ammu
accounting matters

tax matters

2022 - 23

get ahead this tax year

Have you checked your PAYE Tax Code is correct?

If you've not utilised your personal allowance in full, can you transfer 10% of the personal allowance to your partner to reduce their tax bill?

Could you transfer income to your partner to maximise the tax-free savings and dividend income limits?

Could you transfer income to your partner to avoid losing child benefit?

Have you told HMRC which property should be treated as your main home for tax purposes?

Have you and your married/civil partner nominated one property as the main home within 2 years of marriage/civil partnership? (applies if you each have property)

Are you selling a home? Check if you have Capital Gains Tax (CGT) to pay.

Have you used your annual CGT exempt amount by making any available disposals before 6 April 2023?

Can you reduce CGT by spreading your company shares between you and your spouse?

Have you used this year's ISA allowance before 6 April 2023?

Are you contributing to your child's Junior ISA?

Are you making the best use of tax-free savings and dividend allowances?

Have you considered the timing of dividends and bonuses to minimise tax rates?

Are you investing enough in your pension (or possibly a lifetime ISA) if you wish to retire earlier than the state pension age, which is likely to keep going up?

If you are aged over 55, have you taken advice about the options for drawing your pension savings?

Have you planned your capital gains to manage capital losses?

Have you made gifts to use your annual Inheritance Tax (IHT) allowances?

Have you planned your capital gains to manage capital losses?

Have you considered setting up a Family Investment Company or Trust as a tax efficient way of distributing wealth to your family members and loved ones?

make the most of your tax allowances and reliefs this year

Welcome to our second edition of our annual guide to helping you to manage and plan your financial and tax affairs.

With tax levels set to rise to their "highest sustained level in peacetime" according to the Institute for Fiscal Studies, it is more important than ever to make the most of the tax allowances and reliefs available to you in case they are not there in future.

With ideas covering income and investment, couples, company directors and employees as well as business tax matters, there will be something for everyone.

As we know this has been a challenging couple of years for everyone on a range of fronts. Financially speaking, you may find that the impact and some of the benefits you have gained from the tax reliefs and allowances on your income, investments and assets could be different this tax year from previous years.

The pandemic and subsequent lockdowns have had significant impacts economically and it is very likely that we will continue to see effects as we move through the remainder of this year.

You may also be thinking differently about passing on wealth, retirement or selling the business. Or you could be starting up a new business or making investments in new or early-stage companies, whatever your intentions we are here to advise and be your sounding board before you make any financial decisions.

Once you have had a flick through, let me know if there is something that has piqued your interest and we can arrange a consultation.

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personal + family matters

In Scotland, income tax is a partially devolved tax. The Scottish Government is responsible for setting the rates and bands each year for non-savings income. The Scottish Rate of Income Tax (SRIT) currently applies only to non-savings income. Non-savings income includes employment, pensions, self-employment and property income. If you are a UK resident who splits their time between Scotland and the rest of the UK, you should consider your position carefully.

The UK Government continues to set the rates for all other income and allowances and reliefs that apply. Your personal allowance (£12,570), along with the other allowances such as those applicable to savings and dividends are set by the UK Government and apply to Scottish taxpayers on the same basis as all UK taxpayers.

scottish income tax rates for 2022/23

taxable income	band	rates
0 to £2,162	starter	19%
£2,163 to £13,118	basic	20%
£13,119 to £31,092	intermediate	21%
£31,093 to £150,000	higher	41%
Over £150,000	top	46%

See 2022/23 tax rates tables on the inside back page for the full UK and Scottish tax rates, reliefs and allowances.

income tax saving for couples

If you're in a couple, switching income from one spouse or partner to the other can help save tax.

All individuals should make sure they use their personal allowance and, as much as possible, reduce income charged at higher or additional (top) rates.

two important thresholds to watch

The personal allowance is phased out on income between £100,000 and £125,140. This results in an effective tax rate of up to 60% (61.5% for Scottish residents) within this income bracket.

Income over £150,000 is currently taxed at 45%, or 46% for non-savings, non-dividend income in Scotland.

five important planning tips:

1 For the under 75s, making pension contributions can reduce the amount of income tax paid at the higher or additional (top) rates and prevent or reduce the withdrawal of the personal allowance.

2 Couples might be able to transfer income-producing investments between themselves to avoid exceeding one of these limits and to reduce their combined income tax bill. As only income received after a transfer will benefit, prompt action may well be needed if there is to be any benefit in 2022/23. Capital gains tax (CGT) may be payable on switching ownership of an investment if you are not married or in a civil partnership.

3 Everyone can receive £2,000 of dividends tax free in 2022/23, regardless of their tax status. For couples, reorganising your shareholdings may make better use of this limit. You can also receive £1,000 of savings income tax free if you are a basic rate taxpayer, and £500 if paying tax at the higher rate. There is no such allowance for additional rate taxpayers.

4 If you have little or no earnings or pension income, you might also benefit from a 0% tax rate on up to the first £5,000 of taxable savings income. Again, shifting assets between a couple can help minimise tax. A £1,000 tax-free allowance is available for income from property, such as where a parking space is let out, so joint ownership could result in a modest tax saving.

5 The marriage allowance allows individuals who are non-taxpayers to transfer 10% of their personal allowance to their spouse or civil partner, providing the intended recipient pays tax at no more than the basic rate. The allowance is not automatic, so it needs to be claimed. You can backdate claims for up to four tax years, i.e. back to 2018/19.

don't put off inheritance tax planning

Most inheritance tax (IHT) planning is not related to the tax year end, but this is as good a time as any to review your position.

IHT is payable if a person's assets on death, plus gifts made in the seven years before death, add up to more than the nil rate band, currently £325,000. The residence nil rate band is also available where a residence is left to direct descendants – £175,000 in 2022/23.

Lifetime gifting is a way of reducing the value of your estate.

Gifts totalling up to £3,000 in a tax year are exempt from IHT. If you didn't use this exemption in 2021/22, you can make IHT-free gifts of up to £6,000 before 6 April 2023.

If you have already used your exemption for 2022/23, you could delay your next gift until after 6 April 2023 to take advantage of the 2023/24 exemption.

Regular gifts out of excess income can also be exempt, with the amount of excess income determined each tax year. You need careful documentation to prove that you make the gifts from income rather than capital.

"We will help you to structure your financial interests and affairs to minimise any taxes that may be payable from your estate. This will ensure that your beneficiaries receive the maximum benefit that you intended".

planning points

- The freeze on the IHT nil rate and residence nil rate bands until April 2026 has been described as a stealth tax raid – as the value of property and assets rise more estates are likely to be liable for IHT before the bands are changed again in four years.

- This highlights the need for intergenerational planning to pass on wealth in the most effective way and tax efficient way – for you and your intended beneficiaries, who may also have additional tax to pay, especially if you are planning to pass on property to family members.

useful link: www.gov.uk/inheritance-tax – HMRC guide to IHT.

if you don't want to give direct, there are other options

If you don't want to give direct to your beneficiaries, you could consider setting up a Family Investment Company or Trust.

A Family Investment Company (FIC) can provide a tax efficient investment solution for family succession planning. By setting up a FIC it enables the owners to retain control over the assets whilst at the same time distributing wealth within the family in a tax efficient manner.

There is no inheritance tax to pay on the growth in value of the FIC as it will be outside the owner's estate. Further, there will be no IHT on shares gifted to family members if the owner survives for 7 years.

It is also possible to transfer asset(s) into a trust with no capital gains or inheritance tax impacts. Some additional tax charges and costs related to FICs and Trusts may apply, and the benefits depend on individual circumstances and qualifying conditions apply.

FICs and Trusts are not suitable for everyone but they are worth a look when considering the options available to you for passing wealth to the next generation whilst minimising yours (and their) potential future tax liabilities.

purchasing property?

From April 2022, there is no tax to pay on properties purchased up to £145,000 – up to £175,000 for first-time buyers in Scotland. Land and Building Transactions Tax (LBTT) is charged on the slices of value on both residential and commercial property in Scotland. The residential rates are below, with commercial property rates being 5% over £250,000, 1% £150,001-£250,000 and 0% up to £150,000.

Residential property	%
Up to £145,000	0
£145,001-£250,000	2
£250,001-£325,000	5
£325,001-£750,000	10
Over £750,000	12

The additional residential property rate remains at 4% and is payable in addition to the LBTT rate on purchasing a second home in Scotland. There are a range of different property taxes, rates and bands across the UK. For the full range of property transaction taxes applicable in Scotland and see UK Tax Rates 2022-23 on the inside back page.

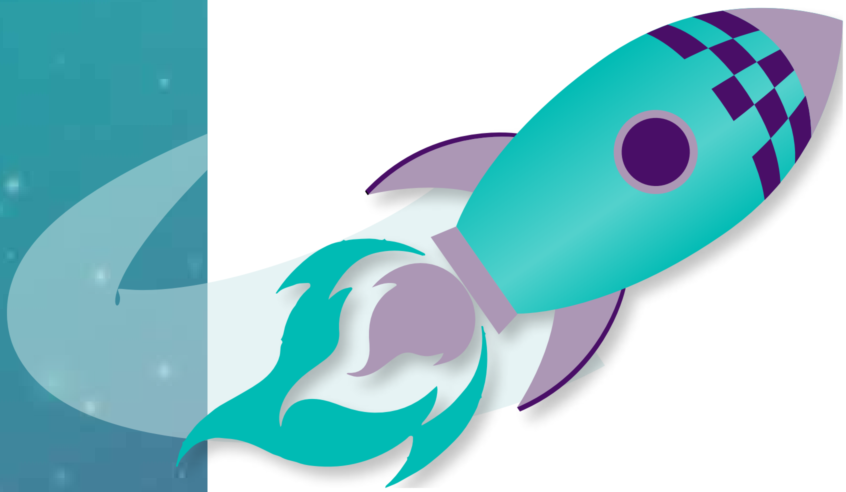
other IHT reliefs that may be available to you

If you meet the conditions for Business Property Relief (BPR) you can potentially remove the full value of a business – sole trader, partnership, shares in private company – from being subject to an IHT charge, either via lifetime gifts or on death.

If you own farmland or pastures, woodlands occupied with agricultural land, buildings used in connection with agriculture and, in some cases, farm cottages and houses, you may qualify for Agricultural Property Relief (APR).

The rules can be complex, but these reliefs are there to avoid the need for your beneficiaries to sell assets in order to pay the IHT demand from HMRC.

get ahead on capital gains tax planning



With changes to capital gains tax (CGT) now largely ruled out, managing your capital gains liabilities should be simpler.

Everyone has a CGT annual exempt amount, which in 2022/23 makes the first £12,300 of gains free of tax.

Most gains above the exempt amount are taxed at 10% where taxable gains and taxable income are less than the UK basic rate limit of £37,700 in 2022/23.

The rate is 20% on most gains that exceed this limit.

Residential property gains that are not eligible for private residence disposal are taxed at 18% and 28%.

You should generally aim to use your annual exempt amount by making disposals before 6 April 2023. If you have already made gains of more than £12,300 in this tax year, you might be able to dispose of loss-making investments to create a tax loss. This could reduce the net gains to the annual exempt amount.

disposing of property?

If your disposals so far this tax year have resulted in a net loss, the decision on whether to dispose of investments to realise gains before the tax year end will hinge on the amounts involved.

Depending on your level of income, timing your disposals either before or after the end of the tax year could result in more of your gains being taxed at 10% rather than 20% (or at 18% instead of 28%).

Transferring income between married couples or civil partners can also mean more gains being taxed at the lower rates of CGT.

Transferring assets between married couples or civil partners before disposal might save CGT, particularly where one partner has an unused annual exempt amount, has not fully used their basic rate tax band or has capital losses available. You should generally leave as much time as possible between the transfer and the disposal.

For a non-exempt residential property disposal, a payment on account of CGT must be made within 60 days of completion (for disposals after 26 October 2021).

planning points

- Timing your disposals is particularly important if disposals in this tax year have resulted in a net loss. Depending on the level of your income, making a disposal either side of the tax year end could save or cost you tax.
- Sometimes shares or assets might become virtually worthless. If this happens, you can claim the loss against your capital gains without actually disposing of the asset by making a negligible value claim.
- You can backdate the loss relief to either of the two tax years before the one in which you make the claim, provided that you owned the asset in the earlier tax year and it was already of negligible value. The deadline for backdating a claim to 2020/21 is 6 April 2023.
- The reporting and CGT payment deadline has been extended from 30 days after completion to 60 days.

pension matters

Pension contributions benefit from a number of tax reliefs, which are widely viewed as under threat in future Budgets.

Pension funds are broadly free of UK tax on their capital gains and investment income. When you draw the benefits, up to a quarter of the fund is normally tax free, although the pension income will be taxable.

If you have surplus income, perhaps from lockdown savings, you may wish to consider increasing your pension contributions to give your retirement funds a boost, especially if you reduced contributions during the pandemic.

There is a general annual limit of £40,000 on pension contributions that qualify for tax relief. However, if your income (including any pension contributions made by your employer) exceeds £240,000 the limit is tapered down, with a minimum of £4,000 applying if the figure is £312,000 or more.

You can carry forward unused annual allowances for up to three tax years to offset against a contribution of more than your annual limit. If you are already drawing a flexible income from a pension, the annual allowance is £4,000 and you cannot take advantage of carry forward.

planning points

- You can pay up to your entire annual earnings into a pension scheme in any one tax year, but the tax relievable amount is capped by the annual allowance plus any unused allowances brought forward.
- Tax relief on pension contributions is normally at least 20%, with higher and additional rate taxpayers receiving relief at 40% or 45%. In Scotland, intermediate, higher and top rate taxpayers receive relief at 21%, 41% or 46% respectively.
- The value of tax relief is greatest where it exceeds the eventual tax on benefits. For example, where a higher rate taxpayer becomes a non or basic rate taxpayer in retirement.
- Limiting your contributions to amounts that qualify for tax relief at the higher rates will give you the most benefit.
- Effective relief can be as high as 60%, or 61.5% in Scotland, where the personal allowance is being withdrawn, and can be even higher if tax credits or Universal Credit payments are being withdrawn.
- You could set up a pension for your partner or children since they don't need earnings to contribute up to £3,600 in a personal pension. Even if they do not pay any tax, they can still benefit from 20% tax relief.

lifetime allowance

The maximum you can hold in a tax-favoured pension scheme without triggering an extra tax charge has been frozen at £1,073,100 until 2025/26. A higher allowance can apply if an appropriate claim has been made.

drawing benefits

Many people aged 55 and over (57 from 6 April 2028) can draw their pension savings flexibly. Withdrawals above the tax-free amount are liable to income tax at your marginal rate. You should take advice before accessing pension savings as there are several options, each with their own pros and cons, and they will generally have a long-term effect on your financial position.

If you are already drawing your benefits from a pension fund that is not guaranteed and are considering reducing your withdrawals, you should be aware that this should also reduce the amount of income tax that you will pay.

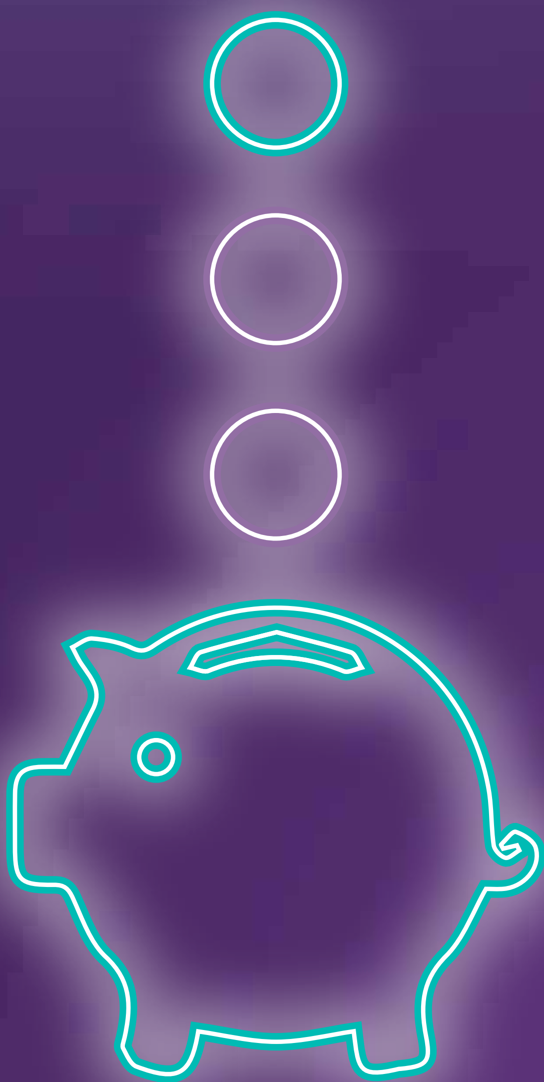
pension contribution tax relief

In 2025/26, a new system will be introduced so that HMRC can make 20% top-up payments in respect of contributions made from 2024/25 onwards directly to low-earning individuals saving in a pension scheme using a Net Pay Arrangement. At present such contributions may not benefit from any tax relief and these top-ups will help align their outcomes with equivalent savers using Pension Relief at Source to save into pension schemes.

planning point

If your pension fund is over or close to the £1,073,100 lifetime limit, you might wish to consider alternative means of saving for retirement to avoid, or to at least minimise, the extra tax charge of up to 55%.

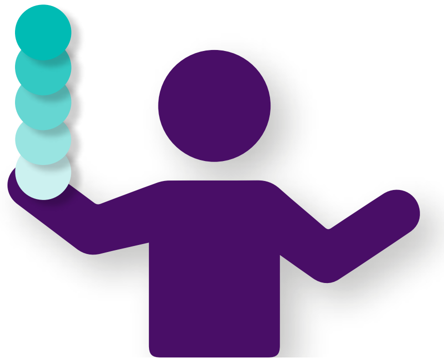
Useful link: www.gov.uk/plan-retirement-income – information about pensions and pensioner benefits.



other tax-efficient investments

Some other investments have income tax and CGT advantages. They are not suitable for everyone and the benefits depend on individual circumstances and qualifying conditions can apply.

We would recommend that you seek specialist advice prior to making any decision about your pension, financial and investment affairs.



individual savings accounts

With interest rates near an all-time low, tax-efficient savings and investments like individual savings accounts (ISAs) can give your returns a much-needed boost.

You can invest in one cash ISA, one stocks and shares ISA and one innovative finance ISA in each tax year. If you are aged 18 to 39, you can also invest up to £4,000 in a lifetime ISA (LISA). If you already have a LISA, you can contribute until you reach age 50. However, the maximum investment limit of £20,000 (for 2022/23) applies across all four types of ISA. This sum may be invested in one type of account or split between two or more. ISAs are free of UK tax on investment income and capital gains, and there is a wide choice of funds and providers.

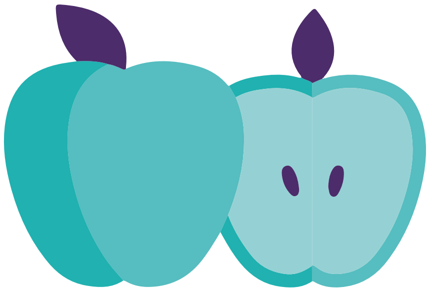
lifetime ISAs

The government adds a 25% bonus to investments of up to £4,000 a year in a LISA. You can use these savings to help buy a first home or keep the funds to use from age 60.

A LISA may be a more attractive approach to retirement saving than a traditional pension for some, or you can, of course, opt for both forms of pension saving.

junior ISAs

Remember that 16- and 17-year-olds can open a cash ISA, but the rules effectively prevent you from opening an ISA for them. Parents and others can contribute to a Junior ISA for children up to 18 who do not have a child trust fund. The contribution limit is a generous £9,000 in 2022/23 and funds are generally locked in until the child is 18.



enterprise investment schemes and venture capital trusts

These are schemes that offer significant income tax and CGT benefits. However, they are high risk investments and may be difficult to sell so you should take specialist advice.

• Enterprise investment schemes (EISs) give income tax relief at 30% for investing in new shares in relatively small qualifying trading companies that are not listed on any main stock exchange.

• The seed enterprise investment scheme (SEIS) is similar but gives income tax relief at 50% and is aimed at start-up companies.

• Gains from both EISs and SEISs escape CGT after three years. CGT reinvestment relief is also available.

• Once held for two years, investments in EISs and SEISs are usually outside of an individual's estate for IHT purposes.

• Income tax relief for investment in newly issued shares in venture capital trusts (VCTs) is 30%. Normally gains are exempt from CGT and dividends free of income tax. VCTs are investment trusts that invest in relatively small trading companies.

cryptoassets tax confusion

HMRC sent letters to taxpayers who they believe hold cryptoassets, advising them of the potential capital gains tax (CGT) implications. Many taxpayers are unaware that simply exchanging one type of token for another is a disposal for CGT purposes. Although certain transactions will be taxed as income, most are subject to CGT. There is a CGT disposal if you:

• Sell tokens (even if the proceeds are not withdrawn from the exchange);

• Exchange one type of token for a different type of token;

• Use tokens to pay for goods or services; or

• Make a gift of your tokens to another person (unless it's to your spouse or civil partner).
There is no disposal if, for example, you simply move tokens between different wallets.
For CGT purposes, tokens are treated similarly to shares, so each type of token is pooled. If tokens are exchanged, an appropriate exchange rate must be established in order to convert the transaction to pound sterling.

charitable giving

You can get tax relief for any gifts to charity if you make a gift aid declaration.

You make the gift out of your taxed income and the charity benefits by claiming back basic rate tax on the value of the gift. Higher and additional rate taxpayers can claim an extra 20% or 25% in relief. Intermediate, higher and top rate taxpayers in Scotland can claim an extra 1%, 21% or 26% in relief.

You can obtain both income tax and CGT relief on gifts to charities of shares listed on the stock market and certain other investments.

Gifts to charity are free of IHT, so remembering a charity in your will can reduce the total amount of IHT that will be paid on your estate. If 10% of your net estate is left to charity, then the rate of IHT payable will be reduced from 40% to 36%.

Useful link: www.gov.uk/donating-to-charity – information about gift tax relief.

business tax matters

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With the economic climate continuing to be uncertain with multiple factors impacting the short and medium term outlook, it is more important than ever to have an annual budget in place for your business that you review regularly.

Knowing where you are at financially and where you may be headed if course adjustments are not made, will help you to be certain about your plan for the year ahead and setting financial targets when future trading conditions are difficult to predict.

The most important thing we know about the future is that it is unpredictable, so to plan for this we need to look at a range of scenarios that should, could and might occur.

Our financial thinking should cover the things we know now that we will or may need, and it should cover the things we do not yet know we may require in the future i.e. those things that might just happen if certain situations and factors arise.

Post Covid, we have all become a little more accustomed to considering – and having good fall back and contingency plans – potential course changes to deal with the unexpected.

The strength of having a range of considerations in your annual budget and looking beyond this to look at the things that might just happen if certain conditions are created and opportunities realised is that it will give you options and choices to consider.

It is knowing your potential options and investment choices that it gives you resilience and robustness for the future.

Looking ahead, will help you to spread your risks when making financial decisions and it will lessen the likelihood of your chosen options failing or underperforming.

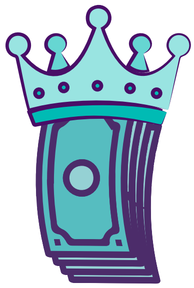
Businesses have had to adapt and become more agile in order to react quickly to changing market conditions and budgets should be created with this in mind.

planning points

Start with your fixed costs. The things that you can be certain of such as premises, staff costs, raw materials, light, heat, electricity, IT, etc. Next, turn your focus to the longer term aspects of your budget with an analysis of existing strategic or capital spending plans.

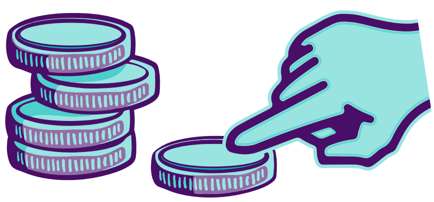
Stress-test the assumptions, scenarios and decisions that have gone into your draft budget. What if your sales don't grow next year? What if your income falls because 20% of your customers leave and go to another provider? How does this affect the profitability of the business? What if you are locked into a three year contract on price but your input costs have risen by 10% (or more)?

In uncertain times, it is important to be pragmatic. Create 3 scenarios for your budget – top, middle and bottom. Start with the middle scenario – the "expected" outcome and from there you can derive variations on whether things turn out better (top) or worse (bottom). Scenario-based budgeting is not intended to predict exact outcomes. Instead it is intended to help the business to understand the likely variances and to prepare and plan accordingly.



Build realistic income models. Ensure you provide for bad debts and write offs in each of your top, middle and bottom scenarios. Cash is king and in uncertain times every business must focus on getting cash in on a monthly or even weekly basis. Billing cycles and cash collection management should be at the top of the agenda for the management team and offering extended payment terms to customers should be avoided as much as possible.

You should always calculate your budget using new data, not historical projections. Budgets may have been squeezed in the past 18-24 months and may not reflect the current or predicted market trends.



You should consider holding back some spending centrally as a contingency. This builds some flexibility into the budget so that the business can react to changing circumstances as the year progresses.

Build these principles into your budget and ensure you keep adequate reserves in case you encounter headwinds during the tax year ahead.

We'll help you to ensure that you are maximising the tax reliefs, allowances and planning opportunities that are available to you and the business, and we can help you to budget for a good tax year in 2022-23.

corporation tax

The main rate of corporation tax will remain at 19% for the current tax year. It will rise to 25% from April 2023 for businesses with profits of £250,000 and over.

The rate for businesses with profits of £50,000 or less will remain at 19% with a marginal taper for profits between £50,000 and £250,000.

These thresholds are proportionately reduced for the number of associated companies and for short accounting periods. The rate of diverted profits tax will increase to 31%.

super-deduction

Super-deduction allows an uncapped 130% capital allowance on plant and 50% first-year allowances.

Companies investing in qualifying new plant and machinery between 1 April 2021 and 31 March 2023 will benefit from new first-year capital allowances.

Investments in main-rate assets – those that qualify for 18% writing down allowance (WDA) – will be relieved by a 130% super-deduction, while investments in assets qualifying for 6% WDAs will benefit from a 50% first-year allowance.

planning point

If loans are made by a company to its participators and the loan is in place at the year end, a tax charge arises. Consider having such loans paid off in advance of the year end. For further guidance see: Understanding Directors Loan Accounts.

planning point

This is a good opportunity to regenerate substantial cash in the immediate period but if there is a likelihood that your business will achieve good growth this year it may be worth delaying the tax relief on the losses to future years to obtain 40% to 46% of tax relief for unincorporated businesses and the expected 25% of corporation tax relief from next year.

planning point

The 130% super deduction, combined with the current corporation tax of 19%, means that for every £100,000 you spend, you get £24,700 back in tax reductions. If you are planning a capital purchase please talk to use before you do so and we will advise you on the most tax efficient way for you to make the investment.

incentives to invest

Capital Allowances (CAs) represent a valuable tax deduction for your business. They can be claimed on a wide variety of capital assets including plant, machinery, equipment, fixtures & fittings and vehicles.

There are a range of allowances available, including the Annual Investment Allowance (AIA), which offers a reduction in taxable profits of 100% of the allowable expenditure.

The temporary £1 million limit for the AIA has been extended again to 31 March 2023.

loss relief

Certain losses that your company has not used in any other way can be offset against profits in future accounting periods.

To help improve cash flow positions, businesses will be able to carry back unused trading loss. The period over which incorporated and unincorporated businesses may carry back trading losses will be extended temporarily from one year to three years.

This extension will apply to a maximum £2 million of unused trading losses made in each of the tax years 2020/21 and 2021/22 by unincorporated businesses. The same maximum will apply separately to companies' unused trading losses, after carry back to the preceding year, in relevant accounting periods ending between 1 April 2020 and 31 March 2021 and for periods ending between 1 April 2021 and 31 March 2022.

incentives to sell for business owners

Entrepreneurs' relief was an incentive designed to help entrepreneurs to start a new business by reducing the amount of CGT payable when they sold a business, or certain business assets where the qualifying conditions were met.

The name changed in 2020 to Business Asset Disposal Relief (BADR) and providing the qualifying conditions are met.

BADR enables the seller to reduce their CGT liability to 10%.

What's more there is no limit to the number of times you can claim this relief, although there is a lifetime cap of £1,000,000.

When selling the whole of or part of your business, to qualify you must be a business owner or a business partner for the duration of the qualifying period. You also need to have owned the business for at least two years.

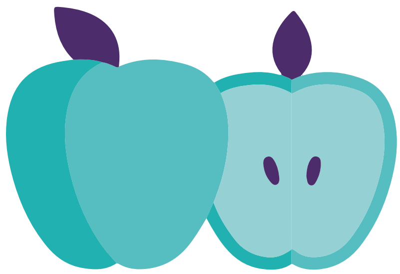
If you are selling shares, you don't need to be the business owner to qualify but you must have been an employee and held the shares in the trading company (or holding company of a trading group) for the qualifying period. Conditions do apply and there is one notable exception to the qualifying conditions – investor relief.

employee ownership trusts (EOT)

An EOT is a tax incentivised means of transferring ownership and control of the business for the benefit of the employees, and it is a viable business succession option for owners who want to transfer ownership to their employees.
The main benefit to the owner-manager is that there is no capital gains tax to pay on the sale if the ownership passes into an EOT.

Under an EOT the employees do not directly own the shares; the shares are held in the trust and these are used to the benefit of the employees e.g. annual bonus based on company performance. It also means that today's employees and any future employees of the business will benefit from the EOT as it is the employees as a whole who benefit rather than individual employees owning shares – as is the case with EMI schemes.

We can help you to review the various options and schemes that offers the most tax and commercial benefits to the business and its employees.



relief for investors

Investors relief is also a good option for those who have used up their other tax reliefs and for new companies that can't access other forms of relief such as SEIS and EIS.

Capital gains made by investors are only taxed at 10% if conditions are met – these conditions are broadly similar to the conditions for BADR although there are a couple of minor differences.

If you are business owner considering selling your business or selling a share you should speak to us about your BADR and/or Investor Relief position as it is easy to fall foul of the detailed rules.

eis and seed eis

The Enterprise Investment Scheme and Seed Enterprise Investment Schemes aim to help new and early-stage companies to attract investment. In return unquoted companies attract equity investment by offering investors a range of tax incentives.

The appeal for investors is clear and for companies looking for funding, the investment opportunity will be much more attractive if investors qualify for EIS or SEIS.

Seed EIS is targeted at companies looking to raise funds in their first two years of trading. 50% income tax relief is available on investments of up to £100,000 and again no CGT is payable when the shares are sold. You must follow the Schemes strict conditions.

7 questions to ask when assessing your project for R&D tax credits

1. **Is the project in the field of science or technology?**
The R&D that has taken place must be in the field of science or technology as HMRC states there must be an advance in these areas for a project to qualify. However, science and technology come in various forms.

2. **Was there a start and end date to the project?**
There must be specific start and end dates to a project as the R&D must take place over a period of time. It cannot simply be a sudden moment of understanding of a problem. Our experts can help you define the project.

3. **Is my project trade related?**
R&D must be carried out to extend an existing trade or to lead to another trade. The intention of the R&D project should be to improve what you provide to customers whether that be a product or service.

4. **Is there technological or scientific uncertainty?**
These uncertainties must require some level of effort to overcome, not just quick deliberations between colleagues but thorough investigation and experimentation. Our 5 step process will help you identify areas that are eligible.

5. **How much did I spend on the R&D project?**
Your firm should be spending at least £10,000 on expenses directly related to the R&D such as staffing costs, software used and materials.

6. **Is the work improving any process or product that is available on the market?**
R&D does not have to be carried out with the intention of creating something new, it can be an improvement.

7. **Did the R&D take place within two years from the** relevant Corporation Tax (CT) accounting period?
Projects can only date back to two years from your current CT accounting period.

R&D scheme expanded to included data and cloud computing

Qualifying expenditure will be expanded to include data and cloud costs. Other changes will refocus support towards innovation in the UK rather than overseas, targeting abuse and improving compliance. The changes will take effect from April 2023.

planning point
Your business might be entitled to a valuable R&D tax credit – even if it doesn't make a taxable profit. Check out the new position; you might be surprised what expenditure can now qualify and how much it could be worth to you.

income planning: directors, partners and self-employed

Bringing forward income could be a sensible approach if you think you could end up paying more tax at higher rates in 2022/23.

• If your income is less than £150,000 this year but is expected to exceed that figure next year, you could bring forward income into 2021/22 to avoid the additional (top) rate applying next year, as well as the planned increases in dividend tax and NICs which will come into effect on 6 April 2022.

• If your income will fall below £150,000 in 2022/23, you might be able to avoid the additional (top) rate of income tax this year by delaying a bonus until after 5 April 2022, although you would need to take into consideration the impact of the above-mentioned NICs rise.

A similar strategy can keep your income below the level at which you would lose your personal allowance. Alternatively, you might be able to sacrifice salary to bring your income below any of the thresholds in exchange for a tax-free employer's pension contribution.
dividends

With dividend tax rates increasing by 1.25% on 6 April 2022, you should consider paying a dividend, profit permitting, before then if you operate your business as a limited company. You should also consider a dividend payment in 2022/23 if you have not already made full use of the £2,000 tax-free allowance.

Bringing forward a dividend could also help if you expect your marginal tax rate to be higher next tax year than it is in 2022/23.

other considerations for company directors

1. This is also a good time to review your choice of company car. Switching to an electric or hybrid model could mean significant tax savings for you and tax and NICs savings for your company, as well as reducing other costs.

2. If you hold share options, you should consider your tax position both before and after the tax year end when deciding whether to exercise them now or in a future tax year.

3. Directors who are shareholders may be able to reduce NICs by taking dividends rather than salary.

4. You could even give shares to your spouse or civil partner shortly before paying a dividend, provided you genuinely transfer ownership. It is advisable to leave as much time as possible between the gift and the subsequent dividend payment.

cultural reliefs

Museums and galleries exhibition tax relief (MGETR) will be extended until 31 March 2024. The headline rates of the tax reliefs for theatres, orchestras and MGETR are increased with immediate effect but will reduce on 1 April 2023 and again on 1 April 2024.

understanding directors' loan accounts

The tax charge on loans between a director and their company increased from April 2022. The tax charge mirrors the dividend higher tax rate. With dividend tax rates increasing, it has gone up by 1.25 percentage points to 33.75%.

The charge is payable when a director, who is also a participator, has an outstanding loan with a close company and the loan is not repaid within nine months and a day of the end of the company's accounting period.

how the tax charge works

For example, on 1 July 2022, a director withdraws £100,000 from their personal company to help fund a private property purchase. The company has an accounting date of 30 June.

• The loan falls in the company's year ending 30 June 2023, so there will be no tax charge if it is repaid by 1 April 2024. So, by careful timing, the director will have had use of company funds for 21 months, with the only tax being what is charged for having a beneficial loan.

• If not repaid by 1 April 2024, the company will have to pay a tax charge of £33,750 (£100,000 at 33.75%) along with its corporation tax liability.

• The tax charge will be refunded by HMRC if – after 1 April 2024 – the loan is repaid or written off. A write off will of course have tax implications for the director.

repayment

A loan cannot be repaid just before the deadline, to be immediately followed by a replacement loan. Such bed and breakfasting arrangements do not work, with relief only given for genuine repayments.

It might well be the case that it is cheaper, in tax terms, to simply leave a director's loan outstanding. This could be the situation if the only way to repay it is by taking a bonus that, apart from being taxed, will also mean both employee and employer NICs are payable. The repayment could take several forms:

• A dividend will often be the favoured option, but this could be impractical if there are other shareholders who – not being in the same overdrawn loan position – don't wish to receive additional dividend income.

• Although clearing a loan before the tax charge is due is generally preferable, there is no reason why dividends cannot be used to clear a loan over several years.

• The director could introduce funds into the company, for example from a property disposal.

• Another, often overlooked option, is the director transferring assets to the company, with the value transferred then credited to their director's loan account. Other tax considerations come into play when it comes to a car or property, but, for example, a personal loan owed to the director can be assigned to the company.

Please get in touch with us if you wish to discuss the options available to you.

VAT thresholds frozen until 2024

The VAT registration threshold will remain at £85,000 and the deregistration threshold will stay at £83,000 until 31 March 2024.

ltd company vs sole trader?

At present, from a tax viewpoint, it can be better to run a business via a company rather than on a self-employed basis.

This is mainly because a company will allow the bulk of earnings to be received as dividends, thereby avoiding national insurance contributions (NICs). While this approach will still work for businesses with profits that would attract only the 19% small companies' rate, it is a different picture for higher profits – see example below.

The increase in NICs and dividend tax will further erode the benefit of incorporation. However, tax rules will be changing for the self-employed from 2023/24, when the basis period rules change from 'current year' to 'tax year', potentially accelerating tax due.

The decision on business structure should never be made based on tax alone as there are many other factors involved. However, the deferred tax changes announced may tip the scales for some. As ever, advice based on your personal – and business – circumstances is essential. Get in touch with us and we can look at the best business structure for you.

Russell's business generates £100,000 of profit. If he has no other income, the tax situation as self-employed or as a company in the last completed financial year (2021/22) and looking ahead to what the situation will be when the corporation tax rises 2023/24 is:

	self employed	company 2021/22	company 2023/24
gross profit	£100,000	£100,000	£100,000
salary	n/a	£8,840	£8,840
taxable profit	£100,000	£91,160	£91,160
corporation tax		(£17,320)	(£20,407)
dividend		£73,840	£70,753
income tax	(£27,432)	(13,211)	(£12,207)
NICs	(£4,816)		
net income	**£67,752**	**£69,469**	**£67,386**

If Russell decides to incorporate, then the tax savings will turn in to a tax loss after two years.

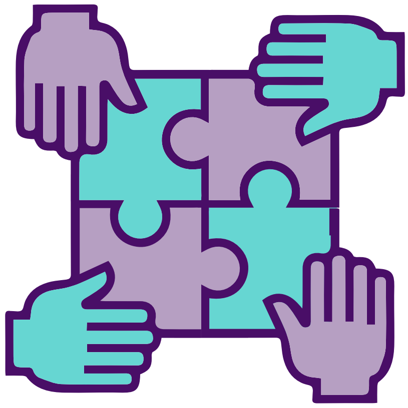
income tax basis period reform

Income tax basis periods will be reformed so that a business's profit or loss for a tax year will be the profit or loss arising in the tax year itself, regardless of the business's accounting date. This removes the basis period rules, which result in tax being charged on profits twice in some circumstances, as well as the need for overlap relief. The new rules will come into force from 6 April 2024 with a transition period in 2023/24.

planning point

Using all of the opportunities above, you will gain the maximum income tax saving if plans are put in place early so that you benefit for the entire 2022/23 tax year.

national insurance contributions



There have been a few changes announced over the past 12-18 months. Here is a quick summary of where we are at.

class 4 NICs

The introduction of the 1.25% health and social care levy from 6 April put up the rates of profit-related class 4 NICs to 10.25% and 3.25%. However, the rate increase has been mitigated by a substantial uplift to the starting threshold. It was going to be set at £9,880 but will now be £11,908 across the 2022/23 tax year. For 2023/24, the threshold will be fully aligned with the income tax personal allowance of £12,570. Although the freezing of the upper threshold at £50,270 is pushing more people into higher rate income tax, it is actually beneficial for NIC purposes. Extra profits are subject to NICs at 3.25% instead of 10.25%.

class 2 NICs

The threshold at which fixed-rate class 2 NICs become payable was due to increase from £6,515 to £6,725. However, this threshold has also now been set at £11,908, and will be aligned with the personal allowance for 2023/24.
The £6,725 threshold has not, however, been discarded. In a big change for class 2 NICs, self-employed people with profits between £6,725 and £11,908 for 2022/23 are deemed to have made contributions without actually having to pay them. They will therefore continue to build up their contribution record. This is particularly important for State pension purposes where 35 qualifying years are required to obtain the maximum.

The deemed contribution threshold might mean a useful tax planning opportunity. For example, if profits for 2022/23 are set to be £12,000, spending £200 on, say, a new telephone before the year end will avoid the cost of class 2 NICs, and also save some income tax and class 4 NICs.

your partner's salary

If you are in business, you could pay an otherwise non-earning partner a salary, on which your business will get tax relief.

You normally must keep PAYE records even if the salary is below the National Insurance contributions (NICs) lower earnings limit, which is £6,396 per year in 2022/23. If, however, the salary is between £6,396 and £11,908 per year (this will rise to £12,570 in 2023/24 as announced in the Spring Budget 2022), your partner will avoid paying any NICs, but will still qualify for state benefits.

You can also pay an employer's contribution to your partner's personal pension plan. There are no taxes or NICs on the payment itself, and it should be an allowable business expense. However, the total value of your partner's salary, benefits and pension contributions must be justifiable in relation to the work performed.

Alternatively, you could plan ahead to share the profits of your business by operating as a partnership in 2022/23. You both need to be genuinely involved as business partners, though not necessarily equally.

national minimum and real living wage

From 1 April 2022, the hourly rate of National Living Wage that must be paid to workers aged 23 and over has gone up to £9.50 – a 6.6% increase, equating to extra annual salary of at least £1,000. Apprentices and those aged 21 and 22 have also benefited by inflation busting increases, with their National Minimum Wage rates increasing 11.9% and 9.8% respectively.

The real living wage is independently calculated to reflect the cost of living. Although entirely voluntary, nearly 9,000 employers now pay this rate of pay. The most recent increase recommends an hourly rate of £9.90.

salary sacrifice

The higher rates of NICs make salary sacrifice arrangements more attractive than ever, especially regarding employer pension contributions. A company car salary sacrifice arrangement also works well for full electric and certain hybrids.

A typical arrangement might mean an employee – earning £75,000 a year – sacrificing £5,000 of their salary, with the employer then contributing this amount into the employee's pension scheme. The employee saves over £2,150 in tax and NICs, with the employer saving more than £750 in NICs – so a win-win situation.

Salary sacrifice will not, however, suit everyone. For lower-paid employees, a salary sacrifice arrangement cannot reduce normal earnings to below the rate of National Minimum/Living Wage.

Higher paid employees need to be aware that a lower base salary will normally mean a lower level of potential mortgage borrowing; a real problem given current property prices.

company cars

Company car tax for vehicles registered since 6 April 2020 will rise in 2022/23 for all but the highest emission vehicles.

•The taxable cash equivalent percentages will all increase by one percentage point, subject to the current ceiling of 37% of list price.

•Older cars will be unaffected, meaning that in 2022/23 the same scale will apply to cars with CO_2 emissions measured under both the NEDC and the newer WLTP yardsticks.

The diesel surcharge will remain at 4% for diesel cars that do not meet the RDE2 emission standard (which became mandatory from January 2021). The maximum charge for diesels also stays at 37%.

The scale charge for purely electric vehicles (EVs) will double to 2%, but EVs remain an attractive option for anyone able to obtain such a vehicle under salary sacrifice arrangements.

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making tax digital

In recognition of the challenges to many businesses due to the pandemic, the government has delayed the introduction of Making Tax Digital (MTD) for income tax self-assessment (ITSA) by a further year.

MTD will not be mandatory for self-employed individuals and landlords until accounting periods commencing on or after 6 April 2024.

The start date for general partnerships (those with only individuals as partners) will now be from April 2025, with the date for other types of partnerships still to be confirmed. The planned April 2026 commencement date for MTD for corporation tax now also seems uncertain.

If you are self-employed or a landlord, you should make the most of the extra time to ensure your business is ready come April 2024.

Jamie McLachlan digital expert commented:

"The last 2 years accelerated digital transformation faster than the last decade. All businesses can and should harness the power within digital accounting software to understand more about their customers, their profitable and loss making lines and to automate 90% of their basic accounting tasks and to streamline their bookkeeping processes."

Are you ready to go digital? get in touch with us today to arrange a consultation

HMRC late payment interest rate rise

HMRC's late payment interest rate has increased to 3.25% from 5 April 2022. It applies to the main taxes and duties administered by HMRC. If you are at risk of making a late payment, you will need to factor in both late payment interest and possible penalties.

post pandemic - a new breed of digital nomad has emerged

The pandemic has freed many workers from the confines of the office, leading to the emergence of a new breed of digital nomad – people who can take their laptop, jump on a plane and set up a remote 'office' somewhere exotic.
The self-employed should not have any insurmountable problems, but employees will need to consult with their employer to see if they are going to be supportive of a move away, potentially to a different time zone.

UK property

There might not be much of a problem if currently renting in the UK, but home ownership comes with more issues. Simply leaving a home empty – even if affordable – could be in breach of the mortgage agreement and may invalidate household insurance. Property rental is a solution but means meeting serious requirements; a good letting agency should be able to advise.

You should definitely retain your UK bank account, but also look at online options for holding currency and transferring funds overseas.

Tax status

It's all very well having tax-exempt status where you are based, but it is of limited benefit if you remain subject to UK tax.
It is important to remember that UK residence status is determined separately for each tax year. The rules can be quite complicated, but you can be classed as non-resident if you:

- Spend fewer than 16 days in the UK during a tax year.

- Work full-time overseas, whether self-employed or employed – and you are allowed to visit the UK for up to 90 days each tax year; or

- Balance your visits and ties to the UK. For example, if you just make use of a UK home, UK visits will need to be restricted to no more than 90 days.

A good starting point for establishing residence status is HMRC's guidance on the statutory residence test. We can guide you on your residency status and tax implications in the UK. See gov.uk Statutory Residence Test (SRT) notes for an overview.

looking ahead, more disclosure on the cards for businesses

A downside to running a limited company is that financial information is publicly available. However, micro-entities and small companies do not have to file a profit and loss account, so available information is somewhat restricted.

This situation is set to change. The information currently filed by a micro-entity at Companies House can be as little as just three figures: total fixed assets, current assets and current liabilities. If a company provides services, with profits largely withdrawn as remuneration, these figures might all be negligible.

For a company to be classed as either a micro-entity or small company, it needs to be below any two of three thresholds for turnover, balance sheet total (total of fixed and current assets) and average number of employees.

A company can continue to qualify under either definition if it temporarily fails to meet the criteria for just the one year.

	micro-entity	small company
turnover	£632,000	£10.2 million
balance sheet total	£316,000	£5.1 million
employees	10	50

The key change in the government's white paper, Corporate Transparency and Register Reform, published in February 2022 - setting out its final position on reform ahead of introducing legislation – is that micro-entities and small companies will have to file their profit and loss account.

This means that sensitive commercial information will be readily available to a company's competitors. Employees, customers, family members and any other interested parties will also be able to see how profitable a company is. Furthermore, small companies will lose the option of preparing abridged accounts, so a full balance sheet will be required; and will have to file a directors' report.

Although it will be some time before the extended filing requirements come into effect, they are an additional consideration when setting up a new business or deciding whether to incorporate an existing business in 2022-23.

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uk personal and business tax rates 2022-23

INCOME TAX

Main personal allowances and reliefs	**22/23**	**21/22**
Personal allowance*	£12,570	£12,570
Marriage/civil partner's transferable allowance	£1,260	£1,260
Married couple's/civil partner's allowance at 10%†		
(if at least one born before 6/4/35) – maximum	£9,415	£9,125
– minimum	£3,640	£3,530
Blind person's allowance	£2,600	£2,520
Rent-a-room relief	£7,500	£7,500
Property allowance and trading allowance (each)	£1,000	£1,000

**Personal allowance reduced by £1 for every £2 of adjusted net income over £100,000*

†Married couple's/civil partner's allowance reduced by £1 for every £2 of adjusted net income over £31,400 (£30,400 for 21/22), until minimum reached

UK taxpayers excluding Scottish taxpayers' non-dividend, non-savings income	**22/23**	**21/22**
20% basic rate on first slice of taxable income up to	£37,700	£37,700
40% higher rate on next slice taxable income over	£37,700	£37,700
45% additional rate on taxable income over	£150,000	£150,000
Scottish taxpayers – non-dividend, non-savings income		
19% starter rate on taxable income up to	£2,162	£2,097
20% basic rate on next slice up to	£13,118	£12,726
21% intermediate rate on next slice up to	£31,092	£31,092
41% higher rate on next slice up to	£150,000	£150,000
46% top rate on income over	£150,000	£150,000

All UK taxpayers			
Starting rate at 0% on band of savings income to**		£5,000	£5,000
Personal savings allowance at 0%:	Basic rate	£1,000	£1,000
	Higher rate	£500	£500
	Additional rate	£0	£0
Dividend allowance at 0%:	All individuals	£2,000	£2,000
Tax rates on dividend income:	Basic rate	8.75%	7.5%
	Higher rate	33.75%	32.5%
	Additional rate	39.35%	38.1%
Trusts: Standard rate band generally		£1,000	£1,000
Rate applicable to trusts:	Dividends	39.35%	38.1%
	Other income	45%	45%

***Not available if taxable non-savings income exceeds the starting rate band*

High Income Child Benefit Charge, 1% of benefit per £100 of adjusted net income between £50,000–£60,000

REGISTERED PENSIONS

	22/23	**21/22**
Lifetime allowance	£1,073,100	£1,073,100
Money purchase annual allowance	£4,000	£4,000
Annual allowance*	£40,000	£40,000

Annual allowance charge on excess is at applicable tax rate(s) on earnings
Lifetime allowance charge if excess is drawn as cash 55%; as income 25%
Pension commencement lump sum up to 25% of pension benefit value

**Reduced by £1 for every £2 of adjusted income over £240,000 to a minimum of £4,000, subject to threshold income being over £200,000*

STATE PENSIONS

New state pension – where state pension age reached after 5/4/16	Annual	Weekly
	£9,627.80	£185.15
Basic state pension – single person*	£7,376.20	£141.85
Basic state pension – spouse/civil partner*	£4,420.00	£85.00

*State pension age reached before 6/4/16

TAX INCENTIVISED INVESTMENT

	22/23	21/22
Total Individual Savings Account (ISA) limit, excluding Junior ISAs (JISAs)	£20,000	£20,000
Lifetime ISA	£4,000	£4,000
JISA and Child Trust Fund	£9,000	£9,000
Venture Capital Trust (VCT) at 30%	£200,000	£200,000
Enterprise Investment Scheme (EIS) at 30%*	£2,000,000	£2,000,000
EIS eligible for CGT deferral relief	No limit	No limit
Seed EIS (SEIS) at 50%	£100,000	£100,000
SEIS CGT reinvestment relief	50%	50%

*Above £1,000,000 investment must be in knowledge-intensive companies

NATIONAL INSURANCE CONTRIBUTIONS

Class 1	Employee	Employer
NICs rate	13.25%	15.05%
No NICs for employees generally on the first	£242 pw†	£175 pw
No NICs* for: younger/veteran employees on first	£242 pw†	£967 pw
freeport employees on first	£242 pw†	£481 pw
NICs rate charged up to	£967 pw	No limit
3.25% NICs on earnings over	£967 pw	N/A

Employees generally under 21 years and apprentices under 25 years. Veterans in first 12 months of civilian employment. Employees at freeports in Great Britain in the first three years of employment from 6 April 2022

Employment Allowance £5,000

Per business – not available if sole employee is a director or employer's NICs for 21/22 £100,000 or more

Limits and Thresholds	Weekly	Annual
Lower earnings limit	£123	£6,396
Primary threshold	£242†	£12,570**
Secondary threshold	£175	£9,100
Upper earnings limit (and upper secondary thresholds)	£967	£50,270

Class 1A Employer On car and fuel benefits and most other taxable benefits provided to employees and directors 15.05%

Class 2 Self-employed Flat rate per week £3.15 (£163.80 pa)
Small profits threshold £6,725

Class 4 Self-employed On annual profits of £11,980 to £50,270: 10.25%
Over £50,270: 3.25%

Class 3 Voluntary flat rate per week £15.85 (£824.20 pa)

†£190 pw before 6 July 2022 ***£9,880 before 6 July 2022*

CAPITAL GAINS TAX

Tax Rates – Individuals	22/23	21/22
Below UK higher rate income tax band	10%	10%
Within UK higher and additional rate income tax bands	20%	20%
Tax Rate – Trusts and Estates	20%	20%
Surcharge for residential property and carried interest	8%	8%
Annual exempt amount: Individuals, estates, etc.	£12,300	£12,300
Trusts generally	£6,150	£6,150
Chattels gain limited to 5/3rds of proceeds over	£6,000	£6,000

Business Asset Disposal Relief
10% on lifetime limit of £1,000,000 for trading businesses and companies (minimum 5% participation) held for at least 2 years

INHERITANCE TAX

	22/23	21/22
Nil-rate band*	£325,000	£325,000
Residence nil-rate band*†	£175,000	£175,000
Rate of tax on excess	40%	40%
Rate if at least 10% of net estate left to charity	36%	36%
Lifetime transfers to and from certain trusts	20%	20%
Overseas domiciled spouse/civil partner exemption	£325,000	£325,000

100% relief: businesses, unlisted/AIM companies, certain farmland/buildings
50% relief: certain other business assets e.g. farmland let before 1/9/95
Annual exempt gifts of: £3,000 per donor £250 per donee

Tapered tax charge on lifetime gifts within 7 years of death

Years between gift and death	0–3	3–4	4–5	5–6	6–7
% of death tax charge	100	80	60	40	20

**Up to 100% of the unused proportion of a deceased spouse's/civil partner's nil-rate band and/or residence nil-rate band can be claimed on the survivor's death*
†Estates over £2,000,000: the value of the residence nil-rate band is reduced by 50% of the excess over £2,000,000

STAMP DUTIES AND PROPERTY TRANSACTION TAXES

Stamp Duty and SDRT: Stocks and marketable securities 0.5%
Additional residential and all corporate residential properties £40,000 or more – add 3% to SDLT rates and 4% to LBTT and LTT rates

England & N Ireland – Stamp Duty Land Tax (SDLT) on slices of value

Residential property	%	Commercial property*	%
Up to £125,000	0	Up to £150,000	0
£125,001–£250,000	2	£150,001–£250,000	2
£250,001–£925,000	5	Over £250,000	5
£925,001–£1,500,000	10		
Over £1,500,000	12		

**0% for freeport qualifying property in England only*

First time buyers: 0% on first £300,000 for properties up to £500,000
Non-resident purchasers: 2% surcharge on properties £40,000 or more
Residential properties bought by companies etc. over £500,000: 15% of total consideration, subject to certain exemptions

Scotland – Land and Buildings Transaction Tax (LBTT) on slices of value

Residential property	%	Commercial property	%
Up to £145,000	0	Up to £150,000	0
£145,001–£250,000	2	£150,001–£250,000	1
£250,001–£325,000	5	Over £250,000	5
£325,001–£750,000	10		
Over £750,000	12		

First time buyers: 0% on the first £175,000

Wales – Land Transaction Tax (LTT) on slices of value

Residential property	%	Commercial property	%
Up to £180,000	0	Up to £225,000	0
£180,001–£250,000	3.5	£225,001–£250,000	1
£250,001–£400,000	5	£250,001–£1,000,000	5
£400,001–£750,000	7.5	Over £1,000,000	6
£750,001–£1,500,000	10		
Over £1,500,000	12		

CORPORATION TAX

Years to 31/3/23 and 31/3/22	Profits: 19%	Diverted profits: 25%
Loans to participators	Made in 21/22: 32.5%	Made in 22/23: 33.75%

VALUE ADDED TAX

Standard rate	20%	Domestic fuel	5%
Installation of energy saving materials (except Northern Ireland)			0%
Since 1/4/17: Registration level £85,000		Deregistration	£83,000
Flat rate scheme turnover limit			£150,000
Cash and annual accounting schemes turnover limit			£1,350,000

CAR BENEFITS

Taxable amount based on original list price and CO_2 emissions in g/km.

Zero emission cars 2%

Petrol and diesel hybrids with CO_2 emissions 1–50g/km

Range – electric-only miles	**< 30**	**30–39**	**40–69**	**70–129**	**130+**
	14%	12%	8%	5%	2%

All non-diesel cars over 50g/km CO_2	**51–54**	**55 & over**
	15%	16%*–37%

Increased for every extra 5g/km by 1% up to the maximum 37%

Diesels not meeting RDE2: add 4% to non-diesel rates, up to 37%

Fuel Benefit – taxable amount for private use	**22/23**	**21/22**
CO_2 % charge used for car benefit multiplied by	£25,300	£24,600

VANS – FOR PRIVATE USE

	22/23	**21/22**
Zero emission: chargeable amount	Nil	Nil
Other vans: chargeable amount	£3,600	£3,500
Fuel: chargeable amount	£688	£669

TAX-FREE BUSINESS MILEAGE ALLOWANCE – OWN VEHICLE

Cars and vans first 10,000 miles	45p per mile	then 25p per mile
Qualifying passenger	5p per mile	
Motorcycles	24p per mile	Bicycles 20p per mile

MAIN CAPITAL AND OTHER ALLOWANCES

Plant & machinery (P&M) 100% annual investment allowance (1st year):	To 31/3/23	£1,000,000
P&M* super-deduction first year allowance (FYA) for companies to 31/3/23		130%
Special rate P&M* FYA for companies to 31/3/23		50%
Plant and machinery**		18%
Patent rights and know-how**		25%
Special rate P&M e.g. long-life assets and integral features of buildings**		6%
Structures and buildings (straight line)†		3%
Electric charge points		100%

Motor Cars

CO_2 emissions of g/km:	0*	1–50	Over 50
Capital allowance:	100% first year	18% pa**	6% pa**

**New and unused only **Annual reducing balance †10% for freeport sites in GB*

Research and Development

Capital expenditure	100%
Revenue expenditure relief – small/medium-sized companies	230%
Research and development expenditure credit – large companies	13%

SOCIAL SECURITY BENEFITS

Weekly rates for 2022/23 (taxable unless stated otherwise).

Employment and Support Allowance (contribution-based taxable)

13-week assessment phase

Aged under 25: up to £61.05 Aged 25 or over: up to £77.00

From week 14 after Work Capability Assessment if eligible

In Work Related Activity Group	up to £107.60
In Support Group	up to £117.60

Bereavement Support Payments (non-taxable) – initial and for 18 months

Higher rate:* £3,500 lump sum	£350 monthly
Standard rate: £2,500 lump sum	£100 monthly

**If entitled to or claiming Child Benefit or pregnant at partner's death*

Statutory Pay Rates

Based on minimum average earnings of at least £123pw:

Statutory Sick Pay £99.35 standard rate

Statutory Maternity Pay/Statutory Adoption Pay

First 6 weeks – 90% of average weekly pay

Next 33 weeks – 90% of average weekly pay up to £156.66

Statutory Paternity Pay 90% of average weekly pay up to £156.66

Shared Parental Pay

Up to 37 weeks: 90% of average weekly pay up to £156.66

Child Benefit (see 'Income Tax – High Income Child Benefit Charge')

First or only child £21.80 Each subsequent child £14.45

National Living/National Minimum Wage (hourly)		**1/4/22 – 31/3/23**
Aged 23 and over	National Living Wage	£9.50
Aged 21–22	National Minimum Wage	£9.18
Aged 18–20	National Minimum Wage	£6.83
Aged under 18	National Minimum Wage	£4.81
Apprentice	National Minimum Wage	£4.81

MAIN DUE DATES FOR TAX PAYMENTS

Income Tax, NICs and Capital Gains Tax – Self-Assessment

31 Jan in tax year Following 31 July	Normally 50% of previous year's income tax (less tax deducted at source) and class 4 NICs
Following 31 Jan	Balance of income tax, class 4 NICs, CGT and all class 2 NICs

Inheritance Tax

On death:	Normally 6 months after end of month of death
Lifetime transfer 6 April–30 September:	30 April in following year
Lifetime transfer 1 October–5 April:	6 months after month of transfer

Corporation Tax – Self Assessment

- Profits under £1,500,000: 9 months + 1 day after end of accounting period
- Profits £1,500,000 or over: normally payable in 7th, 10th, 13th and 16th months after start of the accounting period
- Profits £20,000,000 or over: normally payable in 3rd, 6th, 9th and 12th months after start of the accounting period
- Growing companies: no instalments where profits are £10,000,000 or less and the company was not a large company for the previous year.

2022/23 TAX CALENDAR

Make payment on previous working day where due date falls on a weekend/bank holiday.

Every month

19 Submit CIS contractors' monthly return.

22 PAYE/NICs/CIS deductions paid electronically for period ending 5th of the month (19th if not paying electronically).

Month end

Submit CT600 for year ending 12 months previously.

Last day to amend CT600 for year ending 24 months previously.

April 2022

1 VAT rate on hospitality, holiday accommodation and attractions increases from 12.5% to 20%. New VAT points-based penalty regime starts. All voluntarily VAT registered businesses must send VAT returns using MTD software.

6 New NIC rates and dividend tax rates come into force.

July 2022

5 Last date to agree a new PAYE Settlement Agreement (PSA) for 2021/22.

6 The annual NIC primary threshold and lower profits limit increase from £9,880 to £12,570.
Deadline for employers to return forms P11D (expenses) and P11D (b) (benefits) for 2021/22 to HMRC and provide copies to employees.

22 Pay class 1A NICs (19 July if not paying electronically).

31 Confirm tax credit claims for 2021/22 and renewal for 2022/23.
Second payment on account for 2021/22 income tax and class 4 NICs.

August 2022

1 Penalty of 5% of the tax due or £300, whichever is the greater, where the 2020/21 tax return has not been filed.

October 2022

5 Deadline to register for self-assessment for 2021/22.

22 Pay tax and class 1B NICs on PSAs (19th if not paying electronically).

31 Deadline for 2021/22 tax return if filed on paper.

December 2022

30 Deadline to submit 2021/22 tax return online to have underpaid PAYE tax collected through the 2023/24 tax code.

January 2023

31 Submit 2021/22 self-assessment tax return online. Pay balance of 2021/22 income tax, class 4 NICs, CGT and all class 2 NICs plus first payment on account for 2022/23 income tax and class 4 NICs.

February 2023

1 Initial penalty imposed where the 2021/22 tax return has not been filed or has been filed on paper after 31 October 2022.

March 2023

2 Last day to pay 2021/22 tax to avoid automatic 5% penalty.

ammu

accounting matters

ammu is a trading name of Amas Murrison Limited. A distinctive blend of Chartered Accountants and Chartered Management Accountants providing accounting, finance, tax and digitisation advice and services to businesses, professionals, private individuals and families. Registered with ICAS and CIMA. Registered in Scotland No SC440863.

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