2022

The Spring Statement

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Sunak springs surprises

The Chancellor presented two Budgets in 2021 in which he set out a great many details of the tax rates and rules that will apply until April 2026. The 2022 Spring Statement was expected to review the economic situation and adjust forecasts, but was not supposed to include anything significant about tax. Of course, things have changed dramatically since October: there is a war in Ukraine, energy prices are rising sharply and inflation has returned to levels last seen in the early 1990s. An announcement had already been made in February of measures to help people with fuel bills later in the year, and commentators were speculating how much more Mr Sunak might do now, with tax receipts running higher than forecast and the effect of inflation set to increase those receipts in the future. Most predicted he would do something, but many believed he would be cautious and leave significant changes for the next Budget.

In the event, his speech contained more on tax than almost anyone could have expected. He started with a temporary cut in fuel duty, expected to save the average motorist about £100 in the next year. He went on to remove VAT from the installation of energy-saving materials in houses, which will save money for a smaller number of people. Then he declared that he intended to implement a 'tax plan' going forward, with the overall aim of bringing taxes down year on year over the life of the Parliament, and started with a big surprise: a huge rise in the National Insurance Contribution thresholds to apply in July 2022 that will mean that 70% of people will pay less NIC in spite of the introduction of the 1.25% increase that will apply from April. He went on to increase Employment Allowance, which is a relief from Employers' NIC for small businesses, and to promise a cut in the basic rate of income tax from 20% to 19% in April 2024.

The announcement of significant tax changes several times a year, to apply from different dates, makes it hard to keep track of what is changing and when, and how it affects your finances. In this document we have set out the latest proposals and their impact, but also included a reminder of significant measures from the two Budgets in 2022 and other separate announcements. The Spring Statement was mainly about tax cuts, but the October Budget included a number of tax increases. If you would like to discuss what it all means for you, we will be happy to help.

Personal Income Tax

Spring Statement

The Chancellor announced that he intends to cut the basic rate of income tax from 20% to 19% from 6 April 2024. This costs over £5 billion a year and therefore has a significant effect on the public finances. The promise is conditional on the government continuing to meet its 'fiscal rules' – borrowing going down and not being required for day-to-day spending – but Mr Sunak must be very confident that this will happen. It would be very embarrassing not to carry this through.

The promised cut will not affect the tax rates in Scotland, which are set by the Scottish Parliament. The Scottish Government will receive additional funding in the tax year 2024/25 and will be able to decide whether to pass it on to taxpayers as a tax cut.

Reductions in the basic rate of tax are not generally favourable to charities, because they depend on claiming back basic rate tax paid by donors under Gift Aid. If the donor gives the same net amount, the charity is entitled to a smaller tax credit. The current rate of tax credit will be maintained for three years, until April 2027, to reduce the impact on the income of charities.

Tax rates and allowances – 2022/23 (Table A)

As announced a year ago, the income tax rates and bands and the main allowances are frozen at their 2021/22 levels until the end of 2025/26, instead of the usual inflation-linked increases each year. Although this means that someone with the same income will pay the same tax year on year, the effect of inflation on salaries and business profits means that this represents a significant tax increase over the period. Based on last year's estimates, government receipts for 2025/26 were forecast to rise by £8 billion because of this. Inflation will add to the increase, and the promised cut in the basic rate from 2024/25 only returns part of it to taxpayers.

Two other thresholds remain fixed as they have been since they were introduced: the income levels at which the High Income Child Benefit Charge begins to claw back Child Benefit receipts (£50,000 since 2012/13) and at which tax-free personal allowances are withdrawn (£100,000 since 2010/11). These measures create a higher marginal tax rate in the income bands £50,000 – £60,000 (for those in receipt of Child Benefit) and £100,000 – £125,140 (as the personal allowance is reduced to nil). Inflation brings more people each year within these charges.

The Scottish Parliament sets its own tax rates and thresholds for Scottish taxpayers for non-savings, non-dividend income. As shown in the table, the starter rate for those on low incomes is 1% below that applicable in the rest of the UK, but the intermediate, higher and top rates are 1% above their equivalents in the rest of the UK, and the higher rate of 41% applies at a lower income level. The Welsh Government has similar powers for Welsh taxpayers, but has not varied the main UK rates.

Dividend income

The tax rates on dividend income over £2,000 will increase for the tax year 2022/23. The ordinary rate, paid by basic rate taxpayers, will rise from 7.5% to 8.75%; the upper rate becomes 33.75% (from 32.5%) and the additional rate 39.35% (from 38.1%). These rates will apply across the UK. The addition of 1.25% to each rate is related to the increases in National Insurance Contributions and the introduction of the Health and Social Care Levy described further below, and is intended to ensure that individuals who work through companies and take their profits as dividends rather than salary cannot avoid paying the charge. However, it will also apply to dividends from passive investments, as well as from personal companies.

The 33.75% rate will also apply to tax payable by close companies (broadly, those under the control of five or fewer shareholders) on 'loans to participators' that are not repaid to the company within 9 months of the end of the accounting period, where the loan is advanced on or after 6 April 2022.

High Income Child Benefit Charge (HICBC)

The HICBC applies where a taxpayer has income of over £50,000 and is the higher earner of a couple where one partner receives Child Benefit. A tax case showed that HMRC could not raise a 'discovery' assessment to collect the HICBC where a person had not paid it because they had not been aware they were liable and had not been asked to file a tax return. The law has now been amended with retrospective effect to enable HMRC to collect the charge in these circumstances.

Employees

Company cars and fuel

The basis for taxing company cars and fuel provided for private use is set out in Table C. No changes have been made to the rates already announced in previous years; for 2022/23, cars first registered after 5 April 2020 and electric cars will see their benefit charge rise by one percentage point (subject to the maximum of 37%). This means that the rates for 2022/23 will be the same for cars registered before and after 5 April 2020. They will now remain fixed until the end of 2024/25.

The provision of a van available for private use gives rise to a tax charge on a deemed income figure of £3,600, plus £688 if fuel is also provided free. An electric van available for an employee's private use does not give rise to a tax charge.

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

The NLW will increase by 6.1% for individuals aged 23 and over to £9.50 per hour from 1 April 2022. Other rates of NMW will rise from the same date by different percentages, as recommended by the Low Pay Commission.

National Insurance Contributions

Spring Statement

The thresholds above which employers' and employees' National Insurance Contributions (NIC) become payable were set to increase from 6 April in line with inflation in 2022/23, an increase of about £300 a year to £9,880. In a surprise move, the Chancellor announced that they will further rise in July 2022 to match the level at which income tax starts to be payable – an annual figure of £12,570. This is a tax cut of £6.25 billion, a very significant figure, and will save employees up to £356 over a full year.

Because NIC on wages and salaries are calculated on individual payments, it is possible to change the thresholds in the middle of a tax year in this way. The delay is considered necessary to allow software providers to update their products so employers can calculate the NIC correctly. Thresholds for self-employed people are set for the tax year as a whole, and the 2022/23 Lower Profits Limit (LPL) for Class 4 NIC will be determined by apportioning £9,880 from April to July and £12,570 from July to the end of the year. The resultant figure is £11,908, above which Class 4 NIC will be payable on business profits.

The accrual of State pension benefits for self-employed people continues to depend on paying Class 2 NIC. Those with profits between the Small Profits Threshold and the LPL will not be required to pay Class 2 NIC for 2022/23, but will still earn a credit for the year.

Employment Allowance

The Employment Allowance reduces employers' NIC for small businesses employing at least two people being paid above the Class 1 NIC Secondary Threshold, if the total employers' NIC bill did not exceed £100,000 in the previous year. The Chancellor announced an immediate increase in this tax relief from £4,000 to £5,000, taking effect from 6 April 2022. It will benefit around 495,000 businesses by up to £1,000 each in 2022/23 at a cost to the Exchequer of £425 million.

Previously announced: Thresholds and rates (Table D)

The upper limits for employee and self-employed contributions remain aligned with the point at which 40% income tax is payable (£50,270 per year, or £967 per week), and are frozen at that level until the end of 2025/26.

Because the Scottish higher rate of income tax applies at a lower level than in the rest of the UK (above £31,092 of taxable income in excess of allowances rather than above £37,700), Scottish taxpayers can be liable to 41% income tax and full primary NIC on the same income (12% in 2021/22 rising to 13.25% in 2022/23).

Health and Social Care Levy

As announced on 7 September 2021, a new Health and Social Care Levy will be charged to raise £13 billion a year – dwarfing most of the other figures in the Budget policy decisions. In 2022/23, this will be achieved by raising the rates of NIC; in 2023/24, the levy will be formally separated from NIC and collected separately by HMRC, and will also apply to earnings of individuals who are above State Pension age and are therefore not liable to NIC.

From 6 April 2022, Class 1 NIC paid by employers and employees, and Class 4 NIC paid by self-employed people, will increase by 1.25%. This means that employees will pay 13.25% from the primary threshold up to the upper earnings limit and 3.25% above that; employers will pay 15.05% on all earnings above the secondary threshold. Self-employed people will pay 10.25% on earnings between the lower and upper profits limits, and 3.25% above the upper limit. The NIC rates will revert back to their previous levels from 6 April 2023 when the separate levy is introduced.

Working from home

During the pandemic, HMRC has been more generous than usual in allowing claims for tax relief by employees who have been required to work from home. This has covered exemption of some payments by employers to meet the extra costs incurred in relation to a home office, and also direct claims by employees for tax relief on some costs not reimbursed by employers. This relaxation applied for the tax years 2020/21 and 2021/22, but the normal rules will be restored for 2022/23.

Ex-service personnel

An employer taking on ex-service personnel in their first year of civilian employment is eligible for a nil rate of employers' NIC on earnings up to £967 per week. In 2021/22 the NIC has had to be paid through the PAYE system and reclaimed at the end of the year, but from 6 April 2022 the PAYE system is intended to allow for a nil rate of contributions under Real Time Information.

Savings and Pensions

ISA limits

The investment limits for 2022/23 remain £20,000 for a standard adult ISA (within which £4,000 may be in a Lifetime ISA – unchanged since 2017/18), and £9,000 for a Junior ISA or Child Trust Fund.

Pension contributions (Table B)

The tax reliefs for pension contributions remain unchanged. As announced in the March 2021 Budget, the Lifetime Allowance (LA), which is the maximum amount that a person can save in tax-advantaged pension schemes before extra tax charges arise on certain events (including drawing benefits and reaching age 75), is frozen at its 2020/21 level of £1,073,100 until the end of 2025/26. As with the increases in income tax generally due to the freezing of rate bands and allowances, this fixing of the LA is likely to bring many more people within the scope of the LA Charge that applies when pension benefits are taken from funds valued above this limit.

Contributions to a registered pension scheme by individuals and their employers are restricted by the Annual Allowance (AA). Where this is exceeded, an AA Charge arises. The taxpayer can choose to ask the pension scheme to pay an AA tax charge if it exceeds £2,000, reducing the future pension benefits instead of having to meet the liability personally. The deadlines for 'Scheme Pays' reporting and payment will be extended in circumstances where there is a delay in the individual receiving the information that shows they are liable to the charge. The new rules take effect from 6 April 2022, but also have retrospective effect to 6 April 2016.

Taking pension benefits

The minimum age at which most people can first access their tax-advantaged pension scheme benefits is currently 55. This will be increased to 57 with effect from 6 April 2028, and will therefore affect those who were born on or after 6 April 1973.

Capital Gains Tax

Rates and annual exempt amount

As announced in the March 2021 Budget, the annual exempt amount will be fixed at its 2020/21 level of £12,300 until the end of 2025/26. No changes have been announced to the rates at which gains are taxed.

Sales of UK property

Since 2015, non-UK residents have been required to report the sale of UK residential property, and pay any CGT due, within 30 days of completion of the transaction. This was extended to non-residential UK property in 2019 and, from April 2020, to UK residents selling residential property on which CGT is payable. The Autumn Budget extended the deadline for reporting and payment to 60 days in all these circumstances, for transactions completed on or after 27 October 2021.

Inheritance Tax

Rates

The March 2021 Budget fixed the IHT nil rate band at £325,000 until the end of 2025/26. Holding the threshold at the same amount for 17 years (from 6 April 2009) will bring far more people into the scope of the tax. However, the £175,000 'residential nil rate band enhancement' on death transfers can reduce the impact where it applies. A married couple may now be able to leave up to £1 million free of IHT to their direct descendants (£325,000 plus £175,000 from each parent), but the rules are complicated, and the prospect of the nil rate band being fixed for the next 4 years increases the importance of proper IHT planning.

Business Tax

Spring Statement

No extra measures were announced to take effect immediately. However, the Chancellor noted that productivity is lower in the UK than the average for countries in the Organisation for Economic Cooperation and Development, and promised consultation through the summer on measures to be included in the next Budget to address this. Areas that will be considered include incentives for training people, for encouraging innovation and development of ideas through research and development, and incentivising capital investment.

The 2022 Budgets in March and October already included measures on research and development and capital allowances, described below. It seems likely that there will be more significant changes to follow, in particular when the benefits of the higher Annual Investment Allowance and the 'super deduction' for plant are phased out.

Reform of basis periods

For sole traders and individuals who are members of partnerships (including limited liability partnerships), the profits assessable in a tax year are those arising in the 'basis period' for that year, which is normally the accounting period ending in the tax year. Special rules apply on commencement and cessation of trade, as well as on a change of accounting date. These produce complications, such as some profits being assessed twice ('overlap profits'). The double charge then has to be relieved later, usually on cessation of trade (and sometimes where the business changes its year-end).

From 2024/25 (a year later than originally planned), a different basis of assessing profits is being introduced. Trading profits chargeable in a tax year will be the profits actually arising in that tax year. These will be calculated by apportioning the business accounting periods across tax years if the business does not have a 31 March or 5 April year-end.

2023/24 will be a transitional year for moving from the old to the new basis of assessment. It will involve up to 23 months' profits being assessed in the year, with full relief for any overlap profits previously taxed twice. As businesses may have a significant increase in taxable profits for 2023/24 due to these rules, such additional profits will be spread over a period of five years (although a business may opt out of spreading during this time and bring more of the profits into charge earlier). The rules will also ignore the extra transition year profits when calculating the High Income Child Benefit Charge, the abatement of personal allowance where income exceeds £100,000, and the averaging of profits that is available to certain taxpayers such as farmers and creative artists.

Businesses with accounting periods ending early in a tax year (e.g. 30 April or 31 May) will have a much smaller delay between profits being earned and tax being payable on them. Any self-employed trader, partnership or LLP with an accounting date other than 31 March or 5 April should consider the effect of this change as a matter of urgency.

Carry back of losses

The March 2021 Budget extended the period for which companies and unincorporated businesses can 'carry back' losses to offset against taxable profits of earlier years and claim a refund of tax paid on those profits. Losses of 2020/21 and 2021/22 (for companies, accounting periods that end between 1 April 2020 and 31 March 2022) can be carried back three years (subject to monetary limits). This rule has not been extended, so losses of 2022/23 will revert to the normal carry back period of one year.

Corporation Tax

Rate of tax

As announced in March 2021, the Corporation Tax rate will remain at 19% until 31 March 2023. It will then increase to 25% for companies with profits over £250,000. Since 1 April 2015, all corporate profits have been taxed at the same rate; the 'small profits rate' that was familiar before that will be reintroduced at 19% for companies with profits of up to £50,000. Between £50,000 and £250,000 there will be a tapering calculation that produces an effective marginal rate of 26.5% on profits between these limits, but an average rate on all profits of between 19% and 25%. The limits will be divided between companies under common control.

Companies with an accounting period that straddles 31 March 2023 will time apportion the profits of that period to be taxed at the two different rates. It may be worth considering a change of accounting date to produce a lower tax charge: for example, a company with a 30 September 2023 accounting date that makes a large profit on a transaction before 31 March 2023 will pay 25% tax on 6/12 of it. If a short accounting period is ended on 31 March 2023, that large profit will all be taxed at 19%.

Capital allowances for plant and machinery

The March 2021 Budget introduced enhanced allowances for qualifying expenditure on plant and machinery (P&M) contracted for from 3 March 2021 and incurred from 1 April 2021 to 31 March 2023 by companies. They can claim:

- a 'super-deduction', providing allowances of 130% on new P&M investment that would ordinarily qualify for 18% writing down allowances (WDAs) in the main capital allowance pool;
- a first-year 'special rate allowance' of 50% on new P&M investment that would ordinarily qualify for 6% WDAs in the special rate pool (e.g. integral plant in buildings).

The rate of the super-deduction will require adjustment if an accounting period straddles 1 April 2023 to ensure that the super-deduction cannot be relieved at the 25% rate of corporation tax. Adjustments will also be required on the disposal of assets on which a super-deduction or special rate allowance has been claimed.

The 100% Annual Investment Allowance (AIA), which is available to companies and unincorporated businesses, will also be available for qualifying expenditure on P&M up to £1 million until 31 March 2023. The limit will be subject to transitional rules where accounting periods straddle 31 March 2023.

The AIA may produce more tax relief for companies than the 50% FYA available for special

rate expenditure described above. However, as the main corporation tax rate will increase from 19% to 25% on 1 April 2023, advancing expenditure to March 2023 in order to secure 100% deduction will result in a smaller amount of tax relief – the tax reduction will come sooner, but it will be given at the lower tax rate.

Research & Development (R&D)

The Small and Medium-sized Enterprise (SME) R&D relief (a 130% enhancement of the expenditure) and the R&D expenditure credit (currently 13%) apply to 'qualifying expenditure' as defined in the legislation. At present, this comprises:

- Staff costs
- Software used directly for the R&D
- Relevant payments to the subjects of clinical trials
- Consumable or transformable materials
- Subcontracted R&D costs
- Externally provided workers

Following a consultation launched in March 2021, R&D tax reliefs will be reformed to support modern research methods by expanding qualifying expenditure to include data and cloud costs.

At present there is no limitation on incurring the expenditure outside the UK, for example by subcontracting work to suppliers in other countries. The legislation will be amended to focus support towards innovation in the UK, which is likely to require qualifying expenditure, or at least a large percentage of it, to be incurred within the UK.

Other changes will be made to target abuse and improve compliance. The changes to the law are intended to take effect for expenditure incurred from 1 April 2023; the Spring Statement included a declared intention to reform, refocus and increase the incentives for R&D spending.

Uncertain tax treatments

The law has been changed to require very large companies and partnerships to notify HMRC where they take a tax position in their returns for VAT, corporation tax or income tax (including PAYE) that is 'uncertain'. An 'uncertain treatment' is defined as arising either where a provision has been made in the accounts for the uncertainty, or the position taken in the accounts is contrary to HMRC's known position (as stated in the public domain or in dealings with HMRC). Taxpayers will only need to notify where the tax advantage of the position taken – when compared with HMRC's view – is expected to be over £5 million in a 12-month period. The new rule will apply for returns filed with effect from 1 April 2022. This is a difficult and controversial area, but it only affects businesses with turnover of more than £200 million a year, or a balance sheet total of more than £2 billion.

Value Added Tax

Spring Statement

For more than 20 years, the reduced VAT rate of 5% has applied to the supply by a trader of 'installation of energy saving materials' in some housing. There are a number of restrictions on how this relief operates, and the Court of Justice of the EU required the UK to narrow the scope of the tax relief because the UK's version did not comply with EU law. The Chancellor has decided to take advantage of Brexit to reverse the changes required by the Court and to expand the scope of the relief to more energy-saving technologies. For a limited period, the relief will be further increased by making the supply zero-rated rather than reduced rated. These changes will take effect from April 2022. They are a more narrowly targeted tax cut than other measures in the Spring Statement, costed at £45 million in the first year.

Registration threshold

The VAT registration and deregistration thresholds will remain frozen at their present levels of £85,000 and £83,000 until 31 March 2024. This will tend to require more businesses to register for the tax as they grow, and therefore represents a small tax-raising measure.

Making Tax Digital for VAT

For VAT periods commencing on or after 1 April 2022, all VAT-registered businesses, unless they claim a limited range of exemptions, are required to comply with the requirements to maintain their VAT records digitally and file their VAT returns using MTD-compliant software. Up to this point, MTD has been compulsory for those trading above the VAT threshold of £85,000 in taxable turnover, but has been optional for those traders who have voluntarily registered. Anyone who is not yet registered for MTD should now take steps to join up as a matter of urgency.

Reduced rate for hospitality and entertainment

No further changes have been announced relating to the reduced rate of VAT that has applied to qualifying supplies by hospitality, leisure and entertainment businesses to help offset the impact of the pandemic. The rate reduced from 20% to 5% in July 2020, and increased to 12.5% with effect from 1 October 2021. It will revert back to the standard 20% rate on 1 April 2022.

There are no 'anti-forestalling rules' to counter the VAT saving enjoyed by someone who pays a deposit before the rate goes back up – that will lock in the 12.5% rate of VAT to the extent that a supply is paid for before 1 April 2022, even if the actual supply takes place later.

Default surcharge

The rules for late payment of VAT will be reformed for return periods beginning on or after 1 January 2023 (delayed from the intended introduction of the new rules on 1 April 2022). Default surcharge will be replaced by interest on late payment and separate penalties for late filing of returns. It is interesting to see this delay shown in the government's accounting as a cost – implying that they believe the new system will raise more money than the old.

Property

New rules for holiday lettings

Owners of holiday homes may be able to pay no council tax or business rates for their property by registering the property as business premises. They then claim small business rates relief (SBRR) to reduce the business rates bill to nil. An assessment for business rates takes priority over council tax, but it is normally more costly to pay business rates if SBRR is not available.

From April 2023, for the property to qualify for SBRR, the landlord will have to provide evidence that the property will be offered for short-term commercial letting for at least 140 days in the current year. This evidence may be in the form of bookings, receipts or adverts. In addition, the landlord will have to show that in the previous tax year the property was:

- available for short-term commercial letting for at least 140 days; and
- actually let for short-term letting for at least 70 days.

Anyone who lets holiday accommodation that seeks to benefit from SBRR will need to meet these conditions for the year starting 6 April 2022, in order to be able to provide the required evidence in April 2023.

Residential Property Developer Tax

As announced in February 2021, the government is introducing a new tax from April 2022 on the profits that companies and corporate groups derive from UK residential property development. This is intended to ensure that the largest developers make a fair contribution to help pay for building safety remediation. The tax will be charged at 4% on profits exceeding an annual allowance of £25 million.

Annual Tax on Enveloped Dwellings (ATED)

ATED applies to residential property worth above £500,000 which is owned through companies and other corporate structures, unless the situation qualifies for a relief. The rates increase automatically each year in line with inflation: they will rise by 3.1% from 1 April 2022 in line with the September 2021 Consumer Price Index. The amount ranges from £3,800 to £244,750 per year.

The next 5-yearly revaluation of relevant properties is due on 1 April 2022, which may affect the ATED payable from 1 April 2023, if a property moves into a different valuation band as a result.

Other measures: Spring Statement

Cost of living support

As widely predicted, the Chancellor cut fuel duty on petrol as a response to increases in the cost of living. From a range of possibilities, he chose to limit the reduction to one year from 6pm on 23 March 2022, set at 5p per litre. As VAT is charged on top of the duty, this should in total reduce the tax by 6p per litre. The price of fuel has already gone up by several times that amount since the start of the war in Ukraine, so this will only have a limited impact on overall costs. However, it is expected to save the average motorist about £100 a year, at a cost to the Exchequer of nearly £2.4 billion.

Mr Sunak made no changes to the measures announced in February to help people impacted by higher energy bills. These involve a £200 rebate on bills in the autumn, which will be recovered at £40 a year over the following 5 years, and a £150 rebate on Council tax bills for people with houses in Bands A to D. This rebate is not repayable. Local authorities will also be given funds to make grants to people who are in need but not eligible for the central government scheme. This is described as a '£9 billion support package', but the majority of it is a loan rather than an outright grant.

Tax avoidance and evasion

Hidden in the government's costings are significant extra amounts of money described as 'HMRC: investment in compliance' and 'DWP: investment in compliance' (over £500 million in 2022/23, rising to over £1.2 billion in 2026/27). This 'investment' is expected to bring in £3 billion of extra tax over the next five years and savings in the benefits system of a similar amount. The HMRC staff will 'provide greater support to taxpayers seeking to pay off accrued tax debts' and 'tackle the most complex tax risks, ensuring large and mid-sized businesses pay the tax they owe'. The DWP effort will be directed at preventing and detecting fraud and error, and collecting more debt.

Other measures: already announced

Interest on overdue tax

The rates of interest on overdue tax are linked to the Bank of England base rate by a statutory formula. As the base rate has recently risen from 0.1% to 0.75%, the rates of interest on overdue tax will also rise. From 5 April 2022 the rate rises from 3% to 3.25%, and it is likely to rise further if interest rates continue to go up.

Making Tax Digital (MTD) for Income Tax

As announced on 23 September 2021, the government has decided to delay the requirement for sole traders and landlords with income over £10,000 to file income tax self assessment (ITSA) information using MTD until the tax year 2024/25. General partnerships will not be required to join the system until 6 April 2025.

At the same time that MTD for ITSA is introduced, new penalties for late filing and late payment will apply to those within the new system.

Business rates

In the Autumn Budget, the government announced several measures to reduce the burden of business rates in England:

- freeze the business rates multiplier for a second year, from 1 April 2022 to 31 March 2023
- introduce a new temporary business rates relief for eligible retail, hospitality and leisure properties for 2022/23, giving 50% relief up to a £110,000 per business cap
- extend transitional relief for small and medium-sized businesses, and the supporting small business scheme, for 1 year, restricting increases in rates bills, subject to subsidy control limits

The government will reform the system of business rates by increasing the frequency of revaluations from 5 years to 3 years, starting in 2023.

In October, the Chancellor announced an intention to introduce reliefs, also in 2023, where occupiers incur certain types of expenditure on improvements, including eligible plant and machinery used in onsite renewable energy generation and storage. In the Spring Statement, he announced that this would be brought forward by a year to April 2022.

Recovery Loan Scheme

The Recovery Loan Scheme, which was introduced to help businesses recover from the impact of the pandemic, has been extended until 30 June 2022. The following changes apply to all offers made from 1 January 2022:

- The scheme is only open to small and medium-sized enterprises
- The maximum amount of finance available is £2 million per business
- The guarantee coverage that the government will provide to lenders falls to 70%

Universal Credit

The Autumn Budget included two measures that were intended to benefit Universal Credit recipients: reducing the taper rate at which extra earnings leads to a reduction in benefits (from 63% to 55%) and increasing the Work Allowance by £500 a year. These measures are worth more to some claimants than the £20 per week that was temporarily granted during part of the pandemic and then cancelled, but not everyone will enjoy the same benefit. Some commentators predicted that the Spring Statement would include some measures on Universal Credit, but no further changes were announced.

Freeports

The March 2022 Budget outlined the introduction of 'Freeports', areas in which a number of tax and other incentives will operate to encourage trade. The enhanced tax reliefs will include 10% Structures and Buildings Allowances (instead of 3%), 100% First Year Allowances for plant and machinery, full relief from Stamp Duty Land Tax, full Business Rates relief for five years, and relief from Employer's NIC on some salaries. The reliefs will depend on designation as a 'tax site' within a Freeport and will run until 30 September 2026, with a possible extension to April 2031.

The English Freeports announced so far are East Midlands Airport, Felixstowe & Harwich, Humber, Liverpool City Region, Plymouth and South Devon, Solent, Teesside and Thames.

The October Budget included further measures clarifying the VAT reliefs that will apply in free zones, and the detailed operation of these new 'onshore tax havens' is being developed as they begin to operate.

Anti-Money Laundering Levy

The Finance Act 2022 has introduced an Economic Crime (Anti-Money Laundering) Levy, which is expected to raise around £100m per annum to help fund anti-money laundering and economic crime reforms.

Any entity which is subject to Anti-Money Laundering regulations (such as credit institutions, financial institutions, auditors, insolvency practitioners, accountants, tax advisers, legal professionals, estate agents, trust or company service providers, high value dealers and casinos) will be impacted but it will not apply to small entities (those with under £10.2m of UK revenue).

There will be three charging bands: medium (turnover from £10.2m – £36m), large (£36m – £1bn) and very large (over £1bn). A flat rate charge will apply in each band, being £10,000, £36,000 and £250,000 respectively.

It will be first charged for the year from 1 April 2022 to 31 March 2023, but it will not be collected until after the year-end.

Income Tax Rates and Allowances (Table A)

Main allowances	2022/23	2021/22
Personal Allowance (PA)*†	£12,570	£12,570
Blind Person's Allowance	2,600	2,520
Rent a room relief §	7,500	7,500
Trading income §	1,000	1,000
Property income §	1,000	1,000

* PA will be withdrawn at £1 for every £2 by which 'adjusted income' exceeds £100,000. There will therefore be no allowance given if adjusted income is £125,140 or more.
† £1,260 of the PA can be transferred to a spouse or civil partner who is no more than a basic rate taxpayer, where both spouses were born after 5 April 1935.
§ If gross income exceeds this, the limit may be deducted instead of actual expenses.

Rate Bands	2022/23	2021/22
Basic Rate Band (BRB)	£37,700	£37,700
Higher Rate Band (HRB)	37,701-150,000	37,701-150,000
Additional rate	over 150,000	over 150,000
Personal Savings Allowance (PSA)		
– Basic rate taxpayer	1,000	1,000
– Higher rate taxpayer	500	500
Dividend Allowance (DA)	2,000	2,000

BRB and additional rate threshold are increased by personal pension contributions (up to permitted limit) and Gift Aid donations.

Rate Bands	2022/23			2021/22		
Rates differ for General, Savings and Dividend income within each band:						
	G	S	D	G	S	D
Basic %	20	20	8.75	20	20	7.5
Higher %	40	40	33.75	40	40	32.5
Additional %	45	45	39.35	45	45	38.1

General income (salary, pensions, business profits, rent) usually uses personal allowance, basic rate and higher rate bands before savings income (mainly interest). To the extent that savings income falls in the first £5,000 of the basic rate band, it is taxed at nil rather than 20%.

The PSA taxes interest at nil, where it would otherwise be taxable at 20% or 40%.

Dividends are normally taxed as the 'top slice' of income. The DA taxes the first £2,000 of dividend income at nil, rather than the rate that would otherwise apply.

High Income Child Benefit Charge (HICBC)
1% of child benefit for each £100 of adjusted net income between £50,000 and £60,000.

Income Tax – Scotland	Rate	2022/23	2021/22
Starter Rate	19%	£2,162	£2,097
Basic Rate	20%	2,163 – 13,118	2,098 – 12,726
Intermediate Rate	21%	13,119 – 31,092	12,727 – 31,092
Higher Rate	41%	31,093 – 150,000	31,093 – 150,000
Top Rate	46%	over 150,000	over 150,000

The Scottish rates and bands do not apply for savings and dividend income, which are taxed at normal UK rates.

Remittance basis charge	2022/23	2021/22
For non-UK domiciled individuals who have been UK resident in at least:		
7 of the preceding 9 tax years	£30,000	£30,000
12 of the preceding 14 tax years	60,000	60,000
15 of the preceding 20 tax years	Deemed to be UK domiciled for tax purposes	

Registered Pensions (Table B)

	2022/23	2021/22
Lifetime Allowance (LA)	£1,073,100	£1,073,100
Annual Allowance (AA)	40,000	40,000

Annual relievable pension inputs are the higher of earnings (capped at AA) or £3,600.
The AA is usually reduced by £1 for every £2 by which relevant income exceeds £240,000, down to a minimum AA of £4,000.

Car and Fuel Benefits (Table C)

Cars

Taxable benefit: List price multiplied by chargeable percentage.

		2022/23	2021/22 percentage for cars first registered	
CO2 emissions g/km	Electric range Miles	All cars %	Pre 06.04.2020 %	Post 05.04.2020 %
0	N/A	2	1	1
1-50	>130	2	2	1
1-50	70 - 129	5	5	4
1-50	40 - 69	8	8	7
1-50	30 - 39	12	12	11
1-50	<30	14	14	13
51-54	N/A	15	15	14

Then a further 1% for each 5g/km CO_2 emissions, up to a maximum of 37%.

Diesel cars that are not RDE2 standard suffer a 4% supplement on the above figures but are still capped at 37%.

Car Fuel

Where employer provides fuel for private motoring in an employer-owned car, CO_2-based percentage from above table multiplied by £25,300 (2021/22: £24,600).

National Insurance Contributions (Table D)

Class 1 (Employees)	Employee	Employer
Main NIC rate	13.25%	15.05%
6.4.2022 to 5.7.2022: No NIC on first	£190pw	£175pw
6.7.2022 to 5.4.2023: No NIC on first	£242pw	£175pw
Main rate* charged up to	£967pw	no limit
3.25% rate on earnings above	£967pw	N/A
Employment allowance per qualifying business	N/A	£5,000

*Nil rate of employer NIC on earnings up to £967pw for employees aged under 21, apprentices aged under 25 and ex-armed forces personnel in their first twelve months of civilian employment.

Employer contributions (at 15.05%) are also due on most taxable benefits (Class 1A) and on tax paid on an employee's behalf under a PAYE settlement agreement (Class 1B).

Class 2 (Self-employed)

Flat rate per week on profits above £11,908 — £3.15

Class 3 (Voluntary)

Flat rate per week — £15.85

Class 4 (Self-employed)

On profits between £11,908 and £50,270 — 10.25%

On profits over £50,270 — 3.25%

Employees with earnings above £123pw and the self-employed with profits over £6,725 access entitlement to contributory benefits.