



## March 2022 Budget – Newsletter

(large print version available at [www.mispencerltd.co.uk/newsletters](http://www.mispencerltd.co.uk/newsletters))

### PERSONAL

#### Income Tax, NICs, claims & benefits

From 6 April 2022:

- NIC contributions will increase by 1.25% to 13.25%; but the primary threshold at which you start paying will also be increased from 6 July 2022 to £12,570 p.a. (£242 p.w.), to align it with the personal allowance for income tax.
- The self-employed will not pay Class 2 NIC if profits are below £9,880 p.a.: and from 6 July 2022 the Lower Profits limit for Class 4 NIC will increase to £12,570 p.a. to align it with the personal allowance for income tax (average profits £11,908 p.a.). This alignment with the personal allowance will remain in place to 2025-26.
- Relievable pension contributions remain capped at the higher of £40,000 or your net relevant earnings.
- Capital Gains tax annual exemption and tax rates remain unchanged.

From 6 April 2024: -

- The basic rate of tax will reduce from 20% to 19%.
- There will be a 3-year transition for charities on gift aid relief, enabling them to claim the 20% rate until April 2027.

#### Savings & Dividends

- ISA, junior ISA and child trust funds limits remain at £20,000, £9,000 and £9,000.
- To the extent that savings income falls within the first £5,000 of the basic rate band it is taxed at 0% rather than 20%.
- From 6 April 2022: - An increase in Dividend Tax rates of 1.25%, to 8.75% on dividends within the Lower Rate Band: and 33.75% for those within the Higher Rate Band.

#### Inheritance Tax – No changes

- All rates, allowances, reliefs and exemptions remain unchanged.
- The nil rate band is frozen until 2026 at £325,000 by Finance Act 2021.

#### Land & Property – From April 2022

- There are further VAT reliefs available for domestic installation of qualifying Energy Saving Materials: and until 31 March 2027 a 0% instead of 5% rate will apply.
- There have been inflationary increases in the Annual Tax on Enveloped Dwellings (ATED) bands for 2022-23.
- You have 60 days to report and pay capital gains on disposals of UK residential property (if not your main residence) using the HMRC online “Capital Gains Tax on UK property account” facility.
- **From April 2024** – anyone with property rental income of more than £10,000 per year will be required to sign up for MTD / Income Tax Self Assessment, and keep MTD (Making Tax Digital) compliant digital records, file quarterly updates to HMRC and do an annual End of Period Statement.



## BUSINESS

### Employers – from April 2022

- National Living wage to increase to £9.50 per hour.
- Despite the increase in fuel prices the tax free mileage allowances that can be paid to employees remain unchanged.

### Corporation Tax - As previously announced, from 1 April 2023:

- Increase in the rate of Corporation Tax from 19% to 25%.
- The SME enhanced research and development relief will remain at 130%.
- The definition of R&D is to be expanded; certain overseas based R&D may be able to qualify for relief.

### Capital Allowances

- The £1 million Annual Investment Allowance (AIA) limit is extended to 31 March 2023.
- For companies only, the enhanced 130% super-deduction is available.
- There is a tightening (reduction) of allowances where motor car CO2 emissions are above 50 g/km.

### VAT

- VAT registration and deregistration thresholds remain unchanged (at £85,000 and £83,000 per annum).
- The new penalty regime has been delayed until January 2023 to allow HMRC to make more necessary changes to their system.

### ITSA (Income Tax Self-Assessment)- From April 2024

- After 1 April 2024, those within self-assessment (e.g. self-employed or property landlords) that are not already required to operate MTD (under the VAT requirements) will need to keep MTD (Making Tax Digital) compliant digital records, file quarterly updates to HMRC, do an annual End of Period Statement and submit a final declaration This declaration will replace the current annual tax return.

### Review of business rates

- The business rates multiplier will be frozen in 2022-23.
- A new business rates investment relief (100%) for the cost of eligible plant & machinery used in onsite renewable energy generation and storage will be introduced.
- An additional (temporary) 50% discount for eligible businesses in the retail, hospitality and leisure sector.

*This brief summary covers some of the budget changes and legislation in/ coming into force; you are advised to further take professional advice before acting.*