A simple guide to Spring Statement 2022

This is a basic guide, prepared by ACCA’s Technical Advisory team, for members and their colleagues or clients. It’s an introduction only and should not be used as a definitive guide since individual circumstances may vary. Specific advice should be obtained, where necessary.

# The headline message from the Chancellor was future tax cuts to support families with the cost of living.

You can read the individual measures below.

**Rates and allowances**

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|  | **2022/23** | **2021/22** |
| **Income tax rates – England and Wales (non-dividend income)** |
| 0% lower rate tax – savings rate only | Up to £5,000 | Up to £5,000 |
| 20% basic rate tax | £12,571 to £50,270 | £12,571 to £50,270 |
| 40% higher rate tax | £50,271 to £150,000 | £50,271 to £150,000 |
| 45% additional rate tax | Above £150,000 | Above £150,000 |
| **Scottish income tax rates (non-dividend income)** |
| 19% starting rate tax | £12,571 to £14,732 | £12,571 to £14,667 |
| 20% basic rate tax | £14,733 to £25,688 | £14,668 to £25,296 |
| 21% intermediate rate tax | £25,688 to £43,662 | £25,297 to £43,662 |
| 41% higher rate tax | £43,663 to £150,000 | £43,663 to £150,000 |
| 46% top rate | Above £150,000 | Above £150,000 |
| **Personal allowance** |
| Personal allowance  | £12,570 | £12,570 |
|  |

The government will reduce the basic rate of income tax to 19% for England and Wales from April 2024.

With inflation at 6.2% and predicted to go higher, the personal allowance and tax thresholds remain frozen. A consequence is that more individuals and businesses are likely to need assistance in navigating the complex tax system.

**National Insurance**

From April 2022 the rate of National Insurance contributions across all classes (except Class 2 and 3) will change for one year. The amount of the contribution will increase by 1.25% which will be spent on the NHS and social care across the UK. This will be replaced by the new Health and Social Care Levy which will take effect from 6 April 2023.

The Chancellor announced that the Primary Threshold and Lower Profits Limit will both increase from £9,880 to £12,570. This aligns the thresholds with the personal allowance.

This increase in National Insurance contributions will apply to:

* Class 1 (paid by employees)
* Class 4 (paid by self-employed)
* Secondary Class 1, 1A and 1B (paid by employers).

Employers will only pay on earnings above the secondary threshold.

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| **NI Category** | **2022-23** | **2021-22** |
| Employee’s primary class 1 rate between primary threshold and upper earnings limit | 13.25% | 12% |
| Employee’s primary class 1 rate above upper earnings limit | 3.25% | 2% |
| Employer's secondary class 1 rate above secondary threshold | 15.05% | 13.80% |
| Class 4 rate between lower profits limit and upper profits limit  | 10.25% | 9.00% |
| Class 4 rate above upper profits limit | 3.25% | 2.00% |
| **National insurance** | **2022/23** | **2021/22** |
| Lower earnings limit, primary class 1 (per week) | £123 | £120 |
| Upper earnings limit, primary class 1 (per week) | £967 | £967 |
| Apprentice upper secondary threshold (AUST) for under 21s/25s | £967 | £967 |
| Primary threshold (per week) | £190 up to 5 July 2022; £242 from 6 July 2022 onwards (see below)  | £184 |
| Secondary threshold (per week) | £175 | £170 |
| Class 2 small profits threshold (per year)  | £6,725 | £6,515 |
| Class 4 lower profits limit | £11,908 | £9,568 |
| Class 4 upper profits limit | £50,270 | £50,270 |

The annual National Insurance Primary Threshold and Lower Profits Limit, for employees and the self-employed respectively, will increase from £9,880 to £12,570 from July 2022. July is the earliest date that will allow payroll software developers and employers to update systems and implement changes. From April, self-employed individuals with profits between the Small Profits Threshold and Lower Profits Limit will not pay Class 2 NICs. Over the year as a whole, the Lower Profits Limit, the threshold below which self-employed people do not pay National Insurance, is equivalent to an annualised threshold of £9,880 between April to June, and £12,570 from July 2022.

**Employment Allowance**

ACCA in representations had suggested an increase in the Employment Allowance. This allowance increases by £1,000 from £4,000 to £5,000. This increase applies from April 2022.The allowance continues to be limited to employers with an employer NIC bill below £100,000 in the previous tax year.

**Pensions**

With effect from 6 April 2028 the earliest age at which most pension savers can access their pensions without incurring an unauthorised payments tax charge will increase from 55 to 57.

**Capital gains tax annual exempt amount** **(after personal allowance)**

These are frozen at £12,300 for individuals and £6,150 for trusts.

**Dividend allowance**

The tax-free dividend allowance is unchanged at £2,000. The dividend tax rates are increased by 1.25% for each category of taxpayers for 2022/23.

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| **Dividend tax rates** | **2022/23** | **2021/22** |
| Dividend ordinary rate (for dividends within basic rate band) | 8.75% | 7.50% |
| Dividend upper rate (for dividends within higher rate band) | 33.75% | 32.50% |
| Dividend additional rate (for dividends above higher rate band) | 39.35% | 38.10% |

S.455 tax rate on director’s overdrawn loan accounts will also increase from April 2022, from 32.5% to 33.75%.

**Corporation tax**

The corporation tax rate will remain at 19% but from April 2023 the applicable corporation tax rates will be 19% and 25%. Businesses with profits of £50,000 or below will still only have to pay 19% under the small profits rate.

**Enhanced capital allowances: super deduction**

Super-deduction allows increased reliefs for expenditure on qualifying plant and machinery incurred from 1 April 2021 up to and including 31 March 2023. Companies can claim in the period of investment:

* a super-deduction providing allowances of 130% on most new plant and machinery investments that ordinarily qualify for 18% main-rate writing-down allowances
* a first-year allowance of 50% on most new plant and machinery investments that ordinarily qualify for 6% special rate writing down allowances

**Annual Investment Allowance (AIA)**

Annual Investment Allowance is available until 31 March 2023. Businesses will therefore have until March 2023 to consider bringing forward capital investments of between £200,000 and £1m, accessing upfront support by claiming tax relief on such costs in the year of investment.

**Recovery Loan Scheme**

The Recovery Loan Scheme is extended six months until 30 June 2022 for small and medium sized enterprises and from 1 January 2022 capped at a finance level of £2m per business with the government guarantee reducing to 70%.

**Making Tax Digital (MTD)**

MTD for ITSA will be introduced from 6 April 2024. This impacts sole traders and landlords, with income over £10,000. General partnerships will not be required to join MTD for ITSA until 6 April 2025.

**VAT**

All VAT-registered businesses must register for MTD.

In July 2020, it was announced that all VAT-registered businesses must file digitally through Making Tax Digital (MTD) from April 2022, regardless of turnover.

HMRC urges VAT-registered businesses to sign up for Making Tax Digital for VAT before 1 April 2022.

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| **VAT** | **2022/23** | **2021/22** |
| Standard rate | 20% | 20% |
| Registration threshold | £85,000 | £85,000 |
| Deregistration threshold | £83,000 | £83,000 |

The VAT registration and deregistration thresholds will not change for a further period of two years from 1 April 2022.

From 1 April 2022 the VAT rate on energy-saving materials in residential accommodation is reduced to 0% (currently 5%). This measure is introduced until 31 March 2027.

Given the increased costs and inflation we will see many small businesses having to register.

The reduced rate of VAT of 12.5% ends on 31 March 2022 for the hospitality sector returning to the standard rate of VAT of 20% from 1 April 2022.

All VAT-registered businesses must file digitally through Making Tax Digital (MTD) from April 2022, regardless of turnover. HMRC urges VAT-registered businesses to sign up for Making Tax Digital for VAT before 1 April 2022.

**Losses**

Trading losses will have more flexibility to carry them back over three years. This applies only for losses incurred by companies for accounting periods ending between 1 April 2020 and 31 March 2022, and for individual for trade losses of tax years 2020/21 and 2021/22.

**Business assets disposal relief (previously known as Entrepreneurs’ relief)**

The lifetime limit on gains eligible for business assets disposal relief is £1m for qualifying disposals.

**R&D**

SMEs applying for R&D tax credits will be eligible to a maximum of £20,000 in repayments per year plus three times the company’s total PAYE and NIC liability.

**Rates**

The business rates multiplier will be frozen in 2022/23. Eligible retail, hospitality, and leisure businesses will also benefit from a new temporary 50% Business Rates Relief.

**Inheritance tax (IHT)**

The nil-rate band remains at £325,000, frozen until 2026. The residence nil-rate band for deaths in the following tax years are:

* £100,000 in 2017/18
* £125,000 in 2018/19
* £150,000 in 2019/20
* £175,000 in 2020/21
* £175,000 in 2021/22 and subsequent tax years to 2026.

**Time to pay**

Individual taxpayers can set up a payment plan [online via GOV.UK](http://accainpractice.newsweaver.co.uk/accainpractice/1fl4ivaef1k1l3m8eceq63/external?a=6&p=58787423&t=30229336)by 31 March 2022 to avoid any late-payment penalties.

**Pensions**

The pension lifetime allowance will remain at its current level of £1,073,100 until April 2026.

**Annual Tax on Enveloped Dwellings (ATED)**

The ATED charge increases automatically each year in line with inflation (based on the previous September’s Consumer Prices Index).

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| **Annual tax on enveloped dwellings (ATED)** | **2022/23** |  | **2021/22** |
| More than £0.5m but not more than £1m | £3,800 |  | £3,700 |
| More than £1m but not more than £2m | £7,700 |  | £7,500 |
| More than £2m but not more than £5m | £26,050 |  | £25,300 |
| More than £5m but not more than £10m | £60,900 |  | £59,100 |
| More than £10m but not more than £20m | £122,250 |  | £118,600 |
| More than £20m | £244,750 |  | £237,400 |

**March 2022**

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