2022 SPRING STATEMENT

MAIN TAX ANNOUNCEMENTS

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1. **Overview**

Last year the Chancellor presented two Budgets in which he set out many details of the tax rates and rules that will apply until April 2026. Yesterday's Spring Statement was expected to include a review of the economic situation and adjust forecasts, and not to include anything significant about tax. Of course, things have changed dramatically since October with a war in Ukraine, energy prices are rising sharply and inflation has returned to levels last seen in the early 1990s. An announcement had already been made in February of measures to help people with fuel bills later in the year, and commentators were speculating how much more Mr Sunak might do now, with tax receipts running higher than forecast together with the effect of inflation set to increase those receipts in the future. Most predicted he would do something, but many believed he would be cautious and leave significant changes later for the Autumn Budget.

The Chancellor's speech however contained much more on tax than expected. He started with a temporary cut in fuel duty of 5p per litre, expected to save the average motorist about £100 in the next year. He went on to remove VAT from the installation of energy-saving materials in houses. He then declared he intended to implement a 'Tax Plan' going forward, with the overall aim of bringing taxes down year on year over the life of the Parliament, and started with a big surprise and a huge rise in the National Insurance Contribution thresholds to apply from July 2022. He went on to increase the Employment Allowance, a relief from Employers' NIC for small businesses, and to promise a cut in the basic rate of income tax from 20% to 19% in April 2024.

Key tax announcements made by the Chancellor yesterday included the following:

- National Insurance: increase annual Primary Threshold and Lower Profits Limit to £12,570 from July 2022, expected cost £6bn in 2022/23
- Income Tax: reduce basic rate from 20% to 19% from April 2024, expected cost £5bn annually
- Fuel Duty: reduce main rates of petrol and diesel by 5p per litre, and other rates proportionately, for 12 months, expected cost £2bn in 2022/23
- Expanding VAT relief for energy saving materials from April 2022
- Employment Allowance: increase from £4,000 to £5,000, expected to cost £400m annually
- A new temporary 50% Business rates Relief worth £1.7bn

We will be happy to discuss the announcements with you in more detail and help you understand the implications for your business and finances.

2. **Income Tax**

2.1 Spring Statement

In his Statement, the Chancellor announced that he intends to cut the basic rate of income tax from 20% to 19% from 6 April 2024. This will cost over £5bn a year and have a significant effect on the public finances. The promise is conditional however on the government continuing to meet its 'fiscal rules', with borrowing going down and not being required for day-to-day spending. Mr Sunak must be very confident that this will happen as it would be very embarrassing not to carry this through.

The promised cut will not affect the tax rates in Scotland, which are set by the Scottish Parliament. The Scottish Government will receive additional funding in the tax year 2024/25 and will be able to decide whether to pass it on to taxpayers as a tax cut.

Reductions in the basic rate of tax are not generally favourable to charities, because they depend on claiming back basic rate tax paid by donors under Gift Aid. If the donor gives the same net amount, the charity is entitled to claim a smaller tax credit. The current rate of tax credit however will be maintained for three years, until April 2027, to reduce the impact on the income of charities.

2.2 Tax Rates and Allowances

As announced a year ago, the income tax rates and bands and the main allowances are frozen at their 2021/22 levels until the end of 2025/26, instead of the usual inflation-linked increases each year. Although this means that someone with the same income will pay the same tax year on year, the effect of inflation on salaries and business profits means that this represents a significant tax increase over the period. Based on last year's estimates, government receipts for 2025/26 were forecast to rise by £8b because of this. Inflation will add to the increase, and the promised cut in the basic rate from 2024/25 only returns part of it to taxpayers.

Two other thresholds remain fixed as they have been since they were introduced. These include the income levels at which the High Income Child Benefit Charge begins to claw back Child Benefit receipts (£50,000 since (2012/13) and those at which tax-free personal allowances are withdrawn (£100,000 since 2010/11). These measures create a higher marginal tax rate in the income bands £50,000 to £60,000 (for those in receipt of Child Benefit) and £100,000 – £125,140 (as the personal allowance is reduced to nil). Inflation brings more people each year within these charges.

2.3 Dividend Income

The tax rates on dividend income over £2,000 will increase for the tax year 2022/23.

The ordinary rate, paid by basic rate taxpayers, will rise from 7.5% to 8.75%; the upper rate becomes 33.75% (from 32.5%) and the additional rate 39.35% (from 38.1%). These rates will apply across the UK.

The addition of 1.25% to each rate is related to the increases in NICs and the introduction of the Health and Social Care Levy, described in para 2.8 below, and is intended to ensure that individuals who work through companies and take their profits as dividends rather than salary cannot avoid paying the charge. However, it will also apply to dividends from passive investments, as well as from personal companies.

The 33.75% rate will also apply to tax payable by close companies (broadly, those under the control of five or fewer shareholders) on 'loans to participators' that are not repaid to the company within 9 months of the end of the accounting period, where the loan is advanced on or after 6 April 2022.

2.4 Employees - Company Cars and Fuel

The basis for taxing company cars and fuel provided for private use is set out in Table C. No changes have been made to the rates already announced in previous years.

For 2022/23, cars first registered after 5 April 2020 and electric cars will see their benefit charge rise by one percentage point (subject to the maximum of 37%). This means that the rates for 2022/23 will be the same for cars registered before and after 5 April 2020. They will now remain fixed until the end of 2024/25. The provision of a van available for private use gives rise to a tax charge on a deemed income figure of £3,600, plus £688 if fuel is also provided free. An electric van available for an employee's private use does not give rise to a tax charge.

2.5 Working From Home

During the pandemic, HMRC has been more generous than usual in allowing claims for tax relief by employees who have been required to work from home. This has covered exemption of some payments by employers to meet the extra costs incurred in relation to a home office, and also direct claims by employees for tax relief on some costs not reimbursed by employers. This relaxation applied for the tax years 2020/21 and 2021/22, but the normal rules will be restored for 2022/23.

A time-limited easement of this rule, running from 19 March 2020 until 5 April 2022, applies where employees have not met the working time requirement as a result of coronavirus. It ensures that participants are not forced to exercise their options earlier than planned and also guarantees that participants can be granted qualifying options during the pandemic.

2.6 ISA limits

Investment limits for 2022/23 remain £20,000 for a standard adult ISA (within which £4,000 may be in a Lifetime ISA and unchanged since 2017/18), and £9,000 for a Junior ISA or Child Trust Fund.

2.7 Pension Contributions

The tax reliefs for pension contributions remain unchanged.

As announced in the March 2021 Budget, the Lifetime Allowance (LA), which is the maximum amount that a person can save in tax-advantaged pension schemes before extra tax charges arise on certain events (including drawing benefits and reaching age 75), is frozen at its 2020/21 level of £1,073,100 until the end of 2025/26. As with the increases in income tax generally due to the freezing of rate bands and allowances, this fixing of the LA is likely to bring many more people within the scope of the LA Charge that applies when pension benefits are taken from funds valued above this limit.

Contributions to a registered pension scheme by individuals and their employers are restricted by the Annual Allowance (AA). Where this is exceeded, an AA Charge arises. The taxpayer can choose to ask the pension scheme to pay an AA tax charge if it exceeds £2,000, reducing the future pension benefits instead of having to meet the liability personally. The deadlines for 'Scheme Pays' reporting and payment will be extended in circumstances where there is a delay in the individual receiving the information that shows they are liable to the charge. The new rules take effect from 6 April 2022, but also have retrospective effect to 6 April 2016.

2.8 Taking Pension Benefits

The minimum age at which most people can first access their tax-advantaged pension scheme benefits is 55. This will be increased to 57 with effect from 6 April 2028, and will therefore affect those who are born on or after 6 April 1973.

2.9 Income Tax Allowances, Rates and Reliefs

Income Tax Rates and Allowances (Table A)

Main allowances	**2022/23**	**2021/22**
Personal Allowance (PA)*†	£12,570	£12,570
Blind Person's Allowance	2,600	2,520
Rent a room relief §	7,500	7,500
Trading income §	1,000	1,000
Property income §	1,000	1,000

*PA will be withdrawn at £1 for every £2 by which 'adjusted income' exceeds £100,000. There will therefore be no allowance given if adjusted income is £125,140 or more.

†£1,260 of the PA can be transferred to a spouse or civil partner who is no more than a basic rate taxpayer, where both spouses were born after 5 April 1935.

§ If gross income exceeds this, the limit may be deducted instead of actual expenses.

Rate Bands	**2022/23**	**2021/22**
Basic Rate Band (BRB)	£37,700	£37,700
Higher Rate Band (HRB)	37,701-150,000	37,701-150,000
Additional rate	over 150,000	over 150,000
Personal Savings Allowance (PSA)		
– Basic rate taxpayer	1,000	1,000
– Higher rate taxpayer	500	500
Dividend Allowance (DA)	2,000	2,000

BRB and additional rate threshold are increased by personal pension contributions (up to permitted limit) and Gift Aid donations.

Rate Bands	**2022/23**			**2021/22**		
Rates differ for General, Savings and Dividend income within each band:						
	G	**S**	**D**	**G**	**S**	**D**
Basic	20%	20%	8.75%	20%	20%	7.5%
Higher	40%	40%	33.75%	40%	40%	32.5%
Additional	45%	45%	39.35%	45%	45%	38.1%

General income (salary, pensions, business profits, rent) usually uses personal allowance, basic rate and higher rate bands before savings income (mainly interest). To the extent that savings income falls in the first £5,000 of the basic rate band, it is taxed at nil rather than 20%.

The PSA will tax interest at nil, where it would otherwise be taxable at 20% or 40%.

Dividends are normally taxed as the ‘top slice’ of income. The DA taxes the first £2,000 of dividend income at nil, rather than the rate that would otherwise apply.

Income Tax – Scotland	**Rate**	**2022/23**	**2021/22**
Starter Rate	19%	£2,162	£2,097
Basic Rate	20%	2,163 – 13,118	2,098 – 12,726
Intermediate Rate	21%	13,119 – 31,092	12,727 – 31,092
Higher Rate	41%	31,093 – 150,000	31,093 – 150,000
Top Rate	46%	over 150,000	over 150,000

The Scottish rates and bands do not apply for savings and dividend income, which are taxed at normal UK rates.

Remittance basis charge	**2022/23**	**2021/22**
For non-UK domiciled individuals who have been UK resident in at least:		
7 of the preceding 9 tax years	£30,000	£30,000
12 of the preceding 14 tax years	60,000	60,000
15 of the preceding 20 tax years	Deemed to be UK domiciled for tax purposes	

- Registered Pensions (Table B)

	2022/23	**2021/22**
Lifetime Allowance (LA)	£1,073,100	£1,073,100
Annual Allowance (AA)	40,000	40,000

Annual relievable pension inputs are the higher of earnings (capped at AA) or £3,600.

The AA is usually reduced by £1 for every £2 by which relevant income exceeds £240,000, down to a minimum AA of £4,000.

The AA can also be reduced to £4,000, where certain pension drawings have been made.

- Car and Fuel Benefits (Table C)

- ***Cars***

Taxable benefit: List price multiplied by chargeable percentage.

		2022/23	2021/22 percentage for petrol cars first registered	
CO2 emissions g/km	**Electric range Miles**	**All cars %**	**Pre 06.04.2020 %**	**Post 05.04.2020 %**
0	N/A	2	1	1
1-50	>130	2	2	1
1-50	70 - 129	5	5	4
1-50	40 - 69	8	8	7
1-50	30 - 39	12	12	11
1-50	<30	14	14	13
51-54	N/A	15	15	14

Then a further 1% for each 5g/km CO2 emissions, up to a maximum of 37%.

Diesel cars that are not RDE2 standard suffer a 4% supplement on the above figures but are still capped at 37%.

- ***Car Fuel***

Where employer provides fuel for private motoring in an employer-owned car, CO2-based percentage from above table multiplied by £25,300 (2021/22 £24,600).

3 Capital Taxes

3.1 Capital Gains Tax

As announced in the March 2021 Budget, the annual exempt amount will be fixed at its 2020/21 level of £12,300 until the end of 2025/26. No changes have been announced to the rates at which gains are taxed

Since 2015, non-UK residents have been required to report the sale of UK residential property, and pay any CGT due, within 30 days of completion of the transaction. This was extended to non-residential UK property in 2019 and, from April 2020, to UK residents selling residential property on which CGT is payable. The Autumn Budget extended the deadline for reporting and payment to 60 days in all these circumstances, for transactions completed on or after 27 October 2021.

The rates of tax are unchanged at 10% (total income and gains within the taxpayer's basic rate limit) or 20% (gains above the basic rate limit) on assets in general, but 18% or 28% on residential property that is not eligible for the main residence exemption, and also on 'carried interest' of investment fund managers.

Most trusts will continue enjoy half the annual exempt amount (£6,000) and pay tax at 20% or 28% on chargeable gains.

3.2 Inheritance Tax

The March 2021 Budget fixed the IHT nil rate band at £325,000 until the end of 2025/26.

Holding the threshold at the same amount for 17 years since 6 April 2009 will bring far more people into the scope of the tax. However, the £175,000 'residential nil rate band enhancement' on death transfers can reduce the impact where it applies.

A married couple may now be able to leave up to £1m free of IHT to their direct descendants (£325,000 plus £175,000 from each parent), but the rules are complicated, and the prospect of the nil rate band being fixed for the next 4 years increases the importance of proper IHT planning.

4 **Business Tax**

4.1 Spring Statement

No extra measures were announced to take effect immediately. However, the Chancellor noted that productivity is lower in the UK than the average for countries in the OECD and promised consultation through the summer on measures to be included in the next Budget to address this.

Areas that will be considered include incentives for training people, for encouraging innovation and development of ideas through research and development, and incentivising capital investment.

The 2021 Budgets in March and October already included measures on research and development and capital allowances [see below]. It seems likely that there will be more significant changes to follow, in particular when the benefits of the higher Annual Investment Allowance and the 'super deduction' for plant are phased out.

4.2 Reform of Basis Periods

For sole traders and individuals who are members of partnerships (including limited liability partnerships), the profits assessable in a tax year are those arising in the 'basis period' for that year, which is normally the accounting period ending in the tax year. Special rules apply on commencement and cessation of trade, as well as on a change of accounting date. These produce complications, such as some profits being assessed twice ('overlap profits'). The double charge then has to be relieved later, usually on cessation of trade (and sometimes where the business changes its year-end).

From 2024/25 (a year later than originally planned), a different basis of assessing profits is being introduced. Trading profits chargeable in a tax year will be the profits actually arising in that tax year. These will be calculated by apportioning the business accounting periods across tax years if the business does not have a 31 March or 5 April yearend.

2023/24 will be a transitional year for moving from the old to the new basis of assessment. It will involve up to 23 months' profits being assessed in the year, with full relief for any overlap profits previously taxed twice. As businesses may have a significant increase in taxable profits for 2023/24 due to these rules, such additional profits will be spread over a period of five years (although a business may opt out of spreading during this time and bring more of the profits into charge earlier).

The rules will also ignore the extra transition year profits when calculating the High Income Child Benefit Charge, the abatement of personal allowance where income exceeds £100,000, and the averaging of profits that is available to certain taxpayers such as farmers and creative artists.

4.3 Carry Back of Losses

The March 2021 Budget extended the period for which companies and unincorporated businesses can 'carry back' losses to offset against taxable profits of earlier years and claim a refund of tax paid on those profits.

Losses of 2020/21 and 2021/22 (for companies, accounting periods that end between 1 April 2020 and 31 March 2022) can be carried back three years (subject to monetary limits). This rule has not been extended, so losses of 2022/23 will revert to the normal carry back period of one year

4.4 Corporation Tax

As announced in March 2021, the Corporation Tax rate will remain at 19% until 31 March 2023. It will then increase to 25% for companies with profits over £250,000.

Since 1 April 2015, all corporate profits have been taxed at the same rate. The 'small profits rate' that operated before then will be reintroduced at 19% for companies with profits of up to £50,000. Between £50,000 and £250,000 there will be a tapering calculation that produces an effective marginal rate of 26.5% on profits between these limits, but an average rate on all profits of between 19% and 25%. The limits will be divided between companies under common control.

Companies with an accounting period straddling 31 March 2023 will need to time apportion the profits of that period which will be taxed at the two different rates. It may be worth considering a change of accounting date to produce a lower tax charge. For example, a company with a 30 September 2023 accounting date that makes a large profit on a transaction before 31 March 2023 will pay 25% tax on 6/12 of it. If a short accounting period is ended on 31 March 2023, that large profit will all be taxed at 19%.

4.5 Capital Allowances For Plant And Machinery

The March 2021 Budget introduced enhanced allowances for qualifying expenditure on plant and machinery (P&M) contracted for from 3 March 2021 and incurred from 1 April 2021 to 31 March 2023 by companies. They can claim:

- a 'super-deduction', providing allowances of 130% on new P&M investment that would ordinarily qualify for 18% writing down allowances (WDAs) in the main capital allowance pool;

- a first-year 'special rate allowance' of 50% on new P&M investment that would ordinarily qualify for 6% WDAs in the special rate pool.

The rate of the super-deduction will require adjustment if an accounting period straddles 1 April 2023 to ensure that the super-deduction cannot be relieved at the 25% rate of corporation tax. Adjustments will also be required on the disposal of assets on which a super-deduction or special rate allowance has been claimed.

The 100% Annual Investment Allowance (AIA), which is available to companies and unincorporated businesses, will also be available for qualifying expenditure on P&M up to £1 million until 31 March 2023. The limit will be subject to transitional rules where accounting periods straddle 31 March 2023.

The AIA may produce more tax relief for companies than the 50% FYA available for special rate expenditure described above. However, as the main corporation tax rate will increase from 19% to 25% on 1 April 2023, advancing expenditure to March 2023 in order to secure 100% deduction will result in a smaller amount of tax relief – the tax reduction will come sooner, but it will be given at the lower tax rate.

4.6 Research & Development Expenditure

Small or medium-sized companies conducting qualifying research and development can claim an enhanced deduction of 230% (£230 for each £100 of qualifying expenditure). Where this produces a loss, it can be surrendered for a payable tax credit of 14.5%.

Qualifying expenditure may include staff costs, software used directly for the R&D, relevant payments to the subjects of clinical trials, consumable or transformable materials, subcontracted R&D costs and costs of externally provided workers

For accounting periods beginning on or after 1 April 2021, the amount of payable credit that can be claimed is capped at £20,000 plus three times the company's PAYE and NIC liabilities for the period. This definition also includes some PAYE and NIC liabilities of connected persons doing subcontracted R&D for, or providing workers to, the company.

Following a consultation launched in March 2021, R&D tax reliefs will be reformed to support modern research methods by expanding qualifying expenditure to include data and cloud costs.

At present there is no limitation on incurring the expenditure outside the UK, for example by subcontracting work to suppliers in other countries. However, the legislation will be amended to focus support towards innovation in the UK, which is likely to require qualifying expenditure, or at least a large percentage of it, to be incurred within the UK.

The Spring Statement included a declared intention to reform, refocus and increase the incentives for R&D spending. Other changes will be made to target abuse and improve compliance. The changes to the law are intended to take effect for expenditure incurred from 1 April 2023.

4.7 Residential Property Developer Tax

As announced in February 2021, the government is introducing a new tax from April 2022 on the profits that companies and corporate groups derive from UK residential property development. This is intended to ensure that the largest developers make a fair contribution to help pay for building safety remediation. The tax will be charged at 4% on profits exceeding an annual allowance of £25m.

4.8 New Rules For Holiday Lettings

Owners of holiday homes may be able to pay no council tax or business rates for their property by registering the property as business premises. They then claim small business rates relief (SBRR) to reduce the business rates bill to nil. An assessment for business rates takes priority over council tax, but it is normally more costly to pay business rates if SBRR is not available.

From April 2023, for the property to qualify for SBRR, the landlord will have to provide evidence that the property will be offered for short-term commercial letting for at least 140 days in the current year. This evidence may be in the form of bookings, receipts or adverts. In addition, the landlord will have to show that in the previous tax year the property was:

- available for short-term commercial letting for at least 140 days; and
- actually let for short-term letting for at least 70 days.

Anyone who lets holiday accommodation that seeks to benefit from SBRR will need to meet these conditions for the year starting 6 April 2022, in order to be able to provide the required evidence in April 2023.

4.9 Annual Tax on Enveloped Dwellings (ATED)

ATED applies to residential properties worth above £500,000 which is owned through companies and other corporate structures, unless the situation qualifies for a relief. The rates increase automatically each year in line with inflation. They will rise by 3.1% from 1 April 2022 in line with the September 2021 CPI. The amount ranges from £3,800 to £244,750 per year. See our UK Tax News item on 21 February 2022 for further details on the rates applying from April 2022.

The next 5-yearly revaluation of relevant properties is due on 1 April 2022, which may affect the ATED payable from 1 April 2023, if a property moves into a different valuation band as a result.

5 Value Added Tax

5.1 Spring Statement

For more than 20 years, the reduced VAT rate of 5% has applied to the supply by a trader of 'installation of energy saving materials' in some housing. The Chancellor has decided to take advantage of Brexit to reverse the changes required by the European Court and to expand the scope of the relief to more energy-saving technologies.

For a limited period, the relief will be further increased by making the supply zero-rated rather than reduced rated. These changes will take effect from April 2022. They are a more narrowly targeted tax cut than other measures in the Spring Statement, costed at £45m in the first year.

5.2 Registration Threshold

The VAT registration and deregistration thresholds will remain frozen at their present levels of £85,000 and £83,000 until 31 March 2024. This will tend to require more businesses to register for the tax as they grow, and therefore represents a small tax-raising measure.

5.3 Making Tax Digital for VAT

For VAT periods commencing on or after 1 April 2022, all VAT-registered businesses, unless they claim a limited range of exemptions, are required to comply with the requirements to maintain their VAT records digitally and file their VAT returns using MTD-compliant software.

Up to this point, MTD has been compulsory for those trading above the VAT threshold of £85,000 in taxable turnover, but has been optional for those traders who have voluntarily registered. Anyone who is not yet registered for MTD should now take steps to join up as a matter of urgency.

5.4 Reduced Rate For Hospitality And Entertainment

No further changes have been announced relating to the reduced rate of VAT that has applied to qualifying supplies by hospitality, leisure and entertainment businesses to help offset the impact of the pandemic.

The rate reduced from 20% to 5% in July 2020, and increased to 12.5% with effect from 1 October 2021. It will revert back to the standard 20% rate on 1 April 2022.

There are no 'anti-forestalling rules' to counter the VAT saving enjoyed by someone who pays a deposit before the rate goes back up – that will lock in the 12.5% rate of VAT to the extent that a supply is paid for before 1 April 2022, even if the actual supply takes place later.

5.5 Default surcharge

The rules for late payment of VAT will be reformed for return periods beginning on or after 1 January 2023 (delayed from the intended introduction of the new rules on 1 April 2022).

The default surcharge will be replaced by interest on late payment and separate penalties for late filing of returns.

It is interesting to see this delay shown in the government's accounting as a cost, implying that they believe the new system will raise more money than the old.

6 National Insurance Contributions

6.1 Thresholds

The thresholds above which employers' and employees' NICs become payable were set to increase from 6 April in line with inflation in 2022/23, with an increase of about £300 a year to £9,880. In a surprise move. The Chancellor announced yesterday that they will further rise in July 2022 to match the level at which income tax starts to be payable, an annual figure of £12,570. This is a tax cut of £6.25bn, a very significant figure, which will save employees up to £356 over a full year.

NICs on wages and salaries are calculated on individual payments so it is possible to change the thresholds in the middle of a tax year in this way. The delay is considered necessary to allow software providers to update their products so employers can calculate the NIC correctly.

Thresholds for the self-employed are set for the tax year as a whole. The 2022/23 Lower Profits Limit (LPL) for Class 4 NIC will be determined by apportioning £9,880 from April to July and £12,570 from July to the end of the year. The resultant figure is £11,908, above which Class 4 NIC will be payable on business profits.

The accrual of State pension benefits for the self-employed continues to depend on paying Class 2 NIC. Those with profits between the Small Profits Threshold and the LPL will not be required to pay Class 2 NIC for 2022/23, but will still earn a credit for the year.

6.2 Employment Allowance

The Employment Allowance reduces employers' NIC for small businesses employing at least two people being paid above the Class 1 NIC Secondary Threshold, provided the total employers' NIC bill did not exceed £100,000 in the previous year.

The Chancellor announced an immediate increase in this tax relief from £4,000 to £5,000, taking effect from 6 April 2022. It will benefit around 495,000 businesses by up to £1,000 each in 2022/23 at a cost to the Exchequer of £425m.

6.3 Previously Announced Thresholds and Rates (Table D)

The upper limits for employee and self-employed contributions remain aligned with the point at which 40% income tax is payable (£50,270 per year, or £967 per week), and are frozen at that level until the end of 2025/26.

The Scottish higher rate of income tax applies at a lower level than in the rest of the UK (above £31,092 of taxable income in excess of allowances rather than above £37,700). Scottish taxpayers can thus be liable to 41% income tax and full primary NIC on the same income (12% in 2021/22 rising to 13.25% in 2022/23).

6.4 Health and Social Care Levy

As announced on 7 September 2021, a new Health and Social Care Levy will be charged to raise £13 bn a year – dwarfing most of the other figures in the Budget policy decisions. In 2022/23, this will be achieved by raising the rates of NIC; in 2023/24, the levy will be formally separated from NIC and collected separately by HMRC, and will also apply to earnings of individuals who are above State Pension age and are therefore not liable to NIC.

From 6 April 2022, Class 1 NIC paid by employers and employees, and Class 4 NIC paid by the self-employed, will increase by 1.25%. This means that employees will pay 13.25% from the primary threshold up to the upper earnings limit and 3.25% above that; employers will pay 15.05% on all earnings above the secondary threshold. The self-employed will pay 10.25% on earnings between the lower and upper profits limits, and 3.25% above the upper limit. The NIC rates will revert back to their previous levels from 6 April 2023 when the separate levy is introduced.

6.5 National Insurance Contributions (Table D)

Class 1 (Employees)

	Employee	**Employer**
Main NIC rate	13.25%	15.05%
6.4.2022 to 5.7.2022: No NIC on first	£190pw	£175pw
6.7.2022 to 5.4.2023: No NIC on first	£242pw	£175pw
Main rate charged up to*	£967pw	no limit
2% rate on earnings above	£967pw	N/A
Employment allowance per business**	N/A	£5,000

*Nil rate of employer NIC on earnings up to £967pw for employees aged under 21, apprentices aged under 25 and ex-armed forces personnel in their first twelve months of civilian employment.

**Some businesses do not qualify, including certain sole director companies and employers who have an employer's Class 1 NIC liability of £100,000 or more for 2021/22.

Employer contributions (at 15.05%) are also due on most taxable benefits (Class 1A) and on tax paid on an employee's behalf under a PAYE settlement agreement (Class 1B).

Class 2 (Self employed)

Flat rate per week if profits above £11,908	£3.15

Class 3 (Voluntary)

Class 3: Flat rate per week	£15.85

Class 4 (Self employed)

On profits between £11,908 and £50,270	10.25%
On profits over £50,270	3.25%

Employees with earnings above £123pw and the self-employed with profits over £6,725 access entitlement to contributory benefits.

ROBINSON RUSHEN
24 March 2022

Note

This summary has been prepared from the Chancellor's speech and documents made available by HMT and HMRC. The proposals are subject to amendment before the Finance Act is passed.
You are recommended to seek professional advice before taking or refraining from any action on the basis of the contents of this publication.
If you would like further details on the tax provisions within the Spring Statement, please contact Keith Rushen on 0044 (0)207 486 2378.