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Accounting and Tax Services

Newsletter - March 2022

Hello and welcome to another issue of my mini newsletter.

Spring Statement 2022

The chancellor, Rishi Sunak, gave his Spring Statement on Wednesday 23rd. The Russian invasion of Ukraine following hot on the heels of 2 years of turmoil caused by the Covid 19 pandemic (which is still here), means the economy recovery is impacted, growth forecasts have been reduced downwards and the cost of living is rising. Inflation is estimated to reach 8.7% by the end of this year with fuel prices in particular increasing enormously, so he was under pressure to give some financial help. Below are some of key points:



- 1 The National Insurance threshold for individuals is rising to be the same as the personal allowance, that is £12570. This is for both employees and the self-employed. It will take affect from 1st July 2022. From that date employees can earn £242 pw before paying any tax or NIC (currently £190pw). The prorated total before Class 4 NIC is payable for self employed is £11,908 of profits for 2022/23 (3 months at current level and 9 months at new level).

Note, however, that the threshold does not rise for employers who will still pay Employers NIC on salaries above £9,100 from 6th April.

- 2 The basic rate of income tax in England will be cut by 1% to 19% in a years time, from April 2024.
- 3 A fuel duty cut 5p a litre came into effect at 6pm on the 23rd March.
- 4 For small employers the Employment Allowance is increased from £4000 to £5000 for 2022/23 - this is relief from paying Employers NIC on staff wages and this increase is estimated to benefit almost half a million small businesses.
- 5 VAT cuts on green technology such as solar panels, heat pumps and house insulation from 5% to zero rated

Reminders - a few deadlines and reminders of measures previously announced that are about to come into effect

- a **VAT - temporary rate cut** - the reduced rate of VAT on certain food, non-alcoholic drinks and other hospitality ends this month and reverts back to the main 20% rate from 1st April 2022.
- b National Insurance Contributions (NIC) will increase by 1.25% from April 2022 for employees, employers and the self-employed (Class 4 NIC) as a temporary measure before the new **Health and Social Care levy** is introduced from April 2023. There will also be an increase of 1.25% in the tax rate on dividend income.
- c **MTD for VAT** - all VAT returns must now be filed using MTD processes regardless of turnover.
- d You should make sure you have paid any remaining self-assessment tax by the 31st March or you will incur a 5% penalty on the tax outstanding. If you have difficulties with payment you can also avoid the 5% penalty by setting up an arrangement with HMRC to pay by installments as long as this is done before 31 March - details here: <https://www.gov.uk/difficulties-paying-hmrc/pay-in-instalments>

- e National Minimum Wage (NMW) increases - from 1st April the NMW for those aged over 23 will rise by 59p to £9.50 per hour. For 21-22 year olds the rise is 82p an hour to £9.18. There are other minimum rates for those under aged 20 and under and apprentices.
<https://www.gov.uk/national-minimum-wage-rates>



- f ATED - If you are a Company that owns a residential property worth over £500,000 then remember to file your ATED return. Register for the online service by 1st April to file your 2022/23 ATED return which is due by 30 April 2022. There are reliefs for let properties but the return still needs to be filed to claim these.

Trusts Register

There is a new requirement to register all UK express trusts with HMRC even if they are non-taxable trusts. (All trusts that pay UK tax should already be registered, but will need to access the new online service and check/update their details). The deadline to do so is 1st September 2022. An express trust is one where the settlor has deliberately created a trust and this can include trusts created by a will. There are a few exemptions and there is more information here: <https://www.gov.uk/guidance/register-a-trust-as-a-trustee>

Company Taxation

Companies are into the second year of the 130% Superdeduction for qualifying plant and machinery. The policy is designed to encourage investment and stop Companies from potentially delaying investment until the new higher rate of Corporation Tax starts, however the 130% can be claimed by all Companies and so if smaller Companies wish to buy qualifying assets it will probably be beneficial to do so in the next 12 months rather than after.

As a recap the higher rate of Corporation Tax starts from 1/4/23 and will be 25% for companies with profits over £250,000. Small Companies with profits under £50k will continue to pay at 19% and there will be a taper relief for those inbetween.

Companies House changes

There has been a review of the framework for Corporate Registration and the information publically accessible on the Companies Register. The Government will be introducing legislation, the main purpose of which is to give the Registrar more powers and thus help reduce fraud and other abuses by criminals hiding behind legitimate looking Companies. Currently Companies House simply register information - the proposed new powers will enable them to query information and potentially reject it. Two of the major changes proposed (and it is not yet known when and if these will all become law) are:

- a **Verification of identity** for each Company there will be at least one person whose identity is fully verified, so it will be harder to appoint fictitious directors and owners and create anonymous structures. This will apply to existing Companies and LLPs in due course.
- b **Improving the financial information on the register.** **All Companies will be required to file a profit and loss account.** It is also likely that the filing deadlines will be shortened from the current 9 months for private companies.

More details on these matters can be found here:

<https://www.gov.uk/government/publications/corporate-transparency-and-register-reform/corporate-transparency-and-register-reform-accessible-webpage#annex-1-table-of-reforms>

As always I welcome any comments and please do get in touch if I can help with anything mentioned

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