

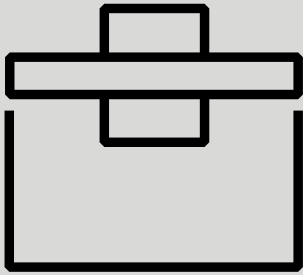


SPRING STATEMENT 2022

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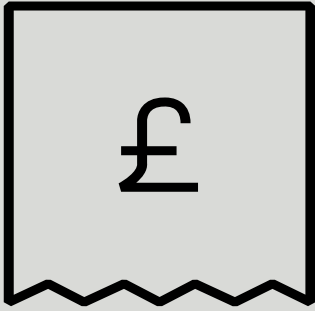
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1. INTRODUCTION

This document summarises the key changes to tax rates relevant to contractors, freelancers & self-employed professionals to come out of the Government's Statement which was delivered on 23rd March 2022.

This summary is published by Brookson, a leading provider of specialist accountancy, tax advisory, legal and financial services to freelance contractors, interims, locums and small businesses.



2. COMPANY & BUSINESS TAX

2.1 Corporation Tax Rate

The Chancellor previously announced that from 1st April 2023, companies with profits over £250,000 will be subject to corporation tax at a rate of 25%. However, companies with profits of less than £50,000 will continue to be subject to corporation tax at 19%. Tapering relief will be applied for those with profits between these thresholds, so that their effective marginal rate will fall between 19% and 25%.

2.2 VAT Measures

The Chancellor previously confirmed that the VAT registration threshold will remain at £85,000 for a further 2 years, until April 2024. Similarly, the VAT de-registration threshold will remain at £83,000.

2.3 Super Deductions

The Chancellor previously announced in the Spring Budget that for a two year period, starting from April 2021, there will be a new super deduction capital allowances deduction which allows a company paying corporation tax to claim 130% tax relief on qualifying assets (namely on new plant and machinery such as computer equipment and vans).

The current A.I.A (annual investment allowance) threshold of £1 million has also been extended to March 2023.

2.4 Trading Loss Relief

In addition, for accounting periods ending between 1st April 2020 and 31st March 2022, trading loss relief is extended to a three years carry back basis, with losses required to be set against profits of most recent years first, before carry back to earlier years (i.e. creating potential corporation tax refunds for businesses which have been hit hard by COVID).



3. PERSONAL TAX

3.1 Income Tax

The Chancellor had previously announced in the 2021 Spring Budget, that following the increases put in place on 6th April 2021, there would be no further increases to the personal allowance and the higher rate tax threshold until 6th April 2025. The thresholds will remain as follows:

- The personal allowance will increase to £12,570 from 6th April 2022;
- The basic rate tax band will increase to £37,700 from 6th April 2022;
- The additional tax rate threshold remains unchanged at £150,000.

As in previous years, for every £2 over £100,000 that you earn your tax-free personal allowance will be reduced by £1.

It was previously announced in the Autumn Budget 2021 that from 6th April 2022 the dividend basic rate tax would be increased from 7.5% to 8.75%, the dividend higher rate tax would be increased from 32.5% to 33.75% and the dividend additional rate tax from 38.1% to 39.35%. The £2,000 tax free dividend allowance remains unchanged. The Chancellor announced in his Spring statement that the lower rate of income tax would be reduced from 20% to 19% by the end of Parliament in 2024.

3.2 National Insurance

The Chancellor previously announced the introduction of the “Health and Social Care Levy”. This will initially be added to National Insurance costs, increasing National Insurance by 1.25%, effective from 6th April 2022.

This means that Employees’ Class 1 National Insurance will increase to 13.25% (currently 12%) and Employers Class 1 National Insurance will increase to 15.05% (currently 13.8%). From April 2023, the Health and Social Care Levy of 1.25% will be shown separately on payslips and National Insurance will then revert to current National Insurance rates.

The lower earnings limit has increased to £123 per week (the amount which you need to earn to qualify for certain state benefits) and the Class 1 primary threshold has increased to £190 per week (over which you need to pay Employee’s National Insurance) with the Class 1 secondary threshold increasing to £175 per week (over which you need to pay Employer’s National Insurance).

The Chancellor today announced in addition to the increase in national insurance rates above, that effective from July 2022, the primary threshold would increase to £12,570 aligning it with the income tax personal allowance.

You will receive a communication providing further information with regards to the directors’ fees shortly, providing you with further detail on this.

3.3 The National Living Wage

The National Living Wage for individuals will increase from 1st April 2022 from £8.91 to £9.50, with similar increases for the under 23’s National Minimum Wage and apprentices to £9.18 and £4.81 respectively.

3.4 IR35 Changes

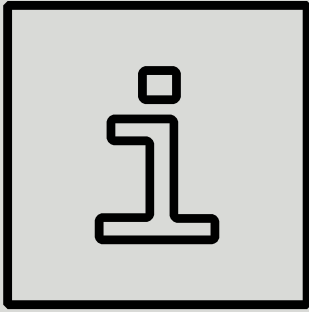
The Chancellor announced no further changes to the off-payroll (IR35) changes that went ahead as expected on the 6th April 2021. This is likely to have resulted in you working on a mix of inside and outside IR35 assignments as it is now your client's responsibility to determine your IR35 status.

In order to support you through these changes, Brookson launched Flex.

What is Flex

Flex is a unique service built to simplify very complicated legislation and help you manage the complexities of switching between Limited and Umbrella contracts. Flex allows you to switch how you work and get paid, enabling you to control your tax situation and optimise your longer-term financial planning.

[Learn more about Flex](#)



4. OTHER

4.1 Pensions

Given the increase in national insurance, pensions will continue to be an important consideration for contractors as a tax efficient vehicle. Umbrella workers utilising salary sacrifice options will find this particularly beneficial as the deductions are made prior to Employer National Insurance, Employee National Insurance and Tax deductions.

If you wish for your pension contributions to be reviewed before the increase in national insurance rates are applied, then Brookson Financial have an expert team that can assist you and can discuss your requirements.

[Learn more about Brookson Financial](#)

4.2 Capital Gains Tax

The Chancellor announced that the deadline for UK residents to report and pay CGT after selling UK residential property will increase from 30 days after the completion date to 60 days. For non-UK residents disposing of property in the UK, this deadline will also increase from 30 days to 60 days.



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