesses, regardless of turnover, will enter MTD for VAT from their first VAT return period starting on or after 1 April 2022.

Businesses must keep digital records for VAT purposes and provide their VAT return information to HMRC using MTD functional compatible software.

If this affects you, please contact a member of our Business Services Team now.

| Comment                                                                                                                                                                                                                                                                                                                                                                                                                                            |
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| <i>Keeping digital records will not mean businesses are mandated to use digital invoices and receipts but the actual recording of supplies made and received must be digital. It is likely that third party commercial software will be required which we can help you with. Software is not available from HMRC. The use of spreadsheets will be allowed, but they will have to be combined with add-on software to meet HMRC's requirements.</i> |

### **Corporation Tax**

The main rate of CT is 19% for the Financial Year (FY) beginning 1 April 2022. This rate will increase to 25% for the FY beginning on 1 April 2023.

If a company's accounting period straddles more than one FY, the amount of profits for that accounting period must be apportioned to arrive at the tax rate charged.

A small profits rate will be introduced on 1 April 2023 for qualifying companies with no associated companies in the accounting period and profits of £50,000 or less so that they will continue to pay CT at 19%. Companies with profits between £50,000 and £250,000 will pay tax at the main rate reduced by a marginal relief providing a gradual increase in the effective CT rate.

### **MTD for Corporation Tax**

The Government is committed to ongoing collaboration with stakeholders on the service design and, following any decision to mandate MTD for Corporation Tax, will provide sufficient notice ahead of implementation but this will not be mandated before 2026 at the earliest.

### **Preventing abuse of the R&D tax relief**

From April 2023, a number of changes are proposed to the regimes from both existing schemes of relief which will include the expansion of relief to cloud and data computing.

Claims for relief will have to be made digitally and more detail will be required within the claim. Each claim will need to be endorsed by a named senior officer of the company and companies will need to inform HMRC, in advance, that they plan to make a claim. Claims will also need to include details of any agent who has advised the company on compiling the claim.

### **Capital allowances**

#### **Plant and machinery**

A further extension to the temporary increase in the Annual Investment Allowance (AIA) to 31 March 2023 allows 100% tax relief to businesses investing up to £1 million in qualifying expenditure.

The AIA reverts to £200,000 for expenditure incurred on or after 1 April 2023 and special rules apply to accounting periods which straddle these dates.

#### **First-Year Allowances (FYA) for companies**

For qualifying expenditure which is unused, not second-hand, and is incurred on or after 1 April 2021 but before 1 April 2023 – a super-deduction of 130% is available where the expenditure would normally qualify for the 18% main rate of writing down allowance or a Special Rate Allowance of 50% for expenditure which would normally attract the 6% special rate of writing down allowance.

For FYAs, what matters is the actual date on which the expenditure is incurred and not the date on which it is treated as incurred.

| <b>Comment</b>                                                                                                                                                                   |
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| <i>Businesses incurring expenditure on plant and machinery should carefully consider the timing of their acquisitions to optimise their cashflow. In 2023, not only will the</i> |

*tax relief rules for expenditure on plant and machinery change, but for companies the percentage of CT relief on that expenditure may change as well.*

## **Employment Taxes**

### **Employer provided cars**

The scale of charges for working out the taxable benefit for an employee who has use of an employer-provided car is normally announced well in advance. Most cars are taxed by reference to bands of CO<sub>2</sub> emissions multiplied by the original list price of the vehicle. The list price is reduced for capital contributions made by the employee up to £5,000.

For fully diesel cars generally add a 4% supplement unless the car is registered on or after 1 September 2017 and meets the Euro 6d emissions standard.

The maximum charge irrespective of the fuel, is capped at 37% of the list price of the car.

The rates announced for 2022/23 will remain frozen until 2024/25.

Have you considered providing your employees with electric cars via a salary sacrifice arrangement to save NIC and Income Tax?

### **Employer-provided fuel benefit**

From 6 April 2022 the figure used as the basis for calculating the benefit for employees who receive free private fuel from their employers for company cars is increased to £25,300.

### **Employer-provided vans and fuel**

For 2022/23 the benefit increases to £3,600 per van and the van fuel benefit charge where fuel is provided for private use increases to £688.

Changes to the van benefit charge from April 2021 means that if the van cannot in any circumstances emit CO<sub>2</sub> by being driven the cash equivalent is nil.

## **National Insurance contributions (NICs)**

In September 2021 the government published its proposals for new investment in health and social care in England. The proposals will lead to a permanent increase in spending not only in England but also by the devolved governments. To fund the investment the government will introduce a UK-wide 1.25% Health and Social Care Levy based on the NIC system but ring fenced for health and social care.

From April 2022 the Health and Social Care Levy Act provides for a temporary 1.25% increase to both the main and additional rates of Class 1 payable by employers and

employees, Class 1A and Class 1B payable by employers and Class 4 NICs payable by the self-employed for 2022/23.

From April 2023 onwards, the NIC rates will revert back to 2021/22 levels and will be replaced by a new 1.25% Health and Social Care Levy.

Broadly, the new Health and Social Care Levy will be subject to the same reliefs, thresholds and requirements as NIC. However the Levy (as opposed to the temporary increase in NICs for 2022/23) will also apply to those above State Pension age who are still in employment or are self-employed.

Existing reliefs for NICs to support employers will apply to the Levy. Companies employing apprentices under the age of 25, all people under the age of 21, veterans and employers in Freeports will not pay the Levy for these employees as long as their yearly gross earnings are less than £50,270, or £25,000 for new Freeport employees.

The Employment Allowance, which reduces employers' Class 1 NICs by up to £5,000, will also be available for the employers' liability to the Levy.

| Comment                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
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| <i>The Levy will be applied to those above State Pension age although this does not apply in respect of the temporary increase from April 2022. The Levy will not apply to Class 2 (a flat rate paid by many self-employed) and Class 3 (voluntary contributions for taxpayers to fill gaps in their contribution records). The burden of the 1.25% increase falls on the shoulders of the employer, the employee and the self-employed as each will have higher contributions to make. Those with property income will be relieved that they are not being included in the Levy.</i> |

## **Other Matters**

### **VAT rates and limits**

The VAT registration and deregistration thresholds will remain unchanged for a period of two years from 1 April 2022.

The six-month extension to the UK-wide VAT reduction to 12.5% for the tourism and hospitality sectors comes to an end on 30 March 2022 with rates returning to the standard rate of 20%.

### **Cultural relief**

A temporary increase in cultural tax reliefs for theatres, orchestras, museums and galleries across the UK will apply until 31 March 2024, increasing the relief organisations can claim as they invest in new productions and exhibitions.

From 1 April 2022 changes will also be introduced to better target the cultural reliefs and ensure that they continue to be safeguarded from abuse.

### **The Residential Property Developer Tax**

The Residential Property Developer (RPDT) will be introduced on the very largest property developers for accounting periods beginning on or after 1 April 2022.

Broadly RPDT is a charge of 4% treated as corporation tax on the profits of the residential property developer over an allowance of £25 million in a 12-month period.

### **Vehicle Excise Duty (VED)**

With effect from 1 April 2022 the rates of VED rates for cars, vans, motorcycles, and motorcycle trade licenses will increase in line with Retail Prices Index (RPI).

For heavy goods vehicles, VED continues to be frozen in 2022/23. The HGV Levy is suspended for another 12 months from 1 August 2022.

### **Landfill Tax**

With effect from 1 April 2022 both the standard and lower rates of Landfill Tax will increase in line with the RPI.

### **National Living Wage (NLW) and National Minimum Wage (NMW)**

Following the recommendations of the independent Low Pay Commission, the government will increase the NLW for individuals aged 23 and over by 6.6% from 1 April 2022. The government has also accepted the recommendations for the other NMW rates to be increased.

From 1 April 2022, the hourly rates of NLW and NMW will be:

- £9.50 for those 23 years old and over
- £9.18 for 21-22 year olds
- £6.83 for 18-20 year olds
- £4.81 for 16-17 year olds
- £4.81 apprentice rate for apprentices under 19, and those 19 and over in their first year of apprenticeship.

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| <b>Comment</b>                                                                                                                                       |
| <i>In total, the annual gross earnings of a full-time worker on the NLW will have increased by over £5,000 since its introduction in April 2016.</i> |