

In this issue:

- On the Road to Recovery? ● The Budget ● SEISS Grants 4 and 5
- Other Grants and Crypto ● State Pension ● Making Tax Digital ● Local Changes

ON THE ROAD TO RECOVERY?

Just as we were all hoping life was on the mend with the pandemic becoming less of an issue, along comes the Russia - Ukraine conflict and the knock on affects that has had. The Cost of Living was already well on the rise but made a whole lot worse by the restrictions now in place with Russia.

The one silver lining...theatres and other venues seem to nearly all be re-opening and so hopefully most are now seeing returns to their work, albeit not quite back to previous levels as yet.



THE BUDGET

Personal Tax-Free Allowance

As previously announced, the Government has frozen the Personal Allowance at £12,570 until 2026. The higher rate tax threshold is also frozen at £50,270, again until 2026. With inflation and the cost of living rising rapidly, this doesn't seem much but will soon mean you will be paying more tax. So for the Government to then turn round and promise a 1% reduction in basic rate tax before the end of the parliament sounds good, but it won't be enough to cover the increase caused by freezing the threshold.

National Insurance Threshold and Rates

National Insurance is probably the thing to be changing the most this year and this is on two fronts.

Firstly, the new Health and Social Care Levy comes into effect this year and for one year only, the 1.25% levy has been added to the National Insurance rates. It will then become a stand alone tax from the 2023/24 Tax Year and will be paid by everyone with earnings over the NI threshold, even if over state pension age.

Secondly, the threshold for Class 1 and Class 4 NI has increased to £9,880 per year, £823/month. This has then been increased again, from 6th July, to £12,570 per year, £1,048/month to bring it in line with the Personal Allowance. For the self-employed, this equates to £11,908 annually.

Combining the two above means that the self-employed will pay Class 4 NI at 10.25% on profits between £11,908 and £50,270 and 3.25% over and above £50,270. Employees will pay 13.25% on salary over £823/month until June and then on salary over £1,048/month from July onwards. The Employer threshold however does not change from July and so Employer NI will be paid on earnings over and above £758/month, meaning £9,100 for the year is now the optimum for a Company Director.

For those employing other members of staff eligible for the Employment Allowance, this has risen again from £4,000 to £5,000 from April 2022, meaning no Employer NI is paid until this threshold has been surpassed saving the business up to around £150.

Dividend Tax

There's been a lot of attention given to the extra 1.25% that's been charged on NI, but a lot less on the tax which is payable on dividends. Due to the Social Care Levy, this rises from 7.5% to 8.75% and that will be a lurch up. Someone who previously had wages of £9,000 and dividends of £40K would have paid £2,587. Under the new regime, this would be £3,018. Again - this will take its toll when we come to doing the Tax Return for 2022/23 which will be a year away.

Other Thresholds

Corporation Tax rises are still planned from April 2023 and will affect companies with profits over £50K. Those making larger profits, over £250K, will be taxed at 25%. 19% will continue to apply for companies with profits less than £50K, with marginal relief for profits up to £250K. These profits however will have an effective rate of tax of 26.5% in order to bring the total paid in line with the 25% rate at the £250K mark. Whether or not it continues to make sense to trade as a Limited Company now comes in to focus but this will be different for all company directors. Give us a call to discuss.

The annual Capital Gains exemption as well as Inheritance Tax and pension life time allowances are frozen at £12,300, £325,000 and £1,073,100 respectively.

The VAT thresholds for 2022/23 will also remain at the same level. VAT Registration will be required if your turnover exceeds £85,000. If you are already VAT registered, your turnover will need to drop below £83,000 in order to de-register.

SEISS GRANTS 4 AND 5

As all of you will now know, the first three SEISS grants were taxable in the 2020/21 Tax Year, irrespective of your accounting period, due to being received in the Tax Year. This rule will continue in to the 2021/22 Tax Year and so those of you who received grants 4 and 5, will need to declare these this time around. You will notice that at the bottom of the Tax Return Information Form we have asked you to list these, so please ensure they are listed here even if included in your accounting information as well.

The SEISS grants will, as last year, be added to your freelance profits to generate your adjusted profit which will be subject to Tax and NI. No additional expenditure can be claimed against the SEISS grants.

OTHER GRANTS AND CRYPTO

As mentioned in our recent correspondence, HMRC have now confirmed that they are treating all COVID support grants as taxable income unless an agreement is already in place. This means grants such as those from the Arts Council, should be declared as income. Therefore if you have received any non governmental grants, please make us aware and we can declare as appropriate.

Crypto currencies now fall under the Capital Gains rules similar to Stocks and Shares. Any gains over the annual threshold, as mentioned on the previous page, will need to be declared on your Tax Return. Please let us know if you are dabbling in Crypto currencies to any degree and also provide us with your transaction history so that we can determine what, if anything, needs to be added to your Tax Return as unfortunately Coinbase (other platforms may also be the same) do not provide a 'Tax Certificate' for UK investors. Capital Gains Tax of either 10% or 20% will be due on gains over the threshold if within the Basic Rate band or Higher Rate band respectively.

Investments in Gold and other precious metals are also treated the same. Gold coins minted in the UK are exempt due to technically being legal tender but all bars, coins minted abroad and digital metals are subject to Capital Gains Tax in the same way as the above.

Calculating the gains/losses on these will inevitably take additional time and unfortunately we will have to charge for this and this will be reflected in a larger Tax Return fee.



MAKING TAX DIGITAL

Making Tax Digital (MTD) has now become compulsory for all VAT registered individuals, even if below the £85K threshold and voluntarily registered. This means no longer can you do your workings manually and just insert the figures in to the HMRC website. You now need to use a compatible software package or spreadsheet that connects to HMRC's systems. You can find the HMRC list of compatible software here:

<https://www.gov.uk/guidance/find-software-that-s-compatible-with-making-tax-digital-for-vat>

MTD is not just going to be limited to VAT. The plan was for this to be introduced for Income Tax from 6 April 2023 but due to the challenges faced by many as we emerge from the pandemic, this has been pushed back a year and will now be introduced in April 2024. All self-employed businesses or landlords with income above £10,000 will need to follow the rules. Thankfully we have a couple of years still and not all details are currently available, so we will return to this point and what this means in due course. Those trading as companies have a little longer, MTD for Corporation Tax will not be mandated before 2026.

One implication of MTD for Income Tax however is that all individuals will be taxed on their profits for the Tax Year irrespective of their accounting period (current year-end). It's therefore sensible for us to now look at whether it makes sense to change accounting period for those with a non-coterminous year-end to bring it in line with the Tax Year. For those of you that this affects, we will most likely ask you to send in your accounting information to the next 31 March. This will mean you are taxed on profits of more than 12 months but most will have some form of what is called 'Overlap Relief', which are profits you have previously been taxed on twice either when you registered as self-employed or when Self-Assessment was introduced back in 1996. This can be deducted in calculating your taxable profits for the year.

STATE PENSION

To qualify for a full State Pension you must have 35 qualifying years of National Insurance contributions or credits by the time you reach state retirement age. It's worth checking your National Insurance record for State Pension purposes to see if there are any 'missing years' and you can do this by logging onto <https://www.gov.uk/check-state-pension>. The website also explains what options are available to make up for any missing years and the effect it will have on your entitlement when you reach State Retirement age.

LOCAL CHANGES

Some of you will have come into contact with our new member of the EMTACS team, Faye Clark, and we would like to introduce her to the rest of you. Faye will initially be working on accounts preparation, VAT Returns and payroll and so a few more of you will be hearing from her in the coming year.

As Sally and Bob are no longer part of the EMTACS team, their old email addresses will shortly be closed. If they used to be your first port of call and you do not currently have a new contact at EMTACS to send correspondence to, please send any info or questions you may have to mail@emtacs.co.uk and it will be distributed accordingly.

Bills

We always hate putting bills up – but our costs will inevitably be rising. Energy rises for businesses are not capped so we face rises there and in other areas of the business that will unfortunately lead to rises in our fees. It's our plan to keep any such rises to a level below inflation, but I'm afraid rises are inevitable and we'll be a bit more certain about this when we can see more clearly how much our costs have risen. As always, the more analysis and prep work done prior to sending, should mean it takes less time to complete, most likely leading to a smaller bill.

Deadlines

As most of you know, in order to avoid clients missing the filing deadline, we need to keep our own personal company deadlines that we give out each year. The first of these is to guarantee completion and filing and this will remain at the **15th October** this year. Then there is our second deadline in order to avoid our overtime surcharge. This will be the **15th November**. Please ensure documents are sent in enough time to arrive with us before these deadlines.

Time to De-Clutter?

For those of you wondering what years' paperwork can be disposed of, you always need to ensure you maintain the previous 6 years. As we now enter 2022/23, this means anything from 2015/16 or earlier can be shredded.

Standing Order

Don't forget we still offer a monthly standing order as a means of paying our bill and spreading the cost. If you would like to set this up, please contact the office on 0115 9815001 for details and to ascertain what the monthly payment should be set at.

Bookkeeping/Record-Keeping (again)

Mileage logs are now necessary to calculate business usage of a motor vehicle. HMRC will/may ask for this if they look into the motor claim. You can get phone apps for this such as TripLog Mileage Tracker or Mileage Tracker by Driversnote.

If Pension Contributions are taken at source from PAYE work, please provide us with your month 12 payslip as well as your P60 so we can see how these have been treated.

If you receive any form of benefit from your employer and they are not dealt with via the payroll, you will be issued with a P11D. If you receive one, please forward it to us as we will need it for your Tax Return.

Please provide us with your business usage percentage for items such as mobile phone and internet each and every year even if you believe them to be the same as the previous year.

For those of you who have been working from home (PAYE, as an employee) you may be entitled to claim on the basis of £6/week for a second year. HMRC will once again simply let you claim £312 against your PAYE income. This applies even if all you did was have to work from home one afternoon. If there are two of you working from home then you can both make this claim, so do alert us to the fact. But do flag it up for us to say you worked from home for such-and-such an employer.

If you sell or scrap an item, instrument, vehicle or whatever, which may have been claimed for in the past, please let us know the date and proceeds, if any, so we can deal with the disposal correctly.

Please remember accounting record books are no longer sent out as a matter of course and so if you would like one, please give us a call or drop us an email and we will get one sent out to you.

Finally, if you are thinking of using a cloud based accounting software for your record keeping, please speak to us first to talk this through.

This newsletter is for guidance only and no actions should be taken on information in it without first consulting with us.

EMTACS, 69 Loughborough Rd, West Bridgford, NOTTINGHAM, NG2 7LA

Phone: 0115-981-5001 Fax: 0115-981-5005

Website: www.emtacs.co.uk Email: mail@emtacs.co.uk