GRANTSELLERS

PLAN & PROSPER

THE LATEST TAX NEWS & UPDATES

WE HOPE YOU FIND THIS INFORMATION USEFUL.

Please contact us on 01202 824500 if you would like to discuss any matters further.

WHAT'S NEW?

1.25% Increase In NIC's And Tax On Dividends To Fund Health And Social Care

The Prime Minister announced on 7th September that the government will introduce a new 1.25% Levy to provide an extra £12 bn a year to support the NHS (For 2022/23) and social care (From 2023/24 onwards in part).

From April 2022 it is proposed that there will be a 1.25% rise in National Insurance Contributions (NICs) to be paid by both employers and workers. This will then become a separate Levy on earned income from 2023/24 - calculated in the same way as NIC and appearing on an employee's payslip.

Note that the 1.25% increase also applies to the Class 4 contributions paid by the self-employed on their profits. The Class 1 NI contributions paid by employees increase to 13.25% of earnings above £9,568 and the self-employed rate increases to 10.25%. The 3% differential remains for the time being, although there are rumours that the rates will align in the future. Above £50,270 earnings or profits the rate will be 3.25%.

The employers Class 1 NIC rate will increase from 13.8% to 15.05% from 6 April 2022, however many small businesses are able to set off the £4,000 employment allowance against their employers NIC liability. Many workers operating through personal service companies to whom the new "off-payroll" working rules apply will also be caught by the proposed measures.

Dividend Tax Rates Also Increasing From 2022/23

It is also proposed that there will be a 1.25% increase in the rate of tax payable on dividends received by those who own shares in companies. This would mean that after the £2,000 tax free dividend allowance the rate of tax would be 8.75% for basic rate taxpayers, 33.75% for higher rate taxpayers and 39.35% for those with income in excess of £150,000 a year. This will catch many family company director/shareholders who traditionally "pay" themselves by taking a low salary and larger dividends to minimise NICs.

Planning actions before the new rates commence

The announcement of the proposed changes more than six months before they take effect means that there is time to reduce the impact. Employees could consider agreeing a salary sacrifice arrangement with their employer, for example sacrificing their £5,000 annual bonus for an additional pension contribution paid by their employer. Such an arrangement would save 1.25% NICs for both employee and employer as well as £2,000 income tax where the employee is a higher rate taxpayer.

Employees might also consider a salary sacrifice in favour of an electric company car.

Shareholder/directors of family companies could consider bringing forward dividend payments to before 6 April 2022. Such a strategy needs careful planning as if the extra dividend takes the taxpayer's income above £50,270 the excess would be taxable at the 32.5% rate instead of the 7.5% rate and the planning could backfire.

Capital Allowances On Plant In Residential Property

The capital allowance legislation specifically denies tax relief for plant and machinery installed in a dwelling house. However, plant and machinery installed in the common areas of blocks of flats such as hallways, stairs and lift shafts would qualify as the flats themselves are the dwellings not the building as a whole.

HMRC have recently confirmed their view that common areas in Houses of Multiple Occupation (HMO) are parts of a "dwelling house" and ineligible for capital allowance claims.

This would seem inconsistent with the treatment of blocks of flats and there may be a test case on the interpretation, particularly as there is no definition of "dwelling house" in the tax legislation.

There is also a lack of clarity concerning the status of University Halls of residence where there is often substantial expenditure on plant and machinery in common areas.

HMRC Support With Childcare Costs

With more employees going back to work after the CJRS furlough support ending in September. They need to start thinking about childcare if they have children.

If they haven't already done so employees should set up a "Tax-Free" Childcare Account to help pay towards the cost of childminders, breakfast and after school clubs, nursery fees and approved play schemes.

For every £8 an eligible family pay into the special account the government adds £2, up to £2,000 a year, or up to £4,000 a year if a child is disabled. The scheme is available to parents or carers who have children aged up to 11, or 17 if their child is disabled.

Advisory Fuel Rate For Company Cars

As the result in recent increases in petrol and diesel prices HMRC have increased the advisory fuel rates that apply for the reimbursement of employees' private fuel for their company cars. The same rates apply when the employer reimburses employees for fuel used for business journeys in their company car.

The new rates apply from 1 September 2021, but you can continue to use the previous rates for up to 1 month from the date the new rates apply.

Where there has been a change the previous rate is shown in brackets:-

Engine Size	Petrol	Deisel	LPG
1400cc or less	12p (11p)		7p
1600cc or less		10p (9p)	
1401cc to 2000cc	14p (13p)		8p
1600cc to 2000cc		12p (11p)	
Over 2000cc	20p (19p)	15p (13p)	12p

Diary of main tax events October/ November 2021

Date	What's Due
01/10	Corporation tax for year to 31/12/20, unless quarterly instalments apply
05/10	Deadline for notifying HMRC of chargeability for 2020/21 if not within Self-Assessment and receive income or gains on which tax is due
19/10	PAYE & NIC deductions, and CIS return and tax, for month to 5/10/21 (due 22/10 if you pay electronically)
01/11	Corporation tax for year to 31/01/2021, unless quarterly instalments apply

Contact Us

If you would like to discuss any of the subjects covered in this edition of Plan & Prosper, then please contact a member of our team.

Call: 01202 824500
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