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FUTURE TAX PLANNING

Based on the Chancellor of the Exchequer's Autumn Budget 2021 (Corporation Tax Increase, Introduction of Health and Social Care Levy) and Spring Statement 2022 (Increase in Employee and Employer National Insurance Thresholds) we feel that now, more than ever, is a vital time to begin tax planning for future years. Increasing directors' salaries, purchasing new fixed assets, paying into pension schemes or changing your company year end are just a few of the tax planning measures that could be put in place. However, each business is different and so we would ask that you speak to your current account manager in order to make sure that you are as tax efficient as possible (from a company, individual and/or a personal perspective).

DIVIDEND TAX RATE INCREASE

From 6th April 2022, the new dividend tax rates, which will apply across the UK, are:

Tax Band	From 2022-23	Current rates
Basic rate	8.75%	7.5%
Higher rate	33.75%	32.5%
Additional rate	39.35%	38.1%

The £2,000 Dividend allowance will continue to be available and dividends received by ISA's will remain tax free.

WFH - PAYE TAX CODES

It is our understanding that, as part of the Government's living with COVID19 plans, that more and more people are returning to workplaces, which means that less people are now working from home. We would like to point out to anyone that has claimed work from home relief over the last couple of years to double check your PAYE tax codes, as failure to do this could result in you receiving an unexpected personal tax liability at the end of the tax year.

MINIMUM WAGE INCREASE

The National Minimum Wage and National Living Wage will rise, affecting around 2.5 million UK workers, according to the Department for Business, Energy and Industrial Strategy.

It was confirmed in the 2021 Budget that the National Living Wage will increase to £9.50 from 1 April 2022 - which equates to an extra £1,000 a year for a full-time worker.

- National Living Wage - new rate: £9.50, increase: 6.6%
- 21-22 year old rate - new rate: £9.18, increase: 9.8%
- 18-20 year old rate - new rate: £6.83, increase: 4.1%
- 16-17 year old rate - new rate: £4.81, increase: 4.1%
- Apprentice rate - new rate: £4.81, increase 11.9%



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MAKING TAX DIGITAL

Making Tax Digital (MTD) is a government initiative that aims to provide the UK with one of the most digitally advanced tax administrations in the world. Under MTD, taxpayers are required to keep electronic records and report to HMRC digitally. MTD is being implemented in stages. However, the timeline has recently been revised, delaying the start date of MTD for Income Tax by one year.

MTD FOR VAT

If you are a VAT-registered business with turnover above the VAT registration threshold of £85,000 a year, you will already be within MTD for VAT. If your turnover is below this level, you may have joined voluntarily. However, if you have not done so, you will need to comply with MTD for VAT from the start of your first VAT accounting period beginning on or after 1 April 2022. MTD for VAT becomes compulsory for all VAT registered traders from that date.

For example, if you are registered for VAT but your turnover is below the VAT registration threshold, and your VAT quarters end on 31 May, 31 August, 31 October and 31 January, you will need to start complying with MTD for VAT from 1 June 2022.

MTD FOR INCOME TAX

The next phase of the MTD programme is MTD for Income Tax. Initially, this will apply to self-employed businesses and landlords with annual business or property income in excess of £10,000. MTD for Income Tax was due to come into effect

However, the start date has now been delayed by one year, and businesses and landlords that fall within its scope will need to comply with the rules from April 2024 onwards.

Under MTD for Income Tax, business and landlords will need to keep business records digitally and send quarterly income tax updates, an end of period statement and a final declaration to HMRC using MTD-compatible software.

As part of the preparation for the introduction of MTD for Income Tax, the basis period rules for unincorporated businesses are being reformed. Business will be tax on the profits for the tax year, other than on the profits for the period ending in the tax year (the current year basis). The tax-year basis will apply from 2024/25, with 2023/24 being a transitional year.

MTD FOR CORPORATION TAX

The start date of MTD for Corporation Tax is April 2026. For Partnerships it'll be April 2025. We will provide more information on this closer to the time.

VAT CHANGES

VAT on Imported Goods

A recent change was made which affects all businesses who import goods into the UK from anywhere else in the world. HMRC have introduced a new system called "Postponed VAT" and basically this allows you to defer the VAT due from when the goods arrive at the port of entry and rather than paying the VAT straight away, you can now elect to pay the VAT as part of your quarterly or monthly VAT return.

Please note that this is only an optional scheme, so if it is something you did or did not want to take part in, then you will need to speak to whoever is in charge of the import documentation (whether this be you, the exporter and an import agent/courier).

Should you choose to postpone the VAT on your imported goods, then at the end of the month HMRC will issue you with a C79 certificate. They will likely make this available to print/download through your government gateway account.

The way this will be accounted for on your VAT returns will be as follows

Box 1 (VAT on income) - Include the VAT due on any imports with postponed VAT

Box 4 (VAT on expenses) - Include any VAT reclaimable on any imports with postponed VAT

Box 7 (Net expenses) - Include the total value of all imported goods shown on the monthly C79 statement

VAT on Hospitality

The government made an announcement on 8 July 2020 allowing VAT registered businesses to apply a temporary 5% reduced rate of VAT for hospitality, holiday accommodation and admissions to attractions. This was effective until 30 September 2021, where the VAT rate changed to 12.5%. This rate of 12.5% has lasted from 1st October 2021 up to 31st March 2022. This means that going forward from 1st April 2022, there should be a standard 20% VAT rate applied to supplies relating to hospitality, holiday accommodation and admissions to attractions.

VAT on Commercial Vehicles

It is common practice for VAT to be reclaimed in full on the purchase of a commercial vehicle (such as a van or pickup truck) when brought for business use, however it is important to also consider any private usage.

The VAT man will allow for occasional private use of a commercial vehicle, but it is important to be able to prove it is only for incidental use. HMRC are beginning to challenge this more often and it would be recommended to maintain clear records to be able to justify the figures if they were ever challenged or investigated. This is especially important on so called "dual purpose vehicles" such as car derived van.

If there is any private usage, then there should be an adjustment to the VAT claimed on both the initial purchase price and the ongoing running costs of the vehicle. A private usage addback should also apply on these expenses when completing annual financial statements or VAT returns. P11D benefit in kind implications may also need to be considered.

VAT on Energy Saving Products

Currently, the VAT element on energy savings products is 5%. Products include central heating systems, draught stripping, insulation, solar panels, heat pumps, micro combined heat and power units, and wood fueled boilers.

That was until Rishi Sunak's spring statement on 23 March 2022, which announced that from 01 April 2022 until 31 March 2027, the VAT rate on these energy saving products will now be zero rated.

It was also announced that Wind and water turbines, which previously did not qualify for the reduced rate VAT relief, will now be added back to the qualifying list of Energy Saving Products

ALAN'S CHARITY BIKE RIDE

As many of you will be already be aware Alan Durose, our Managing Director, enjoys taking part in a challenge. Even more so when there's an opportunity to raise money for Charity.

This year Alan and friends decided their challenge would be biking from London to Brussels to raise money for Birmingham Children's Hospital Charity. This should have originally happened in 2021, however due to covid restrictions it was postponed until April 2022.

Their training began early in 2021 with regular bike rides which gradually got longer. By the end of March their hotels for the night before had been booked and they were as prepared as possible to embark on their next adventure.

They started their journey at 6:30am on Thursday 21st April at Crystal Palace and managed to complete a gruelling 95 miles on the first day and travelled on the ferry to Calais.

On day 2 they covered another 78 miles and made their way to Bruges!

From there they prepared themselves for the final stretch to Brussels, covering another 69 miles they made it to the centre of Brussels on the evening of Saturday 23rd April.

All of the 35 riders who took part amazingly made it all the way to the end, covering a total of 242 miles and raising an astonishing £60,118 for the Charity.

Birmingham Children's Hospital Charity is one close to the heart of everyone at Wynniatt-Husey Limited.

- In 2016 employees climbed Mount Snowdon.
- In 2018 Alan biked from London to Paris.
- In 2019 Alan biked from London to Amsterdam.



STUDENT LOAN

The repayment threshold for Student Loan repayments will be increasing, but not for everybody. If you are on repayment plan 1, which is for courses commencing before September 2012, the income threshold will increase from the 2020/21 figure of £19,895 to £20,195 for 2021/22. For people on repayment plan 2, for courses commencing after 1 September 2012, or people on repayment plan 3, postgraduate loans, the income thresholds will remain the same for 2020/21 and 2021/22. The repayment plan 2 threshold is £27,295 and the repayment plan 3 threshold is £21,000. Once your salary passes the relevant threshold, the repayments are made at a rate of 9% of income.



RESEARCH & DEVELOPMENT CLAIMS

Research and Development (R&D) reliefs support companies that work on innovative projects in science and technology. It can be claimed by a wide range of companies seeking to research or develop an advance in the field they work in, even if the project is unsuccessful. If you're making a claim for the first time, you may be able to claim R&D tax relief for your last two

completed accounting periods. As long as the project meets HMRC's definition of R&D, the company may be able to claim corporation tax relief, however, they will need to explain how the R&D project:

- Has looked for an advance in science and technology
- Has overcome an uncertainty
- Could not be easily worked out by a professional in the field

Your project may research or develop a new process, product or service or improve on an existing one.

Most small and medium-sized companies will be eligible to claim an extra 130%, on top of the 100% normal deduction, of any qualifying costs to offset against their yearly profit. This will further reduce their corporation tax liability.

To qualify as a small or medium-sized company you have to have fewer than 500 staff and a turnover of under 100 million euros or a balance sheet total under 86 million euros. Most companies, including start-ups, fall into this category.

If the company has made a loss due to R&D, then they may be also eligible to claim a tax credit of 14.5% of the surrendered loss.

This all shows the governments ambition for UK businesses to carry out research and development, hence the generous tax incentives, however, this does not leave the scheme open to abuse and fraudulent claims. Any claims that are made without sufficient evidence will result in any R&D tax savings/credits being paid back to HMRC with interest and penalties charged on top.

Wynniatt-Husey Limited will be more than happy to prepare and submit the R&D claims to HMRC on behalf of our clients in order to help innovative companies take advantage of the full potential of R&D tax incentives.

CHANGES IN NATIONAL INSURANCE

Following the Chancellor of the Exchequer Rishi Sunak's announcement in the Spring Statement 2022 that he will be increasing the National Insurance threshold to £12,570 in order to bring National Insurance in line with the current personal allowance. This change will take effect from July 2022 and per Mr Sunak is "the largest increase in a basic rate threshold ever".

To outline the potential savings, we have shown below all the potential options:

Current Employer National Insurance Threshold of £9,096.00

	PAYE Tax	Employee National Insurance	Employer National Insurance
Directors Salary of £9096.00 per year (Single Director on payroll)	£0.00	£0.00	£0.00
Directors Salary of £9096.00 per year (Multiple Directors on payroll)	£0.00	£0.00	£0.00
Directors Salary of £9096.00 per year (Directors plus Staff on payroll)	£0.00	£0.00	£0.00
Employee salary of £20,000.00	£1,485.00	£1,341.00	£1,641.00

New National Insurance Threshold of £12,570.00 from July 2022

	PAYE Tax	Employee National Insurance	Employer National Insurance
Directors Salary of £12,570.00 per year (Single Director on payroll)	£0.00	£0.00	£0.00
Directors Salary of £12570.00 per year (Multiple Directors on payroll)	£0.00	£0.00	£0.00
Directors Salary of £12570.00 per year (Directors plus Staff on payroll)	£0.00	£0.00	£0.00
Employee salary of £20,000.00	£1,485.00	£985.00	£1,641.00

Please note that the Employment Allowance offered by HMRC has been increased to £5,000.00 for 2022/23. However if you only have one person on the company payroll (whether this be you as a director or a single member of staff) then you do not qualify for this relief.

Obviously by increasing the directors salary this will result in a corporation tax saving of £660.00. However there are other matters that need to be taken into account, including the effect this will have on tax credit applications or marriage allowance transfers.

Directors would also need to be enrolled into a company pension scheme, which even if you did not want to contribute towards a pension, you would still need to set one up, enrol yourself and then unenroll yourself. We can handle this for you for an additional fee.

Wynniatt-Husey Ltd will keep directors on the original directors salary for the 2022/23 year unless you tell us differently. If you would like any further clarification or advice, then please speak to your account manager.

PLASTIC PACKAGING TAX

From 01st April 2022 HMRC are introducing a plastic packing tax, affecting companies which both import and manufacture plastic packaging in the UK. You will need to register for the scheme if you have manufactured or imported 10 or more tonnes of finished plastic packaging in the last 12 months, or will do so in the next 30 days.

Plastic packaging which contains less than 30% recycled plastic will be taxed at a rate of £200 per metric tonne.

If you believe this tax will affect you, please get in touch.



SPRING STATEMENT

Below are a few of the key points announced by the Chancellor of the Exchequer Rishi Sunak on 23 March 2022:

- 5 pence per litre cut in fuel duty starting 6pm tonight and lasting until March 2023
- No VAT will be charged on energy saving materials eg solar panels for the next 5 years
- Household Support Fund doubled to £1 billion, will be distributed by local councils
- NI threshold raised by £3k starting July 2022, will be in line with personal allowance
- Apprenticeship levy to be reviewed in Autumn statement, likely to be made more generous
- R & D tax credits to be reviewed in Autumn statement, likely to be made more generous
- Employment allowance for employers NI increased to £5k from April 2022
- By 2024, income tax will be reduced to 19% for basic rate taxpayers

EXTRA BANK HOLIDAY

The Queen has celebrated her Platinum Jubilee this year after 70 years on the throne. Official celebrations took place over the bank holiday weekend from Thursday 2 June to Sunday 5 June.

The Platinum Jubilee bank holiday meant that there are nine bank holidays in 2022 (rather than the usual eight). Employers will want to know whether they are required to give the additional day to employees as an extra day of leave. The answer? Yes and no – it depends on the employment contract Examples

Yes

"The employee is entitled to 20 days' paid holiday per annum plus bank holidays in England and Wales."

Yes, the number of bank holidays are not specified.

No

"The employee is entitled to 28 days' paid holiday per annum (inclusive of bank holidays in England and Wales or days in lieu where required to work)."

The contract does not provide specifically for this and so it will be the employer's choice.