Call: **01865 980 660 or 01785 503 660**
Email: info@oxfordtaxsolutions.com
oxfordtaxsolutions.com

Oxford taxsolutions
Accountants and Chartered Tax Advisors

Tax E-News

Welcome to our latest monthly tax newswire. We hope you enjoy reading this newsletter and find it useful. Contact us if you wish to discuss any issues further.

March 2022

Content accurate as at 24 Feb 2022

VAT RATES FOR HOSPITALITY SECTOR DUE TO INCREASE FROM 1 APRIL

Early in the COVID-19 pandemic, the Chancellor reduced the rates of VAT for the leisure and hospitality sector to just 5%. That reduced rate applied from 15 July 2020 until 30 September 2021 when the rate was increased to the current 12.5%. However, the rate is scheduled to revert to the normal 20% rate from 1 April 2022.

The businesses affected by the temporary rate reduction are those

- supplying catering services including restaurants and takeaways
- operating hotels and providing holiday accommodation and
- operating leisure attractions such as zoos and theme parks

Businesses should listen to the Chancellor's Spring Statement on 23 March in case he announces an extension of the 12.5% rate. If there is a change announced on 23 March, there will only be a limited amount of time to implement changes to prices and VAT accounting.

For businesses using the VAT Flat Rate Scheme, the flat rate percentages will revert to the pre 15 July 2020 amounts if the VAT rate reverts to 20% from 1 April 2022.

CHANGES TO ACCOUNTING FOR VAT ON IMPORTS

HMRC have recently updated their guidance for VAT registered importers. These traders must account for postponed import VAT on their VAT returns for the accounting period which covers the date they imported the goods. The normal rules apply for what VAT can be reclaimed as input tax and the trader's monthly statement will contain the information to support their claim.

HMRC is aware of the problems some importers are having when trying to access their monthly VAT statements. If you cannot access your statement or you're having problems when viewing your statement, you can estimate your import VAT figures for the months you cannot access statements for. Your estimate should be as accurate as possible, based on the amount you've paid for the goods and any other costs you agreed to cover. As long as you take reasonable care to follow the guidance, there will be no penalty for errors.

There are also important changes from 1 June 2022 for small businesses using the Flat Rate Scheme who are importing goods and using postponed VAT accounting.

PAYROLLING BENEFITS IN KIND

HMRC are encouraging more employers to payroll employee benefits in kind rather than declaring benefits on the end of year P11d forms.
If employers haven't already done so they should register online with HMRC on or before 5 April 2022 to payroll employee benefits for the upcoming 2022/23 tax year.

The advantages of payrolling benefits in kind are:

- employers no longer need to submit P11D and P46(Car) forms to HMRC
- simpler PAYE codes mean HR teams receive fewer queries from employees regarding tax
- tax deductions in monthly payroll will be more accurate
- tax codes for individuals should change less frequently
- fewer forms for employers to complete at year-end

DON'T LOSE YOUR 2021/22 PERSONAL ALLOWANCE

For every £2 that your adjusted net income exceeds £100,000 the £12,570 personal allowance is reduced by £1. Pension contributions and Gift Aid can help to reduce adjusted net income and save tax at an effective rate of 60%. The restriction applies between £100,000 and £125,140 adjusted net income.

CONSIDER A SALARY SACRIFICE SCHEME

Another way that you could avoid the personal allowance trap and also reduce income tax and national insurance would be to agree with your employer to sacrifice some of your salary in exchange for a tax free, or low tax benefits in kind. Common examples would be additional pension contributions or providing an electric company car in exchange for a lower salary.

We can assist you in setting up a salary sacrifice arrangement correctly as it will involve amending the contract of employment. You may be doing this anyway as many employers are moving to "hybrid" working and changing the days that staff are required to work in the office.

Tax E-News

March 2022

MISSING OUT ON HELP WITH CHILDCARE COSTS?

The government are concerned about the lack of take up of tax-free childcare accounts, with HMRC estimating that only about 25% of families eligible for the scheme had joined.

With many parents returning to work following the pandemic, they should be encouraged to set up a tax free childcare account to help with their childcare costs. For every £8 paid into an online account, the government will add an extra £2, **up to £2,000 per child per year** and that money must be used to pay eligible childcare costs.

Tax-free childcare is available for working families (including the self-employed) who are not receiving tax credits, universal credit or childcare vouchers.

It can also be used at the same time as the 15 or 30 hours of free childcare in England. The couple (or single parent) must earn **at least £142** per week each. Their children must be under 12 (or under16 if disabled).

The account can be used to pay for nursery fees, breakfast clubs, after school clubs, summer camps and OFSTED registered childminders.

Note that the tax-free childcare scheme is not available if either partner expects to individually earn more than £100,000 a year.

BUY NEW EQUIPMENT BEFORE 6 APRIL?

Your business year end, not 5 April, is relevant for capital allowances purposes.

If, however you are running a business and making up accounts to 31 March or 5 April you should consider buying plant and machinery to take advantage of the £1 million Annual Investment Allowance (AIA).

The AIA provides a 100% tax write off for new and second hand equipment used in your business. This tax relief extends to fixtures and fittings within business premises such as electrical, water and heating systems. AIA does not apply to motor cars but there is a special 100% tax relief if you buy a new zero-emissions motor car.

If you are running a limited company, remember that new plant and equipment currently qualifies for a 130% tax deduction.

ADVISORY FUEL RATE FOR COMPANY CARS

These are the suggested reimbursement rates for employees' private mileage using their company car from 1 March 2022. Where there has been a change the previous rate is shown in brackets.

Engine Size	Petrol	Diesel	LPG
1400cc or less	13p		8p (9p)
1600cc or less		11p	
1401cc to 2000cc	15p		10p
1601 to 2000cc		13p	
Over 2000cc	22p	16p	15p

Note that for hybrid cars you must use the petrol or diesel rate. You can continue to use the previous rates for up to 1 month from the date the new rates apply.

2022/23 NATIONAL INSURANCE BANDS

Unless the Chancellor makes an announcement to the contrary on 23 March, which is very unlikely, the rates of National Insurance Contributions for workers and employers increase by 1.25% from 6 April 2022. This is to provide extra funding for health and social care and will become a separate Levy from 2023/24.

The starting thresholds for employee and employer national insurance contributions (NICs) have also been increased. Employees will be liable to 13.25% NICs between £190 and £967 a week (£50,270 a year). Employer contributions at 15.05% will start at £175 a week.

For 2022/23 the self-employed will pay 10.25% Class 4 NICs on profits between £9,880 and £50,270. Employees and the self-employed will pay 3.25% on earnings or profits in excess of £50,270 from 6 April 2022.

DIARY OF MAIN TAX EVENTS

MARCH / APRIL 2022

Date	What's Due
01/03	Corporation tax payment for year to 31/5/21 (unless quarterly instalments apply)
19/03	PAYE & NIC deductions, and CIS return and tax, for month to 5/03/22 (due 22/03 if you pay electronically)
01/04	Corporation tax payment for year to 30/6/22 (unless quarterly instalments apply)
05/04	End of 2021/22 and start of the 2022/23 tax year.
19/04	PAYE & NIC deductions, and CIS return and tax, for month to 5/04/22 (due 22/04 if you pay electronically)

Content accurate as at 24 Feb 2022

Please contact a member of our team if you would like to discuss any of the issues raised.
Call: **01865 980 660 or 01785 503 660** Email: info@oxfordtaxsolutions.com

Oxford taxsolutions
Accountants and Chartered Tax Advisors