

Bullimores' Notes and Commentary on the Chancellor's Spring Statement 23 March 2022



'Not a Budget'

This was a Spring Statement and not a Budget as the Chancellor was keen to let us know! Many of the tax changes that take effect from April 2022 have been previously announced and the measures revealed in this Statement were an attempt to ease some of the pressure of the cost of living crisis. A far from easy task to fight against the tide.

Inflation shows no signs of falling in the short term and the Office for Budget Responsibility predicts inflation will be at a 40 year high of 8.7% in the fourth quarter of 2022, caused by a combination of Putin's invasion of Ukraine and the lasting effects of the pandemic.

There were higher tax revenues for the 2021 tax year than expected and some businesses were more profitable, both because they cut spending and because of the grants given by the Government. The grant support came quickly and the Government acted decisively to the benefit of us all, particularly in retaining jobs, but unfortunately fraudsters have exploited the system. The borrowing and interest to pay for the support now has to be paid back by all of us, so where there has been wrongdoing we should not be afraid to call it out.

The alignment of the primary threshold for National Insurance to the personal tax allowance for income tax in July 2022 is a sensible move and avoided the Chancellor being seen to climb down from the Health and Social Care Levy of 1.25% to be paid by both employees and employers in April 2022. However, there is no change to secondary threshold on which employers start to pay employers National Insurance. Qualifying employers that claim the employment support allowance will receive an extra £1,000 to offset some of the cost of the National Insurance rate increase. The rate of dividend tax will increase by 1.25% in April 2022.

Drivers will appreciate the 5p reduction in fuel duty that took effect at 6pm if it is passed on in full. The extra receipts from the VAT on the increase in petrol costs appear to outweigh the cost to the Chancellor. The cut in VAT on qualifying energy saving materials might encourage more of us to spend in this area, however, initial predictions are that the take up will be low. The promise of a 1p reduction in income tax in 2024 will of course be most welcome!

The Chancellor returned to the familiar problem of low productivity and stated that the private sector has fallen behind global competitors in training, investment and innovation. There was an admission that the current tax system including grants and reliefs is not working to deliver higher standards, despite the high cost to the Treasury. We urge that rather than play a blame game, small and medium sized businesses are fully listened to this time in any consultation. They are often more adaptable and best placed to deliver both innovation and training. The current tax and grant systems are too complex for many small businesses and must change. It is an active disincentive to small and medium size businesses where tax rules are unclear or the administration involved in making a claim outweighs the value, and this is too often the case. The super deductions for capital allowances and £1m annual investment allowance run out in March 2023 and businesses are being asked how these should be structured in the future to encourage investment.

The Bullimores antennae detected the mention of a Tax Plan during the Chancellor's speech. We immediately set about finding this Plan. It is somewhat scant on detail, so it looks as though we shall get home at a reasonable hour tonight. Thank heavens this was not a Budget!

"Times of great calamity and confusion have been productive for the greatest minds. The purest ore is produced from the hottest furnace. The brightest thunder-bolt is elicited from the darkest storm."

Charles Caleb Cotton

"Inflation is as violent as a mugger, as frightening as an armed robber and as deadly as a hit man."

Ronald Reagan

Announcements in Spring Statement 2022

- National Insurance - Increase in primary rate threshold and lower profits limit for National Insurance to £12,570 from 6 July 2022.
- National Insurance – Reduce Class 2 payments to NIL between the small profits threshold and the lower profits limit from 6 April 2022.
- Income tax – Reduce from 20% to 19% from 6 April 2024.
- Employers – Employment allowance extended to £5,000 from 6 April 2022.
- Fuel duty – Reduce main rates for 12 months by 5p from 6pm 23 March 2022.
- VAT – Zero rate for energy saving materials for 5 years from 1 April 2022.
- Household support fund - £500m additional for local authorities to help the most vulnerable.
- Business rates – Green reliefs from 1 April 2022 for eligible plant and machinery.
- R&D – Cloud computing costs associated with R&D including storage to qualify from 1 April 2023.

Announcements in Autumn Budget 2021 effective in April 2022

- Health and Social Care Levy – 1.25% for employees and employers from 6 April 2022.
- Dividend tax rates – 1.25% increase from 6 April 2022.
- Business rates – 50% relief for retail, hospitality and leisure sectors in 2022/23. Cap of £110,000.
- Business rates – Multiplier frozen 2022/23.
- Business rates – Relief for property improvements 2023/24.
- Businesses – Extension of annual investment allowance at £1m to 31 March 2023.
- Residential Property Developer Tax – 4% on profits above £25m annual allowance from 1 April 2022.
- Bank surcharge – 3% higher corporation tax from 1 April 2023.
- Capital Gains Tax – Increase time limit on declaring gain on residential property to 60 days.
- Most other rates frozen.

Corporation tax rates are set to increase to 25% with effect from 1 April 2023, small profits rate at 19%

This Report was prepared immediately after the Chancellor's Spring Statement based on official press releases and supporting documentation. The Statement proposals are subject to amendment before the Finance Act receives Royal Assent. This Report is for guidance only, and professional advice should be obtained before acting on any information contained herein.

RATES 2021/2022 and 2022/2023

INCOME TAX RATES	2021/2022	2022/2023
Basic rate – 20%	£37,700	£37,700
Higher rate – 40%	£150,000	£150,000
Additional rate – 45%	over £150,000	over £150,000
Savings income rate - 0% starting rate	£5,000	£5,000
Dividends	2022/2023 - ordinary rate 8.75%; upper rate 33.75%; additional rate 39.35% 2021/2022 - ordinary rate 7.5%; upper rate 32.5%; additional rate 38.1%	

PERSONAL ALLOWANCES	2021/2022	2022/2023
Allowances that reduce taxable income		
Personal allowance *	£12,570	£12,570
Transferable marriage allowance for non-higher rate taxpayers	£1,260	£1,260
Dividend allowance	£2,000	£2,000
Personal savings allowance for basic rate taxpayers	£1,000	£1,000
Personal savings allowance for higher rate taxpayers	£500	£500
* Personal allowance gradually withdrawn for all individuals when income exceeds £100,000		

VALUE ADDED TAX	From 1 April 2021	1 April 2022
Registration threshold	£85,000	£85,000
De-registration threshold	£83,000	£83,000

2022/2023 NATIONAL INSURANCE CONTRIBUTIONS		
Class 1* (not contracted out)	Employer	Employee
Weekly earnings bands		
up to £242**	Nil	Nil
£242** - £967	15.05%	13.25%
over £967	15.05%	3.25%
payable until reaching State Pension age		
Class 1A	On relevant benefits	15.05%
Class 2*	Self employed	£3.15 per week
	Limit of net earnings for exception	£6,725 per annum
Class 3	Voluntary	£15.85 per week
Class 4*	Self employed on profits £11,908 - £50,270	10.25%
	Self employed on profits over £50,270	3.25%
* Exemption tax the year after reaching retirement age ** £190 per week before 6 July 2022		

CORPORATION TAX	2021	2022	2023
Main rate	19%	19%	25%
Small profits rates (Lower threshold £50,000; Upper threshold £250,000)	N/A	N/A	19%

CAPITAL TAXES	2021/2022	2022/2023
Capital gains tax annual exemption	£12,300	£12,300
Capital gains tax rate - basic rate taxpayer	10%	10%
Capital gains tax rate - higher rate taxpayer	20%	20%
Surcharge on carried interest and residential property (that does not qualify for private residence relief)	8%	8%
Rate on gains subject to business asset disposal relief	10%	10%
Business asset disposal relief lifetime limit of gains	£1,000,000	£1,000,000
Inheritance tax nil rate band	£325,000	£325,000
Married couples and civil partners - max	£650,000	£650,000
Residence nil rate band limit	£175,000	£175,000
Taper threshold for residence nil rate band	£2,000,000	£2,000,000

COMPANY CARS

P11D Benefits - Table of taxable percentage of the list price for 2021/2022. A new emissions test introduced for cars registered after 6 April 2020 (WLTP)

- Diesel supplement of 4% to petrol percentages below to a maximum of 37% (no supplement if RD2E standard met)

CO ₂ in g/km	Electric mileage range	NEDC %	WLTP %	CO ₂ in g/km	Electric mileage range	NEDC %	WLTP %
Zero	-	1	1	100 to 104	-	25	24
1 to 50	130 and above	2	1	105 to 109	-	26	25
1 to 50	70 to 129	5	4	110 to 114	-	27	26
1 to 50	40 to 69	8	7	115 to 119	-	28	27
1 to 50	30 to 39	12	11	120 to 124	-	29	28
1 to 50	less than 30	14	13	125 to 129	-	30	29
51 to 54	-	15	14	130 to 134	-	31	30
55 to 59	-	16	15	135 to 139	-	32	31
60 to 64	-	17	16	140 to 144	-	33	32
65 to 69	-	18	17	145 to 149	-	34	33
70 to 74	-	19	18	150 to 154	-	35	34
75 to 79	-	20	19	155 to 159	-	36	35
80 to 84	-	21	20	160 to 164	-	37	36
85 to 89	-	22	21	165 to 169	-	37	37
90 to 94	-	23	22	170 & above	-	37	37
95 to 99	-	24	23				

The exact CO₂ figure is always rounded down to the nearest 5 grams per kilometre. For example, CO₂ emissions of 188g/km are treated as 185g/km.

2021/2022 EMPLOYER PROVIDING FUEL FOR PRIVATE USE
Free fuel for private use – multiplier is £24,600

VAT FUEL SCALE CHARGE – 3 MONTH CHARGE FROM 1 MAY 2021 to 30 APRIL 2022

CO ₂ BAND in g/km	VAT FUEL CHARGE 3 month period, £	VAT ON 3 MONTH CHARGE @ 20%, £	FUEL SCALE CHARGE (Net amount), £
120 or less	145.00	24.17	120.83
125	219.00	36.50	182.50
130	233.00	38.83	194.17
135	247.00	41.17	205.83
140	262.00	43.67	218.33
145	277.00	46.17	230.83
150	292.00	48.67	243.33
155	306.00	51.00	255.00
160	321.00	53.50	267.50
165	336.00	56.00	280.00
170	350.00	58.33	291.67
175	364.00	60.67	303.33
180	379.00	63.17	315.83
185	394.00	65.67	328.33
190	409.00	68.17	340.83
195	423.00	70.50	352.50
200	438.00	73.00	365.00
205	453.00	75.50	377.50
210	467.00	77.83	389.17
215	481.00	80.17	400.83
220	496.00	82.67	413.33
225 or more	511.00	85.17	425.83

Please refer to Bullimores if you are applying fuel scale charges for a 12 month or 1 month period. There are also different rates for hybrid cars.

COMPANY VANS

The taxable benefit for company vans with no restrictions on private use is £3,500, with no reduction for older vans. Electric vans reduce the benefit. There is an additional £688 taxable benefit for fuel for private mileage.