TAX BULLETIN

Welcome to our monthly Tax Bulletin. In this issue we cover some impending changes and look at pre tax year end planning. As usual contact us if you wish to discuss any matters further.

March 2022

VAT RATES FOR HOSPITALITY SECTOR DUE TO INCREASE FROM 1 APRIL

Early in the COVID-19 pandemic, the Chancellor reduced the rates of VAT for the leisure and hospitality sector to just 5%. That reduced rate applied from 15 July 2020 until 30 September 2021 when the rate was increased to the current 12.5%. However, the rate is scheduled to revert to the normal 20% rate from 1 April 2022.

The businesses affected by the temporary rate reduction are those

- supplying catering services including restaurants and takeaways
- operating hotels and providing holiday accommodation and
- operating leisure attractions such as zoos and theme parks

Businesses should listen to the Chancellor's Spring Statement on 23 March in case he announces an extension of the 12.5% rate.
If there is a change announced on 23 March, there will only be a limited amount of time to implement changes to prices and VAT accounting.

For businesses using the VAT Flat Rate Scheme, the flat rate percentages will revert to the pre 15 July 2020 amounts if the VAT rate reverts to 20% from 1 April 2022.

MISSING OUT ON HELP WITH CHILDCARE COSTS?

The government are concerned about the lack of take up of tax-free childcare accounts, with HMRC estimating that only about 25% of families eligible for the scheme had joined.

With many parents returning to work following the pandemic, they should be encouraged to set up a tax free childcare account to help with their childcare costs. For every £8 paid into an online account, the government will add an extra £2, up to £2,000 per child per year and that money must be used to pay eligible childcare costs.

Tax-free childcare is available for working families (including the self-employed) who are not receiving tax credits, universal credit or childcare vouchers.

It can also be used at the same time as the 15 or 30 hours of free childcare in England. The couple (or single parent) must earn at least £142 per week each. Their children must be under 12 (or under16 if disabled).

The account can be used to pay for nursery fees, breakfast clubs, after school clubs, summer camps and OFSTED registered childminders.

Note that the tax-free childcare scheme is not available if either partner expects to individually earn more than £100,000 a year.

PRE TAX YEAR END PLANNING

AS we approach the end of tax year 2021/22, we have pulled together a checklist of actions you should consider to ensure you make the most of various tax reliefs and allowances.

Not all of them might be relevant to you but for those that are, seek advice first!

1. ISA Allowance

Have you made your maximum ISA contribution of £20,000 per adult for 2021/22?
And have you made £9,000 contributions per child into a Junior ISA?

2. Tax efficient investments

Have you considered using your EIS/SEIS/VCT investment allowances?

3. Pension contributions

Have you used your 2021/22 annual allowance for pension purposes?

4. Keeping your personal allowance

If you income is just over £100,000 so that your personal allowance is reduced, have you considered pension contributions and charitable donations which can help to reduce income and save tax at an effective rate of 60%

5. Dividend allowance

Have you declared dividends of at least £2,000 per shareholder to use your 2021/22 dividend allowances

6. Capital Gains tax planning

Have you used your 2021/22 annual exemption?

7. Inheritance tax planning

Have you made any annual gifts for IHT? Everyone has a £3,000 annual allowance which can only be carried forward one tax year.

BUY NEW EQUIPMENT BEFORE 6 APRIL?

Your business year end, not 5 April, is relevant for capital allowances purposes.

If, however you are running a business and making up accounts to 31 March or 5 April you should consider buying plant and machinery to take advantage of the £1 million Annual Investment Allowance (AIA).

The AIA provides a 100% tax write off for new and second hand equipment used in your business. This tax relief extends to fixtures and fittings within business premises such as electrical, water and heating systems. AIA does not apply to motor cars but there is a special 100% tax relief if you buy a new zero-emissions motor car.

If you are running a limited company, remember that new plant and equipment currently qualifies for a 130% tax deduction.

ADVISORY FUEL RATE FOR COMPANY CARS

These are the suggested reimbursement rates for employees' private mileage using their company car from 1 March 2022. Where there has been a change the previous rate is shown in brackets.

Engine Size	Petrol	Diesel	LPG
1400cc or less	**13p**		**8p (9p)**
1600cc or less		**11p**	
1401cc to 2000cc	**15p**		**10p**
1601 to 2000cc		**13p**	
Over 2000cc	**22p**	**16p**	**15p**

Note that for hybrid cars you must use the petrol or diesel rate. You can continue to use the previous rates for up to 1 month from the date the new rates apply.

2022/23 NATIONAL INSURANCE BANDS

Unless the Chancellor makes an announcement to the contrary on 23 March, which is very unlikely, the rates of National Insurance Contributions for workers and employers increase by 1.25% from 6 April 2022. This is to provide extra funding for health and social care and will become a separate Levy from 2023/24.

The starting thresholds for employee and employer national insurance contributions (NICs) have also been increased. Employees will be liable to 13.25% NICs between £190 and £967 a week (£50,270 a year). Employer contributions at 15.05% will start at £175 a week.

For 2022/23 the self-employed will pay 10.25% Class 4 NICs on profits between £9,880 and £50,270. Employees and the self-employed will pay 3.25% on earnings or profits in excess of £50,270 from 6 April 2022.

DIARY OF MAIN TAX EVENTS

MARCH / APRIL 2022

Date	What's Due
23/03 /22	Spring Budget/ Statement expected to take place
05/04	**End of 2021/22 and start of the 2022/23 tax year.**

Content accurate as at 8 March 2022

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

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