

# TAX BULLETIN- Spring Statement

Welcome to our Tax Bulletin special focusing on the Spring Statement.

March 2022



## THE SPRING STATEMENT 2022

The Chancellor of the Exchequer, Rishi Sunak, delivered his Spring Statement on Wednesday 23 March 2022.

### NATIONAL INSURANCE CONTRIBUTIONS (NICs)

Despite lobbying to delay the upcoming 1.25% increase in NICs payable by employees, employers and the self-employed, the government has decided to go ahead as planned from April 2022, to provide additional funds for health and social care.

Some new measures have however been announced in an attempt to combat the effect of the increase, at least partially.

### INCREASE IN THE STARTING NIC THRESHOLDS FOR INDIVIDUALS

The annual level at which employees and the self-employed start to pay NICs was due to increase from £9,568 to £9,880 from 6 April 2022.

This increase will go ahead but be further uplifted to £12,570 from 6

**July 2022**, effectively aligning the point at which an individual starts to pay NICs with the £12,570 income tax personal allowance.

In the tax year to 5 April 2023, this is a NIC cut worth £267 for most employees and £207 for most self-employed individuals.

Crucially, this will more than negate the impact of the 1.25 percentage point NIC increase for most workers with employment earnings of less than £34,000, providing them with a small contribution to the increased cost of living.

The starting NIC threshold for the self-employed and company directors is computed on an annual basis and so will be set at a pro-rata sum of £11,908 for the whole of the tax year to 5 April 2023, before increasing to £12,570 in the tax year to 5 April 2024.

### CLASS 2 NICs FOR THE SELF EMPLOYED

For the self-employed, some individuals will find that they no longer need to pay Class 2 NICs from April 2022. The small profits threshold will be set at £6,725 as planned but the requirement to pay Class 2 NIC will only apply to those with self-employed profits over £11,908.

This will benefit approximately 500,000 self-employed individuals by saving them £165 a year.

From 6 April 2023, Class 2 NIC will only be payable by those with profits over £12,570.

### WHAT ABOUT EMPLOYERS?

No changes have been made to the annual level at which employers' NIC start to apply; namely £9,100 for most employees in the tax year to 5 April 2023.

However, the Employment Allowance, which allows eligible businesses to reduce their employer NIC cost, will increase from £4,000 to £5,000 for the tax year to 5 April 2023.

It is expected that 495,000 businesses will benefit from this increase, with most saving £150 in the tax year to 5 April 2023.

### DON'T FORGET

While the Spring Statement described tax cuts, we must not lose sight of the fact that there is still the upcoming 1.25 percentage point increase in NIC, along with a freeze in income tax bands and allowances. Many individuals and businesses will still be paying more tax and NIC in the year to 5 April 2023 than they did last year.

### INCOME TAX

The Chancellor has committed to reduce the basic rate of income tax from 20% to 19%, but not until 6 April 2024.

Note that the Scottish Parliament and Welsh Assembly have devolved powers to set their own income tax rates on earned income.

It is estimated that this will save 30 million individuals an average of £175 per year.

**BUSINESS TAX RELIEF FOR CAPITAL INVESTMENT**

In preparation for the 130% ‘super-deduction’ for companies coming to an end on 31 March 2023, other alternatives are being considered in an attempt to continue encouraging investment from April 2023.

In the meantime, remember to talk to us about the reliefs potentially available (to companies and non-corporates) for expenditure on plant and machinery. This includes:

- A £1million annual investment allowance;
- 130% and 50% super-deductions;
- 100% first-year allowances (including on electric cars); and
- 18% and 6% writing down allowances.

The date of acquisition of capital assets can make a difference to the tax relief you can claim so do speak to us before your next sizeable investment.

**FUEL DUTY**

Fuel duty has been cut by 5p per litre for 12 months from 6pm on 23 March 2022.

The Treasury report that this will save the average car driver £100 a year and the average van driver £200 a year.

**VAT RATES IN THE LEISURE AND HOSPITALITY SECTORS**

No extension has been granted to the leisure and hospitality sector for use of the reduced 12.5% VAT rate on eligible supplies including food, non-alcoholic beverages and hotel and holiday accommodation. The VAT rate applied to these supplies will revert to 20% from 1 April 2022 as planned.

**RESEARCH AND DEVELOPMENT (R&D)**

The R&D tax relief schemes for companies will be enhanced from April 2023 but we have to wait until this summer for more details.

We do know the reform is set to boost sectors where the UK is a world-leader, including artificial intelligence, robotics, manufacturing, and design.

**GIFT AID YOUR DONATIONS TO HELP UKRAINE**

For individuals and businesses wanting to donate money to help support those suffering in Ukraine, there are a number of charities providing humanitarian relief. Ideally this should be done via the Disasters Emergency Committee (DEC) Appeal at [www.dec.org.uk/](http://www.dec.org.uk/).

Individual UK taxpayers should make sure to tick the Gift Aid box as that will increase their donation by 25%. It should also be remembered that, like pension contributions, higher and additional rate taxpayers are able to obtain even more tax relief. For example, a £40 donation only costs £30 after higher rate tax relief

**DIARY OF MAIN TAX EVENTS**

April 2022

Date	What’s Due
06/04	2021/22 tax year ends on 5 <sup>th</sup> April. 2022/23 tax year begins on 6 <sup>th</sup> April.

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

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