



# TAX BRIEFING

AUTUMN BUDGET 2021



## Parkinson UK

Chartered Certified Accountants

Parkinson UK  
South Devon House | Babbage Road | Totnes | Devon | TQ9 5JA  
0345 652 1967  
office@parkinsonuk.com | www.parkinsonuk.com

## NATIONAL MINIMUM WAGE RATES RISE

The national living wage (NLW) will rise to £9.50 per hour for pay periods starting on and after 1.4.22 along with the other national minimum wage rates (see table). Since 6.4.21 the NLW rate has applied to workers aged 23 and over.

The apprentice rate will rise significantly by 11.9% to £4.81 and will be aligned with the rate for employees aged 16 and 17. This will help employers who will not have to have a formal apprenticeship agreement in place for trainees under 18 to pay the correct amount of NMW. Older apprentices do need a formal apprenticeship agreement. Keep a sharp eye on your employees' birthdays to ensure that any rise in the NMW rate is implemented for the pay period that begins after they move into a different age category.

You can claim a £3,000 incentive for each apprentice hired before midnight on 31.1.22.

Anyone employed through the Kickstart scheme must be paid the NMW relevant to their age. Employers must apply for funding to pay employees on the Kickstart scheme before 17.12.21 but the start date for new employees on the scheme has been extended to 31.3.22.

Hourly rate for pay periods starting from	NLW aged 23 + £/hr	age 21 & 22 £/hr	age 18 to 20 £/hr	age 16 & 17 £/hr	Apprentice rate £/hr
1.4.22	9.50	9.18	6.83	4.81	4.81
1.4.21	8.91	8.36	6.56	4.62	4.30

## UNIVERSAL CREDITS CLAIMANTS TO KEEP MORE WAGES

Many employed and self-employed people claim Universal Credit as they have low or unpredictable levels of income.

It provides a much needed top-up to their earnings but the benefit is reduced as the worker earns more due to the Universal Credit taper rate.

**The Universal Credit taper rate will be cut to 55% so that for every extra £1 earned the worker will keep 45p**

Currently the taper rate is 63% which means that for every extra £1 earned the individual will keep only 37p. In the Budget the Chancellor announced that the Universal Credit taper rate will be cut to 55% so that for every extra £1 earned the worker will keep 45p for earnings received from 1.12.21. Those figures are calculated after deductions for tax and NIC.

Universal Credit claimants who have children or a limited capacity for work are granted a 'work allowance'. This is the amount that they can earn which is not reduced by the taper rate and is set at £293 or £515 per month depending on whether the Universal Credit award also covers some of their rent. This work allowance will increase by around £42 per month or £500 per year from the same date.





## CAPITAL INVESTMENT ENCOURAGED

In the March 2021 Budget the Chancellor announced a super-deduction scheme that provides a 130% deduction for the cost of new plant or equipment if it is purchased by a company before 1.4.23.

Expenditure on other new assets such as fixtures and integral features in buildings can also qualify for a 50% first year deduction if purchased before 1.4.23.

There are two major restrictions to these attractive investment reliefs:

- the assets must be purchased new (not second hand); and
- the super-deductions can only be claimed by companies.

An alternative to these reliefs is the Annual Investment Allowance (AIA) where up to £1m of the cost may be relieved. This AIA cap was due to reduce to £200,000 per year from 1.1.22 but will now stay at £1m until 31.3.23.

**Please talk to us before agreeing the deal to check the tax implications** This offers a unique window for investing in business equipment including commercial vehicles but please talk to us before agreeing the deal to check the tax implications.

## INCREASES IN INCOME TAX

The tax payable on dividends is set to rise from 7.5% to 8.75% for basic rate taxpayers from 6.4.22.

Higher rate taxpayers will pay 33.75% on dividends and additional rate taxpayers must budget for dividend tax of 39.35%. These rates will apply to all dividends taken from all companies where the total dividend income exceeds the dividend allowance which has been held at £2,000 for 2022-23.

This tax increase is significant. A shareholder/director who takes a salary of £12,570 and dividends of £37,700 per year will see their personal tax and NIC bill increase by £442.44 in 2022-23. That is an increase in the amount of tax and NIC paid of nearly 14.5%.

If you borrow from your company and leave the loan outstanding for more than nine months after the accounting year end the company must pay a tax charge of 32.5% of the loan. This tax rate may well also increase in April 2022 to match the dividend tax rise but this is as yet unconfirmed.

## INCENTIVES FOR RESEARCH AND DEVELOPMENT

Research and development (R&D) tax reliefs can be very generous for small companies, giving a deduction of 230% of qualifying costs.

However the categories of expenditure which qualify for R&D relief were defined over 20 years ago and do not include costs of a typical internet based business.

**From April 2023 cloud computing and data costs will be qualifying expenditure categories for R&D relief**

The R&D tax relief scheme has unfortunately been the target of abuse and fraudsters and the Government intends to clamp down on such abuse and improve compliance through various measures, including limiting the R&D tax relief to work undertaken in the UK.

From April 2023 cloud computing and data costs will be qualifying expenditure categories for R&D relief. These are both very broad concepts and we will have to wait for guidance from HMRC and the new law to determine exactly what will be allowed.

More detail on the new conditions for R&D tax relief is expected to be announced in the coming weeks.





## BUSINESS RATES RELIEFS

**H**igh street shops, hospitality and leisure businesses were some of the hardest hit during the Covid-19 pandemic and many have not fully recovered.

**R**etail and hospitality businesses will be able to claim 50% business rates relief, capped at £110,000

These businesses were granted 100% business rates relief during 2020-21 which continued until 30.6.21 for properties in England. Different rates reliefs apply in Scotland and Wales.

per business.

In addition the automatic increase in the level of business rates which was suspended in 2021-22 will also be frozen for 2022-23.

From April 2023 the Government will allow businesses in England one year's grace before they must pay business rates on any improvements that they make to their properties. There will also be a complete exemption from rates for eligible heat networks and plant used for renewable energy generation and storage.

From 1.7.21 the English business rates relief was capped at £105,000 per business and restricted to 66% of the rates payable. For the year 2022-23 retail and hospitality businesses will be able to claim 50% business rates relief, capped at £110,000

## CAPITAL GAINS REPORTING PRESSURE EASED

**I**f you sell a UK residential property subject to capital gains tax (CGT) you must report the gain and pay the tax within 30 days of the completion date of the deal.

**H**MRC has listened to complaints and extended the period for reporting and paying CGT on relevant property disposals

The report generally has to be done online through a UK property account which needs to be activated for that purpose. The reporting must be repeated in your self

property account can be very difficult and sometimes impossible.

HMRC has listened to complaints and extended the period for reporting and paying CGT on relevant property disposals from 30 to 60 days for deals completed on and after 27.10.21. Property deals completed before that date still need to be reported within 30 days if tax is payable.

assessment tax return after the end of the tax year. We can help you with CGT reporting.

Property investors who live outside the UK must report within 30 days gains from all types of UK property - commercial and residential - held directly or indirectly. However getting through HMRC's security systems to set up the online

Where gains are made by UK residents from mixed-use properties - commercial and residential - for example a shop with a flat above, only the residential part of the gain should be reported on the UK property account.

## HOW TO DECLARE YOUR CHILD BENEFIT

**C**hild benefit is not taxable but sometimes needs to be declared on tax returns.

Since 2013 the high income child benefit charge (HICBC) claws back some or all of the child benefit paid to families where the highest earner in the family has total income of £50,000 or more. It is not necessarily the person who receives the child benefit who must pay the HICBC.

If your income is around £50,000 and you or your partner receives child benefit, the benefit received must be declared to HMRC on your tax return. If you do not currently complete a self assessment tax return you should ask for one. We can help you with that.

HMRC can also look at your tax affairs for earlier years to check whether you should have paid the HICBC in those periods. Interest and penalties will be charged where the correct declarations have not been made.





## NIC RISES FOR ALL

Two areas in the public sector that desperately need funding are the NHS and social care.

**The Government is raising a new tax: the health and social care (HSC) levy**

To pay for these services the Government is raising a new tax: the health and social care (HSC) levy. This will be charged at 1.25% of

income or profits for the employed and self-employed respectively from 6.4.23 as it takes time to adjust computer systems to collect a new tax.

In the meantime national insurance contributions (NIC) will rise by 1.25% for all working people below retirement age. Employees will pay 13.25% NIC on earnings between £9,880 and £50,270 per year and 3.25% above that threshold. Employers will pay 15.05% on all employees' wages above £9,100 per year.

This temporary increase in NIC for 2022-23 will be replaced by the HSC levy from 6.4.23. However that levy will also apply to individuals who are still working and aged over state retirement age. The Government hopes that the HSC levy will be shown separately on payslips to make it clear what taxes people are paying.

Employers with small payrolls can offset up to £4,000 per annum of their employer's Class 1 NIC against the employment allowance. It is still not yet clear whether the employment allowance will cover the HSC levy from 6.4.23.

## CHANGES FOR SELF-EMPLOYED TAX RETURNS

**M**aking tax digital for income tax self assessment (MTD ITSA) will replace the self assessment tax return for unincorporated businesses from April 2024 for sole traders and from April 2025 for most partnerships.

The MTD ITSA regulations will require you to keep records of your business transactions in a digital format and use those records to send a summary of income and expenses to HMRC each quarter. You will also have to submit an end of period statement (EOPS) after the tax year end and a finalisation statement reporting all other non-business income. These reports will have to be submitted using MTD-compatible software. We can help you with those tasks.

The Government has decided that all unincorporated businesses will need to report profits or losses for periods that align with the tax year: 6 April to 5 April. Business that currently draw up ac-

**If your business uses an accounting period that does not end on 5 April we need to talk**

counts to a different date may have to submit estimated figures in their EOPS. Accounting periods ending between 31 March and 5 April will be treated as ending on 5 April.

If your business uses an accounting period that does not end on 5 April we need to talk about what profits or losses will need to be reported in the transition year 2023-24. It is likely that some profits will be reported earlier and you may have a larger tax bill for 2023-24. In such cases it may be possible to spread the extra tax due over five years.

All this will take some planning, so let's talk soon.