

# tax guide 2022-23

Income tax  
National insurance  
Corporation tax  
Capital gains tax  
Value added tax  
Inheritance tax  
Stamp duties  
Annual tax on enveloped dwellings  
Aggregates levy  
Climate change levy  
Landfill tax  
Air passenger duty  
Finance Act summary



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# tax guide 2022-23

**LUCY WEBB**

# REFERENCES

All references in the parts relating to income tax, corporation tax and capital gains tax are to the appropriate section in:

- National Insurance Contributions Act 2014
- Taxation (International and Other Provisions) Act 2010
- Corporation Tax Act 2010
- Corporation Tax Act 2009
- Income Tax Act 2007
- Income Tax (Trading and Other Income) Act 2005
- Commissioners for Revenue and Customs Act 2005
- Income Tax (Earnings and Pensions) Act 2003
- Capital Allowances Act 2001
- Value Added Tax Act 1994
- Social Security Contributions and Benefits Act 1992
- Social Security Contributions and Benefits (Northern Ireland) Act 1992
- Taxation of Chargeable Gains Act 1992
- Income and Corporation Taxes Act 1988
- Inheritance Tax Act 1984
- Taxes Management Act 1970

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# INCOME TAX

## Charge to tax

### TAX YEAR

Income tax is charged by the annual Finance Act on income arising in a tax year (6 April to the following 5 April). For example, the 2022–23 tax year runs from 06.04.2022 to 05.04.2023.

ITA 2007 s 4.

### INDIVIDUALS AND NON-CORPORATE PERSONS

The income of individuals, trustees and personal representatives is liable to income tax. However, the income of a company is not liable to income tax if it falls within the charge to corporation tax.

ITA 2007 s 5.

## Residence

### UK RESIDENT INDIVIDUALS

If resident and domiciled in the UK, you are liable to UK income tax on your worldwide income.

You are regarded as **UK resident** if you are deemed to be UK resident under the Statutory Residence Test (SRT).

FA 2013 s 218 and Sch 45.

### NON-UK RESIDENT INDIVIDUALS

If you are not UK resident, you are taxed on your UK source income.

If you are a resident of a country that has a tax treaty with the UK, you may be eligible for exemption or relief from tax in the other country on your UK source income. Careful consideration of the specific tax treaty is required in such instances.

You cannot be UK tax resident if you spend less than 16 days in the UK during a tax year.

### NON-DOMICILED INDIVIDUALS

An individual who is resident but not domiciled in the UK (a **non-dom**) can elect to be taxed on the remittance basis. The workings of the remittance basis are complex, but generally, under the remittance basis you are liable to tax in the UK on all your UK income and gains in a tax year, as well as foreign income and gains (to the extent they are remitted to the UK). Use of the remittance basis is optional where an individual is eligible to claim it.

ITA 2007 ss 809A–809Z10.



If you make such an election, you typically forfeit your entitlement to the annual personal allowance for income tax and annual exempt amount for capital gains tax purposes.

You may also need to pay an annual **remittance basis charge (RBC)**. Since 06.04.2017, there are two levels of RBC:

- £30,000, if you have been UK resident for at least seven of the previous nine tax years immediately before the relevant tax year,
- £60,000, if you have been UK resident for at least 12 of the previous 14 tax years immediately before the relevant tax year.

## DEEMED DOMICILE

Since 06.04.2017, an individual is deemed to be domiciled in the UK (and so unable to claim the remittance basis of taxation) if they meet either Condition A or Condition B.

**Condition A.** If you were born in the UK and the UK is your domicile of origin, you will automatically be deemed domicile in the UK while you are UK resident.

**Condition B.** This condition is met where you have been UK resident for at least 15 of the 20 years immediately before the relevant tax year.

## Income tax band, rates and allowances

### PERSONAL ALLOWANCE

You pay income tax on earnings in excess of your personal allowance which depends on your age and income:

Year	£	£	£	£	£
	Personal allowance	Married couple allowance (max)	Married couple allowance (min)	Blind person's allowance	Marriage allowance
2022-23	12,570	9,415	3,640	2,600	1,260
2021-22	12,570	9,125	3,530	2,520	1,260
2020-21	12,500	9,075	3,510	2,500	1,250
2019-20	12,500	8,915	3,450	2,450	1,250
2018-19	11,850	8,695	3,360	2,390	1,185
2017-18	11,500	8,445	3,220	2,320	1,150
2016-17	11,000	8,355	3,220	2,290	1,100

The personal allowance is reduced by £1 for every £2 exceeding £100,000 of "adjusted net income". This is irrespective of age or date of birth.

## Income tax

**Married couple's allowance (MCA):** The MCA is available to those married or in a civil partnership, where one of the couple was born before 06.04.1935. The MCA is a tax reducer, meaning that a deduction is given against the amount of tax payable, at 10% of the MCA. For marriages and civil partnerships since 05.12.2005, the MCA is given to the individual in the couple with the higher income (with any reduction in MCA also made by reference to the income of the higher earner). For marriages prior to this date, the husband was typically the recipient of the MCA.

As with the personal allowance, there is a restriction on the amount of MCA available where adjusted net income exceeds a certain threshold (£31,400 in 2022-23). This means, in 2022-23, the amount of MCA is reduced by £1 for every £2 exceeding £31,400.

However (unlike the personal allowance, which can be completely eroded where income is sufficiently high) there is a minimum amount of MCA (£3,640 in 2022-23).

In practice, this means the MCA can reduce your tax bill between £364 and £941.50 in 2022-23. It is possible for the MCA to be transferred wholly or partly to the other partner.

**Marriage allowance (MA):** The MA, which is different to the MCA, is another tax reducer, which allows you to transfer a portion of your personal allowance (£1,260 in 2022-23) to your spouse or civil partner. The recipient is eligible to a tax reduction of 20% of the allowance (up to £252 in 2022-23).

The MA is available where:

- you are married or in a civil partnership,
- one spouse/civil partner's income is below the personal allowance,
- the other spouse/civil partner pays income tax at no higher than the basic rate (in Scotland, the higher earning partner must pay the starter, basic or intermediate rate to qualify).

If you qualify for the MA and MCA, you must pick one: you cannot claim both at the same time. Generally, the MCA is more beneficial.

## INCOME TAX RATES

For 2022-23 the rates of income tax are as follows:

- The basic rate is 20%.
- The higher rate is 40%.
- The additional rate is 45%.

The rate bands are:

	basic rate band (£)	higher rate band (£)	additional rate band (£)
2022-23	0-37,700	37,701-150,000	Over 150,000
2021-22	0-37,500	37,501- 150,000	Over 150,000
2020-21	0-37,500	37,501- 150,000	Over 150,000
2019-20	0-37,500	37,501- 150,000	Over 150,000

	basic rate band (£)	higher rate band (£)	additional rate band (£)
2018-19	0-34,500	34,501-150,000	Over 150,000
2017-18	0-33,500	33,501- 150,000	Over 150,000
2016-17	0-32,000	32,001- 150,000	Over 150,000
2015-16	0-31,785	31,786- 150,000	Over 150,000
2014-15	0-31,865	31,866- 150,000	Over 150,000
2013-14	0-32,010	32,011- 150,000	Over 150,000

## SAVINGS TAX RATES

### Starting rate for savings

You may be able to receive up to £5,000 of savings income without paying tax. However, the starting rate for savings is reduced by your income. In 2022-23, if your other income is £17,570 or more, you are not eligible for the starting rate for savings. If your other income is less than £17,570, every £1 of other income above the personal allowance of £12,570 reduces the starting rate for savings by £1, until it is fully eroded.

### Savings income tax rates

Once the starting rate for savings is utilised/fully eroded by your other income, savings income is subject to tax at the following rates (although see the interaction with the personal savings allowance below):

- The basic rate is 20%.
- The higher rate is 40%.
- The additional rate is 45%.

**Personal savings allowance (PSA):** If you are a basic rate taxpayer, you receive a PSA of £1,000. Higher rate taxpayers receive a PSA of £500, while additional rate taxpayers have no PSA. Savings income within the PSA is taxed at 0%.

## DIVIDEND TAX RATES

You receive a dividend allowance each tax year (£2,000 in 2022-23). You do not pay tax on any dividends within your dividend allowance.

For the 2022-23 tax year, dividends received above the dividend allowance are taxed at the following rates:

- The basic rate is 8.75% (2021-22: 7.5%),
- The higher rate is 33.75% (2021-22: 32.5%),
- The additional rate is 39.35% (2021-22: 38.1%).

## HIGH INCOME CHILD BENEFIT CHARGE

For 2022-23 the weekly rate of child benefit is:

- £21.80 for the first child and

## Income tax

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- £14.45 for each subsequent child.

The High Income Child Benefit Charge (HICBC) applies if you or your partner have an individual adjusted net income over £50,000 and you/your partner receives Child Benefit.

The charge is 1% of a family's child benefit for every £100 of income over £50,000 per year. Where an individual's income exceeds £60,000 the HICBC will equal the total amount of child benefit.

If you need to pay HICBC, whoever has the higher income should submit a self-assessment tax return. If you do not want to pay HICBC, you can opt out of getting child benefit payments.

## Exemptions

### MAIN EXEMPTIONS

The main exemptions from income tax are:

- Trading allowance. A tax exemption of up to £1,000 per year for individuals with trading income.
- Property allowance. A tax exemption of up to £1,000 per year for individuals with income from land or property.
- Rent-a-room. Rent of up to £7,500 per year from letting a room in your home is exempt. ITTOIA 2005 s 791.
- Individual savings accounts (ISA). Interest and dividends earned by an ISA are exempt. You can save up £20,000 per annum in an ISA and £9,000 per annum in a junior ISA.
- Child trust fund (CTF). Income earned by a CTF is exempt. You can subscribe up to £9,000 per annum to a CTF. Note the CTF scheme closed in 2011. You cannot have a junior ISA as well as a CTF.
- Some interest received from National Savings Certificates (NSCs).
- An SAYE scheme allows you to buy shares with your savings for a fixed price. You can save up to £500 a month under the scheme. At the end of your savings contract (3 or 5 years) you can use the savings to buy shares. The advantages are:
  - the interest and any bonus at the end of the scheme is tax-free,
  - you don't pay Income Tax or NICs on the difference between what you pay for the shares and what they're worth.
- Winnings from betting, lotteries and premium bonds are exempt.
- For a list of common exempt state benefits, see **State benefits**.

## Devolved income

### SCOTLAND

Scottish taxpayers pay Scottish Income Tax (SIT).

SIT applies to income that is not savings or dividend income. Scottish taxpayers receive the standard personal allowance (£12,570 in 2022-23, which, as noted above, can be reduced for high income individuals).

The rates of SIT for 2022-23 are as follows:

Non-savings, non-dividend income (£)	rate band name	Scottish tax rate
0-2,162	starter rate	19%
2,163-13,118	basic rate	20%
13,119-31,092	intermediate rate	21%
31,093-150,000	higher rate	41%
150,000+	top rate	46%

The tax bands for CGT purposes are those which apply to the rest of the UK (see **Capital Gains Tax**).

SIT is administered by HMRC.

## WALES

Welsh taxpayers pay the Welsh rates of income tax (WRIT).

The WRIT means that the UK government reduces each of the three income tax rates (ie., the basic, higher and additional income tax rates) by 10% for Welsh taxpayers. The Welsh government then decides whether to set the Welsh rates at 10% (to retain parity) or to set different rates.

WRIT applies to income that is not savings or dividend income. Welsh taxpayers receive the standard personal allowance (£12,570 in 2022-23, which can be reduced for high income individuals).

For 2022-23, the tax rates and bands for Welsh taxpayers are as follows:

Non-savings, non-dividend income (£)	rate band name	tax rate
0-37,700	basic rate	20%
37,701-150,000	higher rate	40%
150,000+	additional rate	45%

WRIT is administered by HMRC.

### Types of income

#### EMPLOYMENT INCOME

The question of whether someone is self-employed or an employee is based on a number of factors which have been derived from case law and practice over a number of years.

In general, if self-employed you claim more deductions than an employee, providing more opportunity to reduce your tax bill. You can also claim capital allowances. On the other hand, you are exposed to greater risk if your business does not succeed.

The following summarises the characteristics of employment and self-employment, and shows the tax consequences of each status:

Nature of contract: a self-employed person is engaged under a contract for services; an employee is engaged under a contract of service.

Nature of relationship: a self-employed person is an independent contractor in business on his own account; an employee is engaged under a master-servant relationship.

Degree of control over work: a self-employed person controls how the work is done; employer controls how the work is to be done.

Links to organisation: a self-employed person is not part of the organisation he works for – he does not have a desk or a fixed place at which he must “turn up” each day; an employee is part of the organisation he works for and will have a desk or fixed place where he works each day.

Premises: a self-employed person provides his own premises; an employee works at his employer's premises.

Equipment and tools: a self-employed person provides his own equipment and tools; an employee uses his employer's equipment and tools.

Right to substitution: a self-employed person hires his own helpers and can provide a substitute if he cannot be present; an employee works with fellow employees and cannot provide a substitute for himself.

Financial risk: a self-employed person bears the cost of workmanship that is defective or late, and profits from work completed satisfactorily; an employee bears no risk.

Earnings: a self-employed person's earnings may be irregular; an employee receives a regular wage or salary.

Benefits: a contractual entitlement to sick pay, holiday pay, etc is often indicative of an employment relationship.

Insurance: a self-employed person provides his own cover; an employee is covered by his employer's insurance.

It is also worth mentioning that there must first be mutuality of obligation before you can determine if a contract (for services or of service) exists at all. At its most basic, mutuality of obligation requires the engager to pay a wage or other remuneration, while the worker must be obliged to provide his own work or skill. This is a test that is commonly explored in the courts.

From a tax point of view:

**Deductible expenditure:** a self-employed person is entitled to deduct expenditure incurred wholly and exclusively for the purposes of the trade or profession.

ITTOIA 2005 s 34.

An employee is only entitled to deduct expenditure incurred wholly, exclusively and necessarily in the performance of the duties of the employment.

ITEPA 2003 s 336.

The words “necessarily” and “in the performance” make this a very difficult test to satisfy. For example:

- In *Elderkin v Hindmarsh* [1998] STC 267, a taxpayer who was required to travel throughout the UK inspecting pipes was denied a deduction for overnight hotel expenses on the basis that the expenditure was not incurred “in the performance” of his duties. He was not inspecting pipes while sleeping in his hotel bedroom.
- In *Smith v Abbott* [1994] BTC 66, several journalists claimed they were entitled to deduct the cost of reading rival newspapers. Relief was refused on the grounds that the journalists did not read the newspapers while performing their duties (i.e., writing); they read them while preparing to do their duties.

**Payment of tax:** a self-employed person reports their income and expenses and pays income tax through the self-assessment system; an employee typically does not submit a self-assessment tax return (though there are exceptions) and has their tax collected through PAYE.

**Records:** a self-employed person must comply with various record-keeping requirements.

**Protection:** a self-employed person does not have the same rights and responsibilities as an employee (who has employment rights, such as statutory sick pay, statutory maternity, paternity, adoption pay, statutory redundancy pay etc).

Keep in mind that the definition of an employee for tax purposes does not align with the definition of an employee for employment law purposes.

## BUSINESS INCOME

Although the world, and business structures, have evolved significantly since the introduction of income tax in 1799, income tax case law refers to the concept of “trade” in taxing business profits. Because a trade also includes “an adventure in the nature of trade”, profits from once-off transactions have the potential to be taxed as income.

### The badges of trade

Because of the confusion that has lingered over what constitutes a trade, and the difficulty in distinguishing whether a profit is derived from the realisation of an investment or from a trading venture, a Royal Commission was set up in 1954 to report on what were the essential features of trading. While the Commission identified six “badges of

## Income tax

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trade”, over the years and through case law HMRC have come to recognise nine badges of trade, summarised as follows:

- Profit seeking motive: An intention to turn a profit is an indicator of trading (but is not conclusive on its own). In the case of shares, although they may be purchased with the intention of making a profit, as they are inherently investments in nature, it is only in very rare circumstances that someone who buys and sells shares would be carrying on a trade.
- Nature of the asset: The fruit trader who buys 200 apples in the morning to sell them later that day is not “investing” in the apples. He is trading in apples.
- Time between purchase and sale: A quick purchase and sale is an indicator of trading. Property bought as an investment is usually held for several years. The fruit trader does not hold on to his apples for very long, because they will rot.
- The frequency or number of transactions: The fruit trader does not buy and sell one apple. He needs to buy and sell a large number to make a profit.
- Changes to the asset: The fruit trader does not leave his apples under the stall table where no one can see them. He arranges his apples in a tempting display.
- The way the sale was carried out: The sale of an asset to raise cash for emergency reasons (for example, hospital costs) may indicate that the transaction was not envisaged as a trading venture, but an emergency sale of an investment.
- Existence of similar trading transactions or interests: A transaction similar to that of an existing trade is an indicator of trading. For example, an antiques dealer who buys and sells an original painting on his own account is more likely to be trading than a farmer who purchases the same artwork.
- Source of finance: If money was borrowed to buy the asset, with those funds only able to be repaid by the asset's sale, this is an indicator of trading.
- Method of acquisition: inherited assets are less likely to be the subject of a trade (though it's not impossible).

### PROPERTY INCOME

Income generated from land and buildings within the UK is considered property income, and is typically taxed as a UK property business.

It is also possible for a UK resident taxpayer to have an overseas property business, which has an identical definition as that of a UK property business, save that the land from which income arises is located outside the UK. An overseas property business is considered a separate business and is taxed separately to a UK property business.

ITTOIA 2005, s 264-265.

Broadly, you are entitled to deduct expenses incurred wholly and exclusively during the course of the letting business. However, there are



some exceptions. Capital expenditure (for example, on building an extension to a residential property) is only deductible for CGT purposes when you dispose of the property. In specific cases (typically where a property is not residential) capital allowances may be available, depending on the expense.

Allowable expenses include:

- council taxes and business rates,
- maintenance,
- repairs,
- decorations,
- insurance,
- management costs,
- advertising (for tenants),
- replacing single glazed windows with double glazed,
- any capital allowances to which you are entitled.

Private expenses are not deductible.

From 2017-2018, there has been a gradual restriction on the extent to which interest and other finance costs incurred on loans to buy residential let property can be deducted when computing the profit/loss of a rental business. Since 06.04.2020, no deduction for such costs has been allowed.

Instead, you can claim a deduction at the basic rate of 20% against your income tax liability (regardless of your own marginal tax rate). Broadly, this tax reducer is based on 20% of the lower of:

- the amount of qualifying finance costs,
- total property profits in the tax year,
- adjusted total income.

ITTOIA 2005, s 272A - 274.

Losses arising in a property business can usually be carried forward for offset against future rental income.

If UK tax is due on rental income from an overseas property, you can deduct expenses and allowances in the same manner as applies to income generated by a UK property. Tax treaty relief may be available in respect of any foreign tax paid.

Note that different rules apply where you carry on a Furnished Holiday Lettings (FHL) business.

## Benefit in kind (BIK)

As an employee, you may receive benefits from your employment, such as a car, payment of your private bills (for example, life insurance, medical insurance), or low / interest-free loans, to name a few.

While certain benefits are provided tax-free (e.g., workplace parking, a mobile phone) you are typically liable to income tax on benefits, with any taxed owed accounted for via PAYE. Depending on the nature of the benefit, NIC may also be payable by either you or your employer.

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### Company cars

If you use a company car for private purposes (including commuting) tax will be due on the value of the benefit.

There are two types of car test:

NEDC - New European Driving Cycle

WLTP - Worldwide Harmonised Light Vehicle Test Procedure

The appropriate percentage below is applied to the car's list price (excluding vehicle excise duty and first registration fee). The value of the car can be reduced where it is held part-time, or the employee makes payments towards the car's cost.

This table refers to petrol and hybrid powered cars for the 2022-23 tax year (although these rates will remain frozen until 2024-25).

CO2 emissions (g/km)	Electric range miles	NEDC rates for cars registered pre 6/4/2020 (% of list price taxed)	WLTP rates for cars registered after 5/4/2020 (% of list price taxed)
0		2	2
1-50	130 and above	2	2
1-50	70-129	5	5
1-50	40-69	8	8
1-50	30-39	12	12
1-50	less than 30	14	14
51-54		15	15
55-69		16	16
60-64		17	17
65-69		18	18
70-74		19	19
75-79		20	20
80-84		21	21
85-89		22	22
90-94		23	23
95-99		24	24
100-104		25	25

CO2 emissions (g/km)	Electric range miles	NEDC rates for cars registered pre 6/4/2020 (% of list price taxed)	WLTP rates for cars registered after 5/4/2020 (% of list price taxed)
105-109		26	26
110-114		27	27
115-119		28	28
120-124		29	29
125-129		30	30
130-134		31	31
135-139		32	32
140-144		33	33
145-149		34	34
150-154		35	35
155-159		36	36
160-164		37	37
165-169		37	37
170		37	37

A 4% diesel supplement applies to diesel cars first registered on or after 1 September 2017 that do not meet Euro 6d emission standards. It also applies to all diesel cars first registered between 01.01.1998 and 31.08.2017.

### Car fuel benefit

You calculate the BIK on car fuel by applying the car benefit percentage to the car fuel benefit charge multiplier of £25,300 for 2022-23.

If you pay in full for fuel used for private journeys no car fuel benefit arises.

## State benefits

### TAXABLE STATE BENEFITS

The most common state benefits that are taxable include:

- Bereavement Allowance,
- Carer's Allowance,
- Contribution-based Employment and Support Allowance (ESA),

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- Incapacity Benefit (from 29th week),
- Jobseeker's Allowance (JSA),
- Pensions paid by the Industrial Death Benefit scheme,
- State pension,
- Widowed Parent's Allowance.

### TAX-FREE STATE BENEFITS

The most common state benefits that are tax-free include:

- Attendance Allowance,
- Bereavement support payment,
- Child Benefit (income-based),
- Child Tax Credit,
- Disability Living Allowance (DLA),
- Free TV licence for over-75s,
- Guardian's Allowance,
- Housing Benefit,
- Income Support (note different rules apply if you are involved in a strike),
- Income-related Employment and Support Allowance (ESA),
- Industrial Injuries Benefit,
- Lump-sum bereavement payments,
- Maternity Allowance,
- Pension Credit,
- Personal Independence Payment (PIP),
- Severe Disablement Allowance,
- Universal Credit,
- War Widow's Pension,
- Winter Fuel Payments and Christmas Bonus,
- Working Tax Credit.

A few key exempt benefits are discussed in further detail below, but a summary of the various benefit and pension rates for 2022-23 can be found at: [tinyurl.com/BenefitPensionRates](https://tinyurl.com/BenefitPensionRates).

### UNIVERSAL CREDIT (UC)

Universal credit (UC) is replacing the following:

- Child Tax Credit,
- Housing Benefit,
- Income Support,
- Income-based Jobseeker's Allowance (JSA),
- Income-related Employment and Support Allowance (ESA),
- Working Tax Credit.

If you are currently claiming tax credits, they will end if you or your partner makes a claim for UC (even if that claim is not approved), you have a

change of circumstances that will bring your tax credits to an end, or you receive a Migration Notice.

To claim UC, you must live in the UK, be 18 or over (subject to some exceptions), be under state pension age, and have £16,000 or less in savings. Claims for UC may also be made in certain instances where you're in full-time education.

The amount of UC you receive depends on a variety of factors. Broadly speaking, it is based on a standard allowance, plus any extra amounts you are eligible for, less any applicable deductions.

HMRC have links to various benefit calculators to help you understand what benefits are available, see: [www.gov.uk/benefits-calculators](http://www.gov.uk/benefits-calculators).

## WORKING TAX CREDIT (WTC)

The **working tax credit (WTC)** (TCA 2002 ss 10-11) is available to both employees and the self-employed on low incomes. Factors such as age, the number of hours worked per week, whether you have a disability, and whether you are responsible for any children influence the amount you receive.

No new claims can be made for WTC: it is only available where you already receive tax credits (such as the Child Tax Credit). New applicants must apply for Universal Credit.

The amount you receive under the WTC scheme is the sum of the following elements for which you qualify:

Elements	(£)
Basic element	2,070
Couple and lone parent element	2,125
30 hour element	860
Disabled worker element	3,345
Severe disability element	1,445
Childcare element	
Maximum eligible cost for one child	175 per week
Maximum eligible cost for two or more children	300 per week
Percentage of eligible costs covered	70%

The childcare element ceases from 1 September following the child's 15th birthday (16th birthday in the case of a blind or disabled child).

## CHILD TAX CREDITS (CTC)

You may be entitled to claim for the **Child tax credit (CTC)** (TCA 2002 ss 8-9) for children for whom you're responsible. CTC usually stops on 31 August after the child turns 16, however it can continue for children under

## Income tax

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20 in approved education, training, or where they are registered with a careers service.

No new claims can be made for CTC: it is only available where you already receive the Working Tax Credit. New applicants must apply for Universal Credit.

Payments under the CTC scheme are composed of several elements:

Element	Yearly amount
The basic amount/family element	Up to £545
For each child/the child element	Up to £2,935
For each disabled child	Up to £3,545 on top of the child element
For each severely disabled child	Up to £1,430 on top of the child and the disabled child element

Whether **the family element** is paid depends on when your claim first started as well as when your child/children are born.

## Reliefs

### PENSIONS

You can contribute up to £40,000 (the annual allowance) to your pension scheme per tax year. Contributions above this amount are subject to the annual allowance charge. It is possible to carry over any unused annual allowance from the previous three tax years.

Since 2020-21, the annual allowance is tapered where you have both 'threshold income' over £200,000 and 'adjusted income' over £240,000. These thresholds were different in earlier tax years.

If your pension pot is worth more than the lifetime allowance (the standard rate is £1,073,100 for 2022-23) tax is due on any pension benefits taken over this amount, at a rate of 55% where received as a lump sum and 25% where received as a pension.

Separately, higher or additional rate taxpayers can claim tax relief on pension contributions where their pension provider claims relief at source. In such cases, relief is given by extending the basic rate band.

### ENTERPRISE INVESTMENT SCHEME (EIS)

The EIS scheme allows an unquoted company to raise equity investment from new shareholders.

An individual investor gets income tax relief at 30% on an investment of up to £1m in any one year (£2 million if at least £1 million is invested in knowledge-intensive companies). If the investor's tax liability is not high enough to absorb the full amount of relief, then the excess must be forgone. It is also possible for the investor to carry back some or all of the investment to the preceding year, subject to maximum relief limits.

Income tax relief can be withdrawn for the investor in particular circumstances, for example if they dispose of their shares within three years of investment.

For the CGT implications of the EIS, see **Capital Gains Tax**.

ITA 2017 s 156-257.

## SEED ENTERPRISE INVESTMENT SCHEME (SEIS)

The SEIS allows smaller, unquoted companies to raise equity investment from shareholders.

The company must carry on a new trading venture – this excludes any activity previously carried on as part of another trade. The activity must also qualify under the EIS (thus excluding property development, retail, hotels, and farming etc.).

For 2022-23, the company must not have gross assets over £200,000 when the shares are issued and have less than 25 full-time equivalent employees.

An individual investor gets income tax relief at 50% on an investment of up to £100k in any one year. If the investor's tax liability is not high enough to absorb the full amount of relief, then the excess must be forgone. From 2013/14, it is also possible for an investor to treat some or all of the shares as issued in the previous year, subject to maximum relief limits.

Income tax relief can be withdrawn for the investor in particular circumstances, for example if they dispose of their shares within three years of investment.

For the CGT implications of the SEIS, see **Capital Gains Tax**.

ITA 2017 s 257A-257HJ.

## VENTURE CAPITAL TRUST (VCT)

A VCT is a fund, usually operated through a quoted company, which invests in “high risk” unquoted companies.

An individual investor:

- gets income tax relief at 30% on an investment of up to £200k in any one year.
- is exempt from income tax on dividends receivable.

Relief is only available in the tax year of investment.

To qualify for income tax relief the investor must hold the shares for a minimum of five years.

For the CGT implications of the SEIS, see **Capital Gains Tax**.

ITA 2017 s 258-332.

## COMMUNITY INVESTMENT TAX RELIEF (CITR)

The CITR scheme gives tax relief to investors in enterprises in disadvantaged areas. To get the relief, the investment must be made in an accredited Community Development Finance Institution (CDFIs).

## Income tax

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An individual investor gets income tax relief at 5% of the amount of the investment per tax year, spread over five years (25% in total), with relief starting in the tax year in which the investment is made.

If the investor's tax liability is not high enough to absorb the full amount of relief, then the unused relief is lost. From 06.04.2013, unused excess relief may be carried forward and used within a later period (within the five-year spreading window), provided the investor has a sufficiently high tax liability. Any unused relief at the end of the five-year period is lost.

ITA 2017 s 333-382.

### GIFTS TO CHARITIES

If you donate to a charity or CASC through Gift Aid, the charity can claim an additional 25p on every £1 given. So, a gift of £10 through Gift Aid is worth £12.50 to the charity. Certain requirements must be met to qualify for gift aid. If you are a higher or additional rate taxpayer, further relief above the basic rate is given by way of extending the basic rate band.

If you contribute to a charity through a Payroll Giving scheme you pay tax on the net salary after the gift has been deducted, i.e., you get income tax relief (but not NIC relief) at your marginal rate of tax.

## Losses

### GENERAL INCOME SET-OFF

This relief, commonly known as “sideways loss relief”, allows you to offset a trading loss against general income.

The claim is very flexible, with the loss able to be deducted against the person's net income:

- for the loss-making year,
- for the previous tax year, or
- for both tax years.

A sideways loss relief claim is “all or nothing”, i.e., the loss must be used in full in a specified tax year (or until all your available net income in that tax year has been relieved). This can lead to the loss of your personal allowance in a tax year.

There are some restrictions on when the relief is available.

Relief must be claimed within 12 months of the 31 January following the end of the tax year in which the loss arose.

ITA 2007 s 64–70.

### EARLY TRADE LOSS RELIEF

This allows you to offset any loss incurred within the first four tax years of trading against your general net income arising in the three tax years prior to the loss making year. The loss must be used against income arising in earlier years first. As with a sideways loss relief claim, an early trade loss relief claim is “all or nothing”.

There are some restrictions on when the relief is available.



Relief must be claimed within 12 months of the 31 January following the end of the tax year in which the loss arose. ITA 2007 s 72.

ITA 2007 s 72-74.

### CARRY FORWARD LOSS RELIEF

This allows you to carry forward a trading loss for offset against profits of the same trade in a later tax year, noting the loss must be used in the next tax year a profit arises. Any subsequent unused balance is carried forward in a similar way until the loss is used up.

A claim must be made within four years after the end of the year of assessment to which the claim relates.

ITA 2007 s 83-88.

### TERMINAL LOSS RELIEF

If you permanently cease to carry on a trade in a tax year and make a “terminal loss” (as defined) you may claim terminal loss relief against your profits of the same trade in the final tax year and three previous tax years, with priority given to later years (i.e. the relief must be applied to the latest year first).

A claim must be made within four years after the end of the year of assessment to which the claim relates.

ITA 2007 ss 89-94.

## Self assessment

### PAY AND FILE

Certain taxpayers, such as self-employed individuals, landlords and investors, and employees earning over £100,000 per year must complete a tax return and pay any tax due through the self-assessment system. You must:

- notify HMRC of your obligation to file by 5 October following the tax year (penalties may apply where you do not),
- file an income tax return on or before 31 October following the tax year, but this date is extended to the following 31 January if you file online, and
- pay the tax due. If you pay tax on account, you make your first payment on account by 31 January during the tax year, your second payment on account by 31 July following the tax year, with a balancing payment of any remaining tax by 31 January following the tax year.
- If you do not pay tax on account, the deadline for payment is 31 January following the tax year.
- Payments on account do not include any amounts owed towards capital gains tax.

## Income tax

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If you cannot establish the correct figure for your return then you are expected to provide a best estimate, and you should clearly identify the figure as provisional.

From the date your return is received, HMRC have nine months to correct any obvious omissions or errors. You have the right to reject any of these amendments within 30 days of them being made.

If you wish to amend your tax return, you may do so up to 12 months from the 31 January filing deadline.

TMA 1970 ss 7–9.

### PENALTY FOR LATE FILING

There is an automatic penalty of £100 if your tax return is up to three months late.

If it's more than three months late, there are daily penalties of £10 per day for up to 90 days (ie., up to £900).

If it's six months late, there is a further penalty of 5% of the tax due (or £300, whichever is higher).

If it's 12 months late, there is a second further penalty of the higher of 5% of the tax due or £300, unless you are held to be deliberately withholding information that would enable HMRC to assess the tax due.

If it's 12 months late and you are held to be deliberately withholding information that would enable HMRC to assess the tax due, the penalty is:

- 100% of tax due, if the behaviour is deliberate and concealed, or
- 70% of tax due, if the behaviour is deliberate but not concealed.

HMRC may cancel a late filing penalty if you have a reasonable excuse for the delay in filing.

FA 2009 s 106, Sch 55.

### PENALTY FOR LATE PAYMENT

Where payment is 30 days late, the penalty is 5% of the tax outstanding.

Where payment is 6 months late, the penalty is a further 5% of the tax outstanding.

Where payment is 12 months late, the penalty is a further, additional 5% of the tax outstanding.

Note that if you are unable to pay in full, HMRC operate a time to pay policy, which may let you clear the tax due by instalments.

FA 2009 Sch 56.

### LATE PAYMENT INTEREST

Interest is charged on unpaid tax from the date it became due.

TMA 1970 ss 86–92.

### PENALTY FOR INACCURACY

HMRC can impose a tax-geared penalty if you submit a tax return that contains an inaccuracy. The amount of penalty is based on the amount of potential lost revenue, with the penalty percentage dependent on your behaviour and whether the disclosure was prompted or unprompted.

Type of behaviour	Unprompted disclosure	Prompted disclosure
Reasonable care	No penalty	No penalty
Careless	0% to 30%	15% to 30%
Deliberate	20% to 70%	35% to 70%
Deliberate and concealed	30% to 100%	50% to 100%

For further information see HMRC's compliance check sheet CC/FS7a.

FA 2007 s 97 and Sch 24.

### RECORDS

Assuming an on time return lodgment, you must keep all records relevant to your return for 22 months following the end of the relevant tax year (TMA 1970 s 12B).

If you run a business or let property this period is extended to 5 years after the 31 January filing deadline for the relevant tax year.

If HMRC have commenced an enquiry into a tax return, you must keep the records until the enquiry has been completed and a closure notice issued (if this date is later than the above time limits).

Penalties apply for failing to meet record keeping requirements.

## HMRC powers

### INFORMATION

HMRC can obtain information from third parties (for example, a supplier) and check such information against your records.

FA 2008 Sch 36.

### RIGHT OF INSPECTION

HMRC can inspect your business premises, assets and documents.

HMRC do not have the right to enter or inspect any part of those premises used solely as a private dwelling.

#### Enquiry

Assuming the return has been filed on time, HMRC can, within one year of the date on which a return was filed, open an enquiry into the return.

You may be able to amend your return once an enquiry has begun. While the amendment does not change the enquiry period for the return, a separate enquiry window will apply to the amendment.

## Income tax

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You can apply to the tribunal to close a prolonged enquiry. On completion of the enquiry, HMRC issue a closure notice, and you can appeal against anything you disagree with in the closure notice within 30 days.

### DISCOVERY

Once the one-year enquiry window has expired, HMRC can make a discovery assessment if:

- an amount of income tax or CGT ought to have been assessed but has not been, or
- an assessment to tax is or has become insufficient, or
- any relief which has been given is or has become excessive.

Broadly, HMRC may raise such assessments:

- up to four years after the end of the relevant tax year (the normal time limit),
- up to six years after the end of the relevant tax year in cases of carelessness, or
- up to 20 years after the relevant tax year in cases of deliberate behaviour.

TMA 1970 s 29.

### DISHONEST AGENTS

Dishonest conduct is when an individual acting as a tax agent does something dishonest with a view to bringing about a loss of tax. "Dishonest conduct" is not negligence, nor does it relate to poor quality work by a tax agent.

HMRC can:

- issue a dishonest conduct notice to a tax agent,
- require access to the working papers of a tax agent who has received a dishonest conduct notice,
- impose a civil penalty of between £5,000 and £50,000 on a tax agent for dishonest conduct,
- publish details of penalised tax agents (where the penalty is more than £5,000).

FA 2012 Sch 38.

## Appeals

You generally have a right to appeal against an income tax assessment or penalty issued by HMRC. To be valid, the appeal must usually be made within 30 days of the date of HMRC's letter.

HMRC may accept a late appeal if satisfied as to the grounds for the delay.

HMRC will consider the appeal and either amend or confirm its initial decision. If HMRC retain its initial decision, you may be offered a review, where the decision is reviewed by a HMRC officer who was not involved in the original decision.

You can either accept the offer of a review, or appeal directly to the first tier tribunal.

In some instances, cases may then progress to the upper tribunal (and in complex cases, may bypass the first tier tribunal and proceed directly to the upper tribunal).

Where applicable, further appeals may then be heard in the Court of Appeal and the Supreme Court.

Also keep in mind HMRC's alternative dispute resolution (ADR) procedure. This is where an independent HMRC representative (the facilitator) will try to broker an agreement between you and HMRC.

# NATIONAL INSURANCE CONTRIBUTIONS

## Charge to tax

National Insurance Contributions (NICs) are compulsory social contribution payments designed to fund social expenditure, in particular old age pensions and unemployment benefits. NICs apply to most earned income and benefits in kind.

There are four main classes:

- Class 1 (employee contributions and employer contributions),
- Class 2 (self-employed flat rate),
- Class 3 (voluntary),
- Class 4 (self-employed).

For 2022-23, an **employee** pays:

- No NICs on earnings below the **lower earnings limit** (£123 per week, £533 per month £6,396 per year).
- No NICs on earnings between the **lower earnings limit** and the **primary threshold**. Between 06.04.2022 and 05.07.2022, the **primary threshold** was £190 per week, £823 per month, and £9,880 per year. Between 06.07.2022 and 05.04.2023, the **primary threshold** is £242 per week, £1,048 per month, and £12,570 per year.
- Class 1 NICs at 13.25% on earnings above the primary threshold, up to and including the **upper earnings limit**.
- 3.25% NICs on earnings above the **upper earnings limit** (£967 per week, £4,189 per month, £50,270 per year).

Other notes:

- Where an employee has earnings above the lower earnings limit and below the primary threshold, no NIC is payable. However, the employee will be treated as having paid NICs for the purposes of protecting their entitlement to certain state benefits.
- For 2022-23, directors using an annual earnings period have an annual primary threshold of £11,908.

SSCBA 1992 s 5, 6, 6A, 8.

An **employer** pays NICs at the **secondary rate** (13.8%) on all earnings above the **secondary threshold** (£175 per week, £758 per month, £9,100 per year).

SSCBA 1992 s 9.

A different secondary threshold - the upper secondary threshold applies to certain employees, as follows:

- Upper secondary threshold – applies to employees under 21,
- Apprentice upper secondary threshold – applies to certain apprentices under 25,
- Freeports upper secondary threshold,
- Veterans upper secondary threshold.

For 2022-23, the rates of the upper, apprentice and veteran secondary threshold are £967 per week, £4,189 per month, £50,270 per year. The rates of the freeport upper secondary threshold are £481 per week, £2,083 per month, and £25,000 per year.

SSCBA 1992 s 9A, 9B; National Insurance Contributions Act 2022.

## Classes and rates

### CLASS 1

#### Employee and employer contributions

The NIC category letter helps employers work out how much NIC is to be contributed.

Most employees have category letter A. Employees can find their category letter on their payslip.

#### Category letter - employee group

A: All employees apart from those in groups listed below.

B: Married women and widows entitled to pay reduced National Insurance.

C: Employees over the State Pension age.

F: Freeport - all employees, except for category I, L, and S.

H: Apprentice under 25.

I: Freeport - married women and widows reduced rate.

J: Employees who can defer National Insurance because they're already paying it in another job.

L: Freeport - deferment.

M: Employees under 21.

S: Freeport - state pensioner.

V: Veteran.

Z: Employees under 21 who can defer National Insurance because they're already paying it in another job.

X: Employees who do not have to pay National Insurance, e.g. under 16.

#### Employee (primary) contribution rates (06.04.2022 to 05.11.2022):

Category letter	Earnings above lower limit up to primary threshold	Earnings above primary threshold up to and including upper earnings limit	Balance of earnings above upper earnings limit
A	0%	13.25%	2%
B	0%	7.1%	3.25%
C	nil	nil	Nil
F	0	13.25%	3.25%

## National insurance contributions

Category letter	Earnings above lower limit up to primary threshold	Earnings above primary threshold up to and including upper earnings limit	Balance of earnings above upper earnings limit
H	0%	13.25%	3.25%
I	0%	7.1%	3.25%
J	0%	3.25%	3.25%
L	0%	3.25%	3.25%
M	0%	13.25%	3.25%
S	nil	nil	nil
V	0%	13.25%	3.25%
Z	0%	3.25%	3.25%

### Employee (primary) contribution rates (06.11.2022 to 05.04.2023):

Category letter	Earnings above lower limit up to primary threshold	Earnings above primary threshold up to and including upper earnings limit	Balance of earnings above upper earnings limit
A	0%	12%	2%
B	0%	5.85%	2%
C	nil	nil	Nil
F	0	12%	2%
H	0%	12%	2%
I	0%	5.85%	2%
J	0%	2%	2%
L	0%	2%	2%
M	0%	12%	2%
S	nil	nil	nil
V	0%	12%	2%
Z	0%	2%	2%



**Directors: (primary) contribution rates:**

Category letter	Earnings above lower limit up to primary threshold	Earnings above primary threshold up to and including upper earnings limit	Balance of earnings above upper earnings limit
A	0%	12.73%	2.73%
B	0%	6.58%	2.73%
C	nil	nil	Nil
F	0	12.73%	2.73%
H	0%	12.73%	2.73%
I	0%	5.85%	2.73%
J	0%	2.73%	2.73%
L	0%	2.73%	2.73%
M	0%	12.73%	2.73%
S	nil	nil	nil
V	0%	12.73%	2.73%
Z	0%	2.73%	2.73%

**Employer (secondary) contribution rates (06.04.2022 to 05.11.2022):**

Category letter	Earnings at or above lower earnings limit up to and including secondary threshold	Earnings above secondary threshold up to and including Freeport upper secondary threshold	Earnings above Freeport upper secondary threshold up to and including upper earnings limit, upper secondary thresholds for under 21s, apprentices and veterans	Balance of earnings above upper earnings limit, upper secondary thresholds for under 21s, apprentices and veterans
A	0%	15.05%	15.05%	15.05%
B	0%	15.05%	15.05%	15.05%
C	0%	15.05%	15.05%	15.05%
F	0%	0%	15.05%	15.05%
H	0%	0%	0%	15.05%
I	0%	0%	15.05%	15.05%

## National insurance contributions

Category letter	Earnings at or above lower earnings limit up to and including secondary threshold	Earnings above secondary threshold up to and including Freeport upper secondary threshold	Earnings above Freeport upper secondary threshold up to and including upper earnings limit, upper secondary thresholds for under 21s, apprentices and veterans	Balance of earnings above upper earnings limit, upper secondary thresholds for under 21s, apprentices and veterans
J	0%	15.05%	15.05%	15.05%
L	0%	0%	15.05%	15.05%
M	0%	0%	0%	15.05%
S	0%	0%	15.05%	15.05%
V	0%	0%	0%	15.05%
Z	0%	0%	0%	15.05%

### Employer (secondary) contribution rates (06.11.2022 to 05.04.2023):

Category letter	Earnings at or above lower earnings limit up to and including secondary threshold	Earnings above secondary threshold up to and including Freeport upper secondary threshold	Earnings above Freeport upper secondary threshold up to and including upper earnings limit, upper secondary thresholds for under 21s, apprentices and veterans	Balance of earnings above upper earnings limit, upper secondary thresholds for under 21s, apprentices and veterans
A	0%	13.8%	13.8%	13.8%
B	0%	13.8%	13.8%	13.8%
C	0%	13.8%	13.8%	13.8%
F	0%	0%	13.8%	13.8%
H	0%	0%	0%	13.8%
I	0%	0%	13.8%	13.8%
J	0%	13.8%	13.8%	13.8%
L	0%	0%	13.8%	13.8%
M	0%	0%	0%	13.8%
S	0%	0%	13.8%	13.8%

Category letter	Earnings at or above lower earnings limit up to and including secondary threshold	Earnings above secondary threshold up to and including Freeport upper secondary threshold	Earnings above Freeport upper secondary threshold up to and including upper earnings limit, upper secondary thresholds for under 21s, apprentices and veterans	Balance of earnings above upper earnings limit, upper secondary thresholds for under 21s, apprentices and veterans
V	0%	0%	0%	13.8%
Z	0%	0%	0%	13.8%

**Directors: employer (secondary) contribution rates:**

Category letter	Earnings at or above lower earnings limit up to and including secondary threshold	Earnings above secondary threshold up to and including Freeport upper secondary threshold	Earnings above Freeport upper secondary threshold up to and including upper earnings limit, upper secondary thresholds for under 21s, apprentices and veterans	Balance of earnings above upper earnings limit, upper secondary thresholds for under 21s, apprentices and veterans
A	0%	14.53%	14.53%	14.53%
B	0%	14.53%	14.53%	14.53%
C	0%	14.53%	14.53%	14.53%
F	0%	0%	14.53%	14.53%
H	0%	0%	0%	14.53%
I	0%	0%	14.53%	14.53%
J	0%	14.53%	14.53%	14.53%
L	0%	0%	14.53%	14.53%
M	0%	0%	0%	14.53%
S	0%	0%	14.53%	14.53%
V	0%	0%	0%	14.53%
Z	0%	0%	0%	14.53%

## National insurance contributions

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### Employment allowance (EA)

The EA can only be used by qualifying employers against their liability to employer secondary Class 1 NIC (ie., the EA cannot be used against the employer's Class 1A or Class 1B NIC liability).

The EA is generally available to private sector businesses and charities (including community amateur sports clubs) where their Class 1 NIC liabilities were less than £100,000 in the previous tax year.

There are exclusions. For example, the EA is not available in instances where a company has only one employee paid above the Class 1 NIC secondary threshold, and that employee is also a director of the company.

The amount of EA in 2022-23 is £5,000.

### CLASS 1A

For 2022-23, Class 1A contributions are due, at 14.53%, on taxable benefits provided to employees: Class 1A is broadly applied to the cash equivalent of the benefit received, and is typically payable by employers. Since 6 April 2020, Class 1A is also due on the following:

- A termination award paid to an employee in excess of £30,000, and
- A sporting testimonial payment in excess of £100,000 paid by an independent committee.

As the rate of Class 1A contributions changed during the year, due to the cancellation of the Health and Social Care Levy, the Class 1A rate for all employees, including directors, on termination payments and sporting testimonial payments for 2022-23 is broken down as follows:

15.05% on employee payments made 06.04.2022 to 05.11.2022.

13.8% on employee payments made 06.11.2022 to 05.04.2023.

SSCBA 1992 s 10.

### CLASS 1B

Employers pay Class 1B National Insurance if they have a PAYE Settlement Agreement (PSA). This allows an employer to make one annual payment to cover all the tax and National Insurance due on small or irregular taxable expenses or benefits for employees.

The rate for 2022-23 is 14.53%.

SSCBA 1992 s 10A.

### CLASS 2 AND CLASS 4

#### Self-employed

You typically pay two types of National Insurance if you're self-employed:

- Class 2. From 2022-23, Class 2 NIC is due where self-employed profits exceed the lower profits limit (£11,908 in 2022-23). The rate for 2022-23 is £3.15 a week. If your profits from self-employment are between the small profits threshold (£6,725 in 2022-23) and the lower profits limit, you no longer pay Class 2 NIC, although you will continue to build NIC credits on profits between the two thresholds. If

your profits are below the small profits threshold, you can opt to pay voluntary Class 2 NICs.

- Class 4. The rate for 2022-23 is 9.73% on profits between £11,908 and £50,270 and 2.73% on profits over £50,270.

SSCBA 1992 s 11.

### CLASS 3

#### **Voluntary contributions**

You may be able to pay Class 3 voluntary National Insurance to fill gaps in your contributions record to qualify for benefits like the State Pension. The rate for the tax year 2022-23 is £15.85 per week.

Class 2: SSCBA 1992 s 13.

Class 4: SSCBA 1992 s 15.

### HEALTH AND SOCIAL CARE LEVY

In September 2021, a Health and Social Care Levy (**HSCL**) was announced, which increased the main and additional rates of NIC by 1.25% from 6 April 2022. The HSCL affected Class 1, 1A, 1B and 4 NICs.

The HSCL was repealed with effect from 6 November 2022. From this date, the 1.25% increase to the relevant NIC Classes has been removed.

### **Exemptions**

You are exempt from paying NICs if:

- You are aged under 16.
- You have reached the UK State pension age.

The State Pension Age is currently 66 for both men and women. However, the SPA will rise to 68 over time and be dependent on your date of birth.

You can check your SPA using the State Pension Calculator ([www.gov.uk/state-pension-age](https://www.gov.uk/state-pension-age)).

# CORPORATION TAX

## Charge to tax

### ACCOUNTING PERIOD

A company pays corporation tax on its income and gains, i.e., its profits.

CTA 2009 s 2–8.

Corporation tax is charged for each financial year, e.g., the financial year 2022-23 which commences on 01.04.2022 and ends 31.03.2023.

Assessments to CT are made by reference to an accounting period, and where an accounting period straddles two financial years, the profit is apportioned accordingly, to be charged at the appropriate rates.

CTA 2009 s 9-12.

## Residence

### UK-RESIDENT COMPANY

A company is UK resident for tax purposes if it is incorporated in the UK, or if the company's central management and control of its business is in the UK.

A UK-resident company is chargeable to corporation tax on its worldwide profits.

CTA 2009 s 13-18.

## Corporation tax rates

### RATES

From 01.04.2017 to 31.03.2023 there is a single main rate of corporation tax for all companies (except those subject to a ring fence trade). This rate is **19%**.

From 01.04.2023, there will be a main rate of **25%** for companies with profits over £250,000, and a **19%** small profits rate for companies with profits under £50,000.

Companies with profits between £50,000 and £250,000 will pay tax at the main rate of 25%, with marginal relief applied (see HMRC for further information on marginal relief).

The standard fraction is  $\frac{3}{200}$ .

CTA 2010 s 3; FA 2021 s 6-7.

### RING FENCE COMPANIES

These are companies that derive profits from oil extraction activities or oil rights in the UK and on the UK continental shelf. The ring fence prevents

taxable profits from such activities being reduced by losses from other activities or by excessive interest payments.

For periods up to 31.03.2023, a ring fence company pays **30%** on profits over £1.5 million, while a small ring fence company with profits under £300,000 pays a rate of **19%**.

Marginal relief is then available for ring fence companies with profits between £300,000 and £1,500,000. The ring fence fraction is 11/400.

From 01.04.2023, marginal relief is available for companies with profits between £50,000 and £250,000.

The ring fence fraction remains at 11/400.

### PATENT BOX

The patent box regime allows companies to apply a lower rate of corporation tax to profits from qualifying patent interests:

Since 01.04.2017, the effective patent box rate has been 10%.

CTA 2010 s 357A-357GE.

### DIVERTED PROFITS TAX (DPT)

DPT applies to profits arising from 01.04.2015. It is a specific measure, broadly designed to prevent the diversion of profits from the UK by large groups that either:

- avoid creating a UK permanent establishment that would bring a foreign company into the charge of UK CT, or
- enter into transactions or use entities which lack economic substance to exploit tax mismatches.

Between 01.04.2015 and 31.03.2023, the rate of DPT is 25% (55% in cases concerning ring-fence profits in the oil sector).

FA 2015 s 77-116.

## Reliefs

### RESEARCH AND DEVELOPMENT RELIEF (R&D)

Relief for qualifying research and development (R & D) expenditure is given differently, depending on whether a company is considered an SME or large.

Very broadly, qualifying R & D involves work that is part of a specific project to make an advance in science or technology.

#### R & D relief for SMEs

For R & D relief purposes, an SME is a company with:

- Fewer than 500 staff, and either
- A turnover under €100 million or a balance sheet total under €86 million.

An SME can deduct an additional 130% of its qualifying R & D costs (ie., a total deduction of 230%).

## Corporation tax

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In certain cases, eg., where an SME has made a loss after deducting the additional R & D expenditure relief, the SME can also claim a tax credit worth up to 14.5% of the surrenderable loss. From 1 April 2021, the amount of credit is capped at £20,000 plus 300% of the total PAYE and NIC liability for the period. There are exemptions from the cap in specific situations.

### R & D relief for large companies

The R & D expenditure credit (RDEC) is the only way a large company can claim relief for qualifying R & D expenditure. SMEs may also, in certain cases where they have been subcontracted to do R & D work by a large company, claim RDEC.

The rate of RDEC is 13% for 2022-23.

Claims for R&D relief (whether for SMEs or large companies) should be made in a corporation tax return, within two years after the end of the accounting period the qualifying expenditure relates to.

CTA 2009 s 1039–1142.

## FILM TAX RELIEF

Film Tax Relief (FTR) is available to a film production company (FPC) where the film meets the following conditions:

- is a British qualifying film,
- intended for theatrical release,
- reaches a minimum UK spend requirement of 10%.

From 01.04.2022, films can remain eligible for FTR even if they are no longer intended for theatrical release, providing they are intended for broadcast and meet the conditions required for high-end television tax relief.

Under FTR, an additional deduction can be claimed to reduce profits or increase a loss. The additional deduction is the lower of either 80% of total core expenditure or the amount of UK core expenditure.

If you make a loss, some or all of the loss can be surrendered for a payable tax credit at 25%.

CTA 2009 s 1180–1216.

## HIGH-END TELEVISION TAX RELIEF

A TV production company can claim High-end Television Tax Relief if the following conditions are met:

- be a British qualifying film,
- the programme is intended for broadcast to the general public (includes streaming),
- the programme is a drama, comedy or documentary lasting 30 minutes or more – programmes commissioned together are treated as one programme,
- at least 10% of the total core costs relate to activities in the UK,
- the average core costs are at least £1 million per hour of slot length.



Where eligible, an additional deduction can be claimed to reduce profits or increase a loss. The additional deduction is the lower of either 80% of total core expenditure or the amount of UK core expenditure.

If you make a loss, some or all of the loss can be surrendered for a payable tax credit at 25%.

High-end Television Tax Relief does not apply to programmes that are:

- advertisements / promotional programmes,
- news, current affairs or discussion programmes,
- quiz or game shows, panel shows, variety shows, or similar programmes,
- programmes which include an element of competition or contest,
- live event broadcasts,
- produced for training.

CTA 2009 s 1216A–1216EC.

### VIDEO GAMES TAX RELIEF

To qualify for Video Games Tax Relief the video game must:

- be certified as British,
- be intended for supply to the general public, and
- have at least 25% of core expenditure incurred on goods or services provided from within the UK or European Economic Area (EEA).

Where eligible, an additional deduction can be claimed to reduce profits or increase a loss. The additional deduction is the lower of either 80% of total core expenditure or the amount of core expenditure on goods or services that are provided from the UK and EEA.

If you make a loss, some or all of the loss can be surrendered for a payable tax credit at 25%.

CTA 2009 s 1217A–1217EC.

### THEATRE TAX RELIEF

A qualifying theatrical production means:

- a dramatic production (play, opera, musical, or other dramatic piece) that tells a story, where performances are live and the performers give their performances wholly or mainly through playing roles, or
- a ballet.

There are exclusions, eg., where the performance includes a competition.

To qualify for the relief, all or a high proportion of the performances must be for paying members of the general public or provided for educational purposes.

At least 25% of core costs must also be incurred on goods or services provided from within the UK or European Economic Area (EEA).

Where eligible, an additional deduction can be claimed to reduce profits or increase a loss. The additional deduction is the lower of either 80% of total core expenditure or the amount of core expenditure on goods or services that are provided from the UK or EEA.

## Corporation tax

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If you make a loss, some or all of the loss can be surrendered for a payable tax credit.

For the period 27.10.2021 to 31.03.2023, there is an increased rate of 45% for non-touring productions, and 50% for touring productions.

From 01.04.2023 to 31.03.2024, the rate of relief is 30%/35% (non-touring/touring).

From 01.04.2024, the rate of relief returns to its original level of 20%/25% (non-touring/touring).

CTA 2009 s 1217F–1217OB.

### ORCHESTRA TAX RELIEF (OTR)

A company can qualify for OTR if it's a qualifying orchestral production company putting on a qualifying orchestral concert.

The concert should be intended to be performed live for the paying public or for educational purposes, and at least 25% of core costs must be incurred on goods or services provided from within the UK or European Economic Area (EEA).

There are exclusions (e.g. performances including a competition).

Where eligible, an additional deduction can be claimed to reduce profits or increase a loss. The additional deduction is the lower of either 80% of total core expenditure or the amount of core expenditure on goods or services that are provided from the UK or EEA.

If you make a loss, some or all of the loss can be surrendered for a payable tax credit.

From 27.10.2021 to 31.03.2023, the rate of relief is 50%.

From 01.04.2023 to 31.03.2024, the rate of relief is 35%.

From 01.04.2024, the rate of relief returns to 25%.

CTA 2009 s 1217P–1217U.

### MUSEUMS AND GALLERIES EXHIBITION TAX RELIEF (MGETR)

A qualifying production company can claim MGETR where it puts on a qualifying exhibition, which must have at least 25% of its core costs incurred on goods or services provided from within the UK or European Economic Area (EEA).

There are exclusions, such as exhibitions that are organised in connection with a competition.

Where eligible, an additional deduction can be claimed to reduce profits or increase a loss. The additional deduction is the lower of either 80% of total core expenditure or the amount of core expenditure on goods or services that are provided from the UK or EEA.

If you make a loss, some or all of the loss can be surrendered for a payable tax credit.

For the period 27.10.2021 to 31.03.2023, there is an increased rate of 45% for non-touring productions, and 50% for touring productions.

From 01.04.2023 to 31.03.2024, the rate of relief is 30%/35% (non-touring/touring).

CTA 2009 s 1218ZA-1218ZFA.

## Self assessment

### FILING DATE

A company must file statutory annual accounts as well as a company tax return (CT600).

The filing deadline for annual accounts to be delivered to Companies House depends on the type of company:

- A private limited company should file its annual accounts online with Companies House within nine months of its financial year end.
- A public company should file its annual accounts online with Companies House within six months of its financial year end.

A company, regardless of whether it is private or public, should lodge its corporation tax return online with HMRC. Generally, lodgement should be made within 12 months after the end of the company's accounting period. A set of statutory accounts should be attached to the return, formatted in iXBRL.

FA 1998 Sch 18.

### PAYMENT

A company with taxable profits of up to £1.5m must pay any corporation tax due within 9 months and one day after the end of its accounting period.

A company that is large (ie., taxable profits between £1.5m and £20m) typically pays its corporation tax in four equal instalments. Assuming a 12-month accounting period, the instalments are due as follows:

- 6 months and 13 days after the first day of the accounting period,
- 3 months after the first instalment,
- 3 months after the second instalment,
- 3 months and 14 days after the last day of the accounting period.

A company that is very large (ie., taxable profits of more than £20 million) also pays its corporation tax by instalments, with the dates for payment dependent on the length of the company's accounting period.

For a very large company with a 12-month accounting period, corporation tax is paid in four equal instalments, due as follows:

- 2 months and 13 days after the first day of the accounting period,
- 3 months after the first instalment,
- 3 months after the second instalment,
- 3 months after the third instalment.

## **Corporation tax**

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### **ACCOUNTS AND RECORDS**

A company must keep proper records to back up the details in its tax return.

Generally, records must be kept for six years from the end of the last company financial year to which the records relate.

Certain records (eg., for machinery with a useful life of more than six years) should be kept for a longer period. This includes instances where HMRC has initiated a compliance check into a company tax return.

FA 1998 s 117; FA 2013 s 162.

### **INTEREST**

Interest on unpaid tax is charged from the date it was due until the date on which it is paid.

### **INTEREST ON TAX PAID IN ADVANCE**

HMRC will typically pay interest if tax has been paid early (credit interest) or if you pay more than the company owes (repayment interest). Such amounts are taxable.

## **HMRC powers**

For the majority of companies, once a company has filed its corporation tax return HMRC typically has one year from the date the return was made to open an enquiry. This is provided that the return was made on time. If the return was not made on time then the time period within which HMRC can open up an enquiry is extended.

The company is also entitled to amend its corporation tax return within one year of the statutory filing date. The company is entitled to do this even when HMRC are enquiring into the return; however, any amendments will not become effective until the enquiry has been completed.

## **Appeals**

See INCOME TAX: Appeals

## CAPITAL ALLOWANCES

In computing the tax due on your business profits (whether as an individual or as a company), you do not get any allowance for depreciation of business assets. Instead, you may get a capital allowance over several chargeable periods until the cost of the asset has been fully allowed for tax purposes.

### Plant and machinery

Capital allowances may only be claimed on qualifying items of plant and machinery. Generally speaking, plant and machinery includes the following:

- items used in your business,
- costs of demolishing plant and machinery,
- integral features,
- certain fixtures (which are subject to their own set of rules),
- alterations to a building to install plant and machinery.

The following items are not considered plant and machinery for capital allowance purposes:

- leased assets (unless you have a hire purchase contract or long funding lease),
- buildings, including doors, gates, shutters, mains water and gas systems,
- land,
- structures, e.g., bridges, roads, docks,
- items used only for business entertainment, e.g., a yacht.

Certain structures and buildings are eligible for the structures and buildings allowance – discussed below.

### ANNUAL INVESTMENT ALLOWANCE

The AIA is a 100% capital allowance available for the costs of plant and machinery up to a maximum of £1m per annum for qualifying expenditure incurred on or after 01.01.2019.

The amount of AIA is adjusted where an accounting period is more or less than 12 months.

CAA 2001 s 51A.

### WRITING DOWN ALLOWANCE

Where the AIA or First-year allowance (see below) is unavailable, an annual writing down allowance (WDA) is available, as follows:

- Main pool assets: 18%
- Special rate assets: 6%
- Single asset pools: 18% or 6%, depending on the pooled item.

## Capital allowances

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The amount of WDA is adjusted where an accounting period is more or less than 12 months.

The main rate of 18% is used for all plant and machinery, unless the asset needs to be allocated to the special rate pool or single asset pool.

### SPECIAL RATE POOL

This applies to integral features, cars with CO<sub>2</sub> emissions over a particular threshold (see 'Cars' below), long-life assets, thermal insulation, and solar panels.

Integral features are:

- lifts, escalators and moving walkways,
- space and water heating systems,
- air-conditioning and air cooling systems,
- hot and cold water systems (but not toilet and kitchen facilities),
- electrical systems, including lighting systems,
- external solar shading.

### SINGLE ASSET POOL

You may have one or more separate pools for single assets that either have a short life (short life asset pools) or where, as a sole trader or in partnership, you use a qualifying piece of plant or equipment for both private and business purposes.

Short life assets: This is an optional set of rules. However, it is possible to treat an asset (excluding cars, leased assets, items used for both personal/business use, and special rate items) as a short life asset, where (broadly speaking) the asset is expected to have a useful life of up to eight years. In such cases, the asset is allocated to a single asset pool with tax relief given over the asset's useful life. There are specific timeframes within which companies or individuals can elect to treat an asset as a short life asset. An SLA election is irrevocable.

CAA 2001 s 83 - 89.

Private use assets: Where you're a sole trader or in a partnership and use an asset outside of your business (e.g., there is both private and business use of an asset) that asset must be allocated to a separate pool. The asset is then be given a writing down allowance at 18% or 6% as applicable, with a restriction applied so that the amount of capital allowances claimed reflects the amount of business use.

### FIRST-YEAR ALLOWANCE (FYA)

First-year allowances (FYA) do not count towards your AIA limit.

Where available FYA is given, at 100%, on the following, which must be new and unused:

- cars with zero CO<sub>2</sub> emissions,
- equipment for electric vehicle charging points,
- plant and machinery for gas refuelling stations, e.g. storage tanks, pumps,

- gas, biogas and hydrogen refuelling equipment,
- zero-emission goods vehicles,
- plant and machinery used in a Freeport tax site (companies only).

CAA 2001 s 39-51.

### SUPER DEDUCTION

Expenditure incurred on certain items of plant and machinery between 01.04.2021 and 31.03.2023 may be eligible to claim the super deduction.

This deduction is only temporary, only available to companies, and is only available for new and unused plant and machinery.

The amount of super deduction is 130% for qualifying main pool expenditure, and 50% for qualifying special rate pool expenditure.

FA 2021 s 9-14.

### CARS

The amount of capital allowances available for a car depends on its CO<sub>2</sub> emissions. For cars bought from April 2021, the position is as follows:

- New and unused cars with zero emissions (or where the car is electric): 100% FYA.
- Cars with emissions of 50g/km or less (or where electric car is second hand): 18% main rate allowance.
- New or second hand car with CO<sub>2</sub> emissions over 50g/km: 6% special rate allowance.

Note that cars are expressly prohibited from accessing the 100% AIA.

## Research and development allowance (RDA)

RDA, formerly known as the scientific research allowance, gives 100% relief for capital expenditure (qualifying expenditure) on research and development (R & D) incurred by a trader.

The R & D must be related to the trade, and RDA is only available to traders (i.e., it is not available to those carrying on a profession or vocation).

A balancing charge arises if an asset representing qualifying expenditure is sold, demolished or destroyed, but there is no balancing charge if the use of the asset changes.

CAA 2001 s 437-451.

## Structures and buildings allowance (SBA)

The SBA is a capital allowance available for the costs of constructing or acquiring new structures and buildings incurred on or after 29 October 2018.

In addition, the structure must:

- be used for a qualifying activity,

## Capital allowances

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- have an allowance statement,
- not have been used as a residence the first time it was used or during the period being claimed.

From 2020-21, the rate of relief is 3% of qualifying expenditure, with the allowance period being 33 and one third years from the allowance period start date (being the later of the date the structure is first used for a non-residential purpose or the date the qualifying expenditure is incurred).

An enhanced 10% SBA deduction is available over ten years on qualifying Freeport expenditure, where certain conditions are met.

CAA 2001 s 270AA-270IH.



## CAPITAL GAINS TAX (CGT)

### Charge to tax

#### CHARGEABLE GAINS

CGT arises when an individual or non-corporate person makes a chargeable gain in a tax year. Note that companies within the charge to corporation tax pay CT on chargeable gains.

An asset means property in any form, whether situated in the UK or not, including intangible property.

#### DISPOSAL

A gain is the profit that arises when you sell or transfer (make a disposal of) an asset.

A disposal includes:

- a part disposal,
- deriving a capital sum from an asset (though see TCGA 1992 s 23),
- the entire loss or destruction of an asset.

TCGA 1992 s 21, 22, 23, 24.

### Residence

#### RESIDENT INDIVIDUALS

If you are UK resident and domiciled for a tax year, you are generally liable to UK CGT tax on your worldwide gains.

TCGA 1992 s 1A.

#### NON-DOMICILED INDIVIDUALS

If you are resident but not domiciled in the UK (a non-dom), and entitled to the remittance basis, you are liable to UK CGT on UK gains and proceeds of foreign gains remitted into the UK.

TCGA 1992 Sch 1.

#### NON-UK-RESIDENT INDIVIDUALS

If you are not UK resident, you are only taxed on certain UK source gains. For example, assets used by a trade carried on in the UK via a branch or agency, or a direct or indirect disposal of an interest in UK land.

TCGA 1992 s 1A to 1D.

#### TEMPORARY NON-RESIDENCE

Broadly, if you become non-resident, and:

- while abroad you dispose of assets acquired while in the UK,
- you return to the UK within five years of moving abroad,

## Capital gains tax

- you were a UK resident in at least four of the seven tax years before you moved abroad,

the gains you made while non-resident are taxed when you return.

TCGA 1992 s 1M to 1N.

## CGT rates

### ANNUAL EXEMPTION AMOUNT (AEA)

For 2022-23, the first £12,300 of gains realised in a tax year are exempt. This threshold is available to individuals, personal representatives of a deceased estate, and trustees for disabled people.

The threshold drops to £6,150 for most other trustees.

The AEA is not available to non-doms who claim the remittance basis of taxation.

### RATES

	gains from residential property	other gains
Higher rate taxpayers	28%	20%
Basic rate taxpayers	18%	10%

Trustees or personal representatives of someone who has died pay CGT at 20%, or 28% for disposals of residential property.

TCGA 1992 s 1H to 1I.

### BUSINESS ASSET DISPOSAL RELIEF (FORMERLY ENTREPRENEURS RELIEF)

A 10% CGT rate applies if you sell all or part of your business, or if you sell shares in your trading company (or holding company of a trading group). Among other conditions, you should have owned the business (or held qualifying shares) for at least two years prior to disposal or the date the business ceased.

There is a lifetime limit on qualifying gains, which is £1 million from 11.03.2020.

TCGA 1992 ss 169H-169SA.

### INVESTORS' RELIEF

Gains qualifying for investors' relief are taxed at a concessional 10% CGT rate. Applies to qualifying shares issued on or after 17 March 2016 that are disposed of on or after 6 April 2019, provided the shares have been owned for at least three years prior to disposal. A lifetime limit of £10 million applies.

TCGA 1992 ss 169VA-169VY.

## Exemptions

The main exemptions from CGT are:

- Gambling and lottery prizes: betting winnings and lottery prizes are exempt.
- Compensation: Compensation or damages for any wrong or injury suffered by an individual in his person or profession is exempt.
- Chattels: A gain arising on the disposal of a chattel is exempt if the proceeds do not exceed £6,000. The exemption may not apply where there is a piecemeal disposal of articles that form part of a set.

TCGA 1992 s 51(1)-(2); 252; 262.

Other exemptions:

- gifts to charities,
- gifts of works of art,
- gifts to housing associations,
- compensation for deprivation of foreign assets,
- foreign currency for personal expenditure.

TCGA 1992 s 256; 258; 259; 268B; 269.

## Reliefs

### PRIVATE RESIDENCE RELIEF

A gain on the disposal of your main residence (together with its garden or grounds of up to half a hectare) is exempt, provided it was occupied as your main residence throughout the period of ownership.

You are deemed to have occupied the house for the final 9 months of ownership even if you live elsewhere. This final period exemption is extended to 36 months where an individual or their spouse is a disabled person or long-term resident in a care home.

There are other instances when an individual is deemed to occupy the property for CGT purposes – refer to the legislation for further information.

TCGA 1992 s 222–226B.

### ROLL-OVER RELIEF

You can defer CGT by reinvesting proceeds arising from the sale of a qualifying business asset (for example, a building that is occupied and used in a trade) into a qualifying replacement asset.

Acquisition of the replacement asset must take place within a period starting one year before and ending three years after the disposal of the original asset.

TCGA 1992 ss 152–164.

## Capital gains tax

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### GIFT HOLD-OVER RELIEF

This is another form of deferral relief. It can be available in instances where you transfer business assets for free or at below market value. It is only available where the donor is an individual or trustee of a settlement.

There are a few different categories of assets that qualify for hold-over relief, including:

- assets used in a trade, profession or vocation;
- shares or securities of a trading company,
- settled property,
- agricultural property.

Where hold-over relief concerns shares or securities, those shares/securities should be of a trading company, or the holding company of a trading group. In addition, the shares/securities should generally not be listed on a recognised stock exchange, or the company should be the donor's personal company.

Note relief is also available under TCGA 1992 s 260 (Gifts on which inheritance tax is chargeable).

TCGA 1992 s 165.

### EIS SHARES

Disposal relief: no CGT arises on disposal of Enterprise Investment Scheme shares provided the shares were held for three years and you received full income tax relief on the whole subscription for the EIS shares, with none of that income tax relief having been withdrawn.

Deferral relief: if you dispose of an asset and make a gain, you may be able to access deferral relief, which defers the gain where you subscribe for and are issued qualifying EIS shares. Those EIS shares must be issued to you between one year before, and three years after, the date of the disposal for which you're claiming relief. The deferred gain is charged when a chargeable event occurs (e.g., you dispose of your EIS shares).

TCGA 1992 ss 150A-150D.

### SEIS SHARES

Disposal relief: no CGT arises on disposal of Seed Enterprise Investment Scheme shares provided the shares were held for three years and you received full income tax relief on the whole subscription for the SEIS shares, with none of that income tax relief having been withdrawn.

Re-investment relief: if you dispose of an asset and make a gain and reinvest all or part of the proceeds in shares that qualify for SEIS relief, then up to 50% of the amount reinvested can be exempt from CGT, up to a limit of £50,000. You cannot access re-investment relief unless you also receive SEIS income tax relief.

TCGA 1992 ss 150E-150G.

## VCT SHARES

No CGT arises on disposal of Venture Capital Trust shares provided the shares sold were not acquired in excess of the permitted maximum for any year of assessment.

Disposals of VCT shares do not give rise to an allowable loss.

TCGA 1992 s 151A-151B.

## GIFTS OF PRE-EMINENT OBJECTS

Available to both individuals and companies who donate pre-eminent objects to the nation. A pre-eminent object includes “any picture, print, book, manuscript, work of art, scientific object or other thing that the relevant Minister is satisfied is pre-eminent for its national, scientific historic or artistic interest, or any collection or group of pictures, prints, books, manuscripts, works of art, scientific objects or other things if the relevant Minister is satisfied that the collection or group, taken as a whole, is pre-eminent for its national, scientific, historic or artistic interest.”

Applications for the relief are made to the Arts Council. An expert panel will consider whether the object is pre-eminent.

Any gain arising on the gift of the object should be exempt for CGT, corporation tax and IHT purposes.

Further relief is available under the scheme, with a tax credit given as a percentage of the object’s agreed fair value.

Individuals can receive a tax credit of 30%. The reduction can be spread across a maximum of five tax years, beginning in the tax year in which the offer is registered by the Arts Council. Typically, the reduction is applied to income tax liabilities in priority to CGT liabilities.

Companies receive a tax credit of 20%, which applies in the accounting period in which the offer was registered by the Arts Council (ie., spreading is not available).

FA 2012 s 49, Sch 14.

## Losses

The following applies to allowable capital losses arising on an arm’s length disposal to a third party.

### CURRENT YEAR LOSS RELIEF

Allowable capital losses arising in a tax year are offset against any other gains arising in the tax year in priority to your annual exempt amount (ie., it can mean the annual exempt amount is wasted).

TCGA 1992 ss 15–16.

### CARRY FORWARD LOSS RELIEF

If your allowable capital losses exceed your chargeable gains during a particular tax year, you can carry forward the excess losses for set-off against chargeable gains arising in future years.

## Capital gains tax

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Note that capital losses cannot, except in very limited instances, be carried back.

### TRADE LOSS AS CGT LOSS

Where relevant conditions are met, you can opt to treat a trade loss as a CGT loss.

TCGA 1992 s 261B.

Note that capital losses need to be claimed to be utilised. Typically, this is done through a self assessment tax return.

### LOSSES ON LOANS TO TRADERS

You may be entitled to claim an allowable capital loss if you act as a lender or guarantor on a loan to a trader that cannot be repaid, provided:

- the loan was used wholly for trade purposes,
- a loan amount has become irrecoverable,
- the borrower and lender/guarantor were not spouses/civil partners, either when the loan was originally made or subsequently.

Trade in this context also includes a profession or vocation, but excludes money lending.

TCGA 1992 s 253.

### NEGLIGIBLE VALUE CLAIM

You can make a negligible value claim if an asset has become worthless / worth next to nothing. To make a claim, the asset must have become of negligible value while you have owned it.

Such a claim allows you to realise a loss. HMRC publish a list of shares and securities in companies previously quoted on the London Stock Exchange that have been accepted as being of negligible value.

TCGA 1992 s 24.

## Self assessment

The income tax self-assessment payment and lodgment dates also broadly apply for CGT.

If you make a reportable chargeable gain in a tax year, you must:

notify HMRC of your obligation to file by 5 October following the tax year end,

report the disposal in your self-assessment tax return on or before 31 October following the tax year end. This date is extended to the 31 January following the tax year end if you file online (although note the additional reporting requirements for certain UK land and property disposals, discussed below).

### REPORTING DISPOSALS OF UK LAND AND PROPERTY

There are additional reporting and payment requirements if you dispose of UK property or land.

### **UK residents**

If you have sold or disposed of UK residential property, you must report the disposal and pay any CGT due within 60 days of completion of sale (where the completion date was on or after 27 October 2021). Note that, for UK residents, you only need to report the disposal where tax is due on the gain (eg., a disposal of a fully CGT-exempt main residence does not give rise to this reporting requirement).

### **UK non-residents**

Non-residents should report and pay any non-resident CGT due on disposals of:

- residential UK property or land,
- non-residential UK property or land,
- mixed use UK property or land,
- rights to assets that derive at least 75% of their value from UK land.

Unlike UK residents, non-residents must report the disposal even if they have no tax to pay, or if they make a loss.

The deadline to report the disposal and pay any non-resident CGT due is also 60 days from date of completion (where the completion date was on or after 27 October 2021).

Both UK resident and non-resident individuals can use the Capital Gains Tax on UK property account to report and pay any tax due on UK property disposals. Paper reporting forms are also available.

Subject to limited exceptions, this reporting requirement for both residents and non-residents still arises even if you file a self-assessment tax return.

Failure to report the relevant disposal / pay the CGT due on time can lead to interest and penalties.

## **PAYING CGT**

Except where CGT is due to be paid on a disposal of UK land or property (see above), CGT is due on or before 31 January following the tax year end.

Although it is not often used, taxpayers also have the option to report gains on assets (excluding gains on residential property) using the 'real time' Capital Gains Tax service.

If using the real time service, you must report the disposal by 31 December following the tax year the disposal arose, with payment due by 31 January following the tax year end. Note that, if you are registered for self-assessment, you will still need to include the details of the disposal in your tax return.

## **HMRC powers**

See INCOME TAX: HMRC powers.

## **Capital gains tax**

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### **Appeals**

See INCOME TAX: Appeals.



## VALUE ADDED TAX

### Charge to tax

A **taxable person** is a person:

- who makes a taxable supply, i.e., a supply of goods or services, within the UK, for consideration, in the course or furtherance of business, and
- whose turnover exceeds the annual VAT registration limit (£85,000 since 01.04.2015).

In other words, a person who should be registered for VAT.

VATA 1994 s 3.

### Supply of goods

#### MEANING OF SUPPLY OF GOODS

A supply of goods means the transfer of the whole property in goods.

VATA 1994 Sch 4 para 1.

#### PLACE OF SUPPLY OF GOODS

If the supply of any goods does not involve their removal from or to the UK they shall be treated as supplied in the UK.

VATA 1994 s 7.

### Supply of services

#### MEANING OF SUPPLY OF SERVICES

A supply of services includes anything that is not a supply of goods but which is done for a consideration, i.e., payment in some form.

VATA 1994 s 5(2)(b).

#### PLACE OF SUPPLY OF SERVICES

The place of supply depends on whether the customer is a business (B2B service) or a consumer (B2C service):

- Generally, for B2C services, the place of supply is the supplier's place of belonging.
- Generally, for B2B services, the place of supply is where the customer belongs.

VATA 1994 s 9.

### Registration

#### REGISTRATION LIMIT

You must register for VAT if:

- your total VAT taxable turnover for the last 12 months exceeded the registration limit (currently £85,000)
- you expect your turnover to exceed £85,000 in the next 30 days.

Different registration rules apply to non-UK based businesses.

VATA 1994 Sch 1-3A.

#### VOLUNTARY REGISTRATION

A business is entitled to voluntarily register for VAT, provided it can show that it will be making taxable supplies. You may decide to do this so that you can lower costs by reclaiming VAT on business expenses.

#### DE-REGISTRATION

Your business is entitled to deregister from VAT if you expect your turnover in the coming 12 months will be less than the de-registration threshold (£83,000).

You will have to compulsorily deregister if your business ceases to make taxable supplies or stops trading.

### VAT rates

#### STANDARD RATE

Supplies which are not:

- exempt,
- zero-rated, or
- chargeable at the reduced rate (5%),

are by default chargeable at the standard rate of 20%.

VATA 1994 s 2.

#### ZERO RATE

Supplies chargeable to VAT at the zero rate are:

- certain foods,
- books,
- brochures,
- leaflets,
- pamphlets,
- children's painting and picture books,
- maps and charts,
- magazines,
- newspapers,

- printed or copied music,
- publications (some publication items are standard-rated e.g. exercise books, letterheads, posters),
- babywear,
- children's clothes and footwear,
- cycle helmets and motorcycle helmets that meet safety standards,
- protective boots and helmets for industrial use,
- advertising services for charities,
- certain goods sold at charitable fundraising events,
- charity shops that sell donated goods,
- building services for disabled people,
- equipment for blind or partially sighted people,
- equipment for disabled people,
- magnetic tape adapted to record speech for blind people and the apparatus to make or play such tape,
- dispensing of prescriptions by a registered pharmacist,
- incontinence products,
- low vision aids,
- emptying of domestic cesspools, septic tanks or similar,
- sewerage services supplied to domestic or industrial customers,
- water supplied to households (water supplied to industrial customers is standard-rated),
- ship repairs and maintenance,
- shipbuilding where gross tonnage is 15 tons or more,
- substantial reconstructions to protected buildings that are buildings used as a dwelling:
  - for a relevant residential purpose, or
  - for a relevant charitable purpose,
- installation of bathrooms, lavatories, constructing ramps in the homes of people with a disability,
- widening doorways or passageways in the homes of people with a disability,
- construction and first freehold or long leasehold sale of a new building for a relevant charitable purpose,
- construction and first freehold or long leasehold sale of a new building for relevant residential purposes,
- construction and first freehold or long leasehold sale of new domestic buildings,
- first freehold or long leasehold sale of a commercial building converted into a dwelling(s),
- first freehold or long leasehold sale of buildings converted for relevant residential purposes,
- first freehold or long leasehold sale of buildings converted for relevant charitable purposes,

## Value-added tax

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- sale or long lease of a new dwelling with a garage or parking space,
- aircraft repair and maintenance,
- the sale, lease or hire of freight containers to a place outside the UK and EU,
- international freight transport that takes place in the UK and its territorial waters,
- passenger transport in a vehicle, boat or aircraft that carries not less than ten passengers,
- aircraft repair and maintenance,
- the sale or charter of airships,
- the sale or charter of civil aeroplanes (gliders and hot air balloons are standard-rated),
- the sale or charter of helicopters,
- the sale or letting-out on hire of houseboats (holiday accommodation let in a moored houseboat is standard-rated), and
- the sale or charter of military aeroplanes.

VATA 1994 s 30 and Sch 8.

### REDUCED RATE

The goods and services chargeable to VAT at the reduced rate of 5% include:

- supplies of domestic fuel or power,
- grant-funded installation or connection of heating equipment, security goods and gas supplies,
- carrycots with restraint straps,
- children's car seats, including booster seats and booster cushions,
- residential conversions,
- renovation and alteration of dwellings,
- contraceptive products,
- welfare advice or information,
- installation of mobility aids for the elderly,
- smoking cessation products (e.g. nicotine patches and gum),
- caravans (more than 7m long or more than 2.55m wide) which are neither designed nor manufactured for continuous year-round occupation,
- cable-suspended passenger transport systems,
- supplies of food and drink in the course of catering,
- holiday accommodation,
- shows and certain other attractions.

VATA 1994 s 29A and Sch 7A.

### EXEMPT ACTIVITIES

VAT is not charged on the following supplies:

- physical education and sports activities,

- betting and gaming (incl. pool betting and games of chance),
- bingo even if it is played remotely (e.g. on the internet, telephone, TV or radio),
- lottery ticket sales,
- online lotto games,
- commissions on lottery ticket sales,
- antiques, works of art or similar (as assets of historic houses), which are:
  - sold by private treaty to public collections, or
  - used to settle a tax or estate duty debt with HMRC
- admission charges by charities,
- sponsored charitable events,
- burial or cremation of dead people,
- burials at sea,
- funeral plans written under contracts of insurance,
- care or medical treatment provided by a qualifying institution (e.g. a hospital, hospice or nursing home),
- health services provided by health professionals (e.g. registered doctors, dentists, opticians, pharmacists),
- education, vocational training and other connected services provided by an eligible body, such as a:
  - school,
  - college, or
  - university,
- any grant or licence to occupy land on which incidental parking takes place,
- garages/parking spaces let with dwellings (under short-hold tenancy agreements) for permanent residential use (garages or facilities specially designed for parking are standard-rated),
- any grant, or licence, to occupy land or buildings,
- houseboat moorings,
- parking spaces or garages supplied with houseboat moorings,
- public postal services provided by Royal Mail under a universal service obligation,
- financial services including:
  - issuing money,
  - transferring money,
  - receiving money,
  - dealing with money,
  - dealing with securities for money,
  - dealing with orders for the payment of money,
- granting credit such as loans,
- the management of credit by the person who has granted it,
- providing the facility of instalment credit finance (e.g. hire purchase),

## Value-added tax

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- providing qualifying financial intermediary services,
- issuing, transferring or dealing with a security (incl. shares and bonds),
- the operation of a current, deposit or savings account,
- managing a qualifying special investment fund,
- financial services supplied separately but with other goods or services,
- financial services supplied as part of a single supply with other goods or services (only exempt if the financial service is the principal element of the supply),
- gold investment coins,
- friendly society subscriptions for the provision of insurance,
- insurance and reinsurance transactions,
- insurance brokers and agents acting in an intermediary capacity,
- insurance supplied as part of a single supply with other goods or services,
- admission charges by public authorities or eligible cultural bodies to certain cultural events (e.g. visits to museums, art exhibitions, zoos and performances).

VATA 1994 s 31 and Sch 9.

## VAT calculation

### VALUE OF SUPPLY

VAT is charged on the value of a supply, i.e., the full consideration receivable for the supply.

VATA 1994 s 19 and Sch 6.

### VAT LIABILITY

You calculate your VAT liability for a VAT period by deducting your purchases VAT (input tax) from your sales VAT (output tax) for that period.

VATA 1994 s 24-25.

## VAT systems

### THE VAT FRACTION

If, as a retailer, you only sell goods on which one particular rate of VAT applies then you can calculate the VAT portion of any VAT-inclusive goods or services by using the VAT fraction.

The VAT fraction is  $\frac{1}{6}$  for the standard rate and  $\frac{1}{21}$  for the reduced rate.

### VAT SCHEMES

The traditional method of accounting for VAT is often unsuited to certain types of businesses.

There are a number of alternative VAT accounting systems which such businesses can implement to simplify the process.

### CASH ACCOUNTING

A business with annual VAT taxable supplies of £1.35 million or less can use the cash accounting scheme.

Under the scheme the business will still have to issue invoices, however, it doesn't have to account for output tax until it actually receives payment.

This may help to ease cash flow. However, the downside of the system is that you cannot recover input tax until you have actually paid suppliers.

HMRC reserve the right to prohibit a business from using the cash accounting scheme. The scheme applies to the vast majority of transactions but some are excluded, such as:

- items sold on 6 or more months credit (i.e. payment isn't due in full within 6 months of the invoice date),
- goods and services invoiced in advance of their supply, and
- hire purchase and similar transactions.

The business will also have to stop using cash accounting if the value of its VAT taxable supplies goes above £1.6 million in any one-year period.

VAT Regulations 1995 regulations 56-65.

### ANNUAL ACCOUNTING

Just like cash accounting your business is entitled to start using the annual accounting scheme if your annual VAT taxable turnover is £1.35 million or less.

Your business can remain in the scheme until your VAT taxable turnover reaches more than £1.6 million at the end of the annual accounting year. Under the scheme your business will be required to make an annual VAT return. Advance payments are made towards your VAT bill during the accounting period, followed by a final balancing payment when the VAT return is submitted.

VAT Regulations 1995 regulations 49-56.

### THE FLAT RATE SCHEME

Under the flat rate scheme you charge the appropriate rate of VAT on any supplies that you make, however, you assess your VAT liability by simply applying a fixed percentage to your business' VAT inclusive turnover. This percentage is set by HMRC according to your business' primary activity.

A list can be found at: [www.gov.uk/vat-flat-rate-scheme/how-much-you-pay](http://www.gov.uk/vat-flat-rate-scheme/how-much-you-pay). If you are in your first year as a VAT-registered business you are able to receive a 1% discount on the rate. If you are classed as a limited cost business, you pay a higher rate of 16.5%.

## Value-added tax

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Your business is not entitled to make separate claims to recover the input tax it paid on purchases, except for purchases of certain capital assets which cost over £2,000.

This scheme is designed for small businesses. To be eligible for the flat rate scheme your business must have an annual VAT taxable turnover (excl. VAT) of £150,000 or less. Your business can remain in the scheme until, on the anniversary date of joining the scheme, your turnover in the past 12 months exceeds £230,000 (including VAT) or turnover is expected to be at this level in the next 12 months. You must also leave the scheme if you expect your total income in the next 30 days to exceed £230,000 (including VAT).

VATA 1994 s 26B.

### MARGIN SCHEME

VAT margin schemes operate to tax the difference between what you have paid for an item and what you sold it for, with VAT at 16.67% (one-sixth) charged on the difference. The types of goods that may be bought and sold under the margin schemes include:

- second-hand goods,
- collectors' items and works of art, and
- antiques.

A margin scheme cannot be used for any item you bought for which you were charged VAT, nor for items such as precious metals or stones, or investment gold.

To use the schemes, a business must be registered for VAT and meet all relevant record-keeping, accounting and invoicing requirements. The purchase invoice for the goods must not show VAT separately, and in addition the business should not issue an invoice which shows VAT separately for the sale of the goods.

Keep in mind that different rules can apply for items such as second-hand vehicles, and that different rules are also in place for auctioneers, agents, and if you buy and sell goods between Northern Ireland and the EU.

VATA 1994 s 50A.

### SPECIAL SCHEMES FOR RETAILERS

In situations where it would be onerous for a retailer to keep VAT records for every separate transaction – because of the scale and nature of your business – it is possible to adopt a special scheme to compute your output tax.

Three types of these schemes have been published:

- apportionment,
- direct calculation, and
- point of sale.

In order to qualify for these schemes it must be unreasonable for your business to compute its VAT liability in the normal way. If your business'



annual turnover exceeds £130 million then you will have to arrange an individual scheme with HMRC.

## Self assessment

### VAT PERIOD

Unless your business is within the Annual Accounting Scheme (see above) you ordinarily submit VAT returns and make payments to HMRC quarterly (although you may be able to file monthly returns where you are a regular repayment trader).

The VAT return must be filed and paid within one month and seven days of the end of the VAT period.

Subject to very few exceptions, VAT returns should be filed online, using accounting software that is compatible with the requirements of Making Tax Digital for VAT. Broadly, MTD for VAT requires a business to use compatible software to keep digital VAT records and file VAT returns.

### TAXABLE AMOUNT

To assess your VAT liability you must deduct your input tax from your output tax (e.g. output tax – input tax = net tax liability).

If there is any excess (i.e your output tax is more than your input tax) then it must be paid over to HMRC. If the reverse situation applies and your input tax was greater than your output tax then you will be entitled to a VAT refund from HMRC.

VAT becomes a business cost if you are unable to recoup your input tax, for example, if you are not registered for VAT at all.

VATA 1994 ss 24-25.

### PAYMENT ON ACCOUNT

If your VAT liability exceeds £2.3m in any period of 12 months or less you must make payments on account by the last working day of the second and third months of each VAT quarter, together with a balancing payment when the return is filed.

## HMRC powers

### RECORDS

You must keep VAT records for at least six years (10 years if you use the VAT One Stop Shop Scheme or used the VAT Mini One Stop Shop Scheme).

Records should typically be kept of the following:

- everything bought and sold (including zero-rated, reduced rate, and VAT exempt items),
- copies of invoices issued,
- all invoices received,
- self-billing agreements (where customer prepares the invoice),

## Value-added tax

- the name, address and VAT number of any self-billing suppliers,
- debit or credit notes.
- any goods given away or taken from stock for private use.

Note that certain VAT records must now be kept digitally, in line with the requirements of Making Tax Digital for VAT.

### PENALTIES

#### Late filing

For VAT accounting periods starting on or after 1 January 2023, new VAT penalty rules have been introduced (replacing the VAT default surcharge – for more information on the default surcharge see VAT Notice 700/50). The following is adapted from HMRC guidance.

Under the new system, late submission penalties apply on a points-based system. For each return that is filed late, you receive a penalty point.

Your relevant penalty points threshold is based on your accounting period. An accounting period for this purpose is the period for which you need to send a VAT return to HMRC (eg, quarterly).

Once you reach your penalty points threshold, HMRC issues a £200 penalty, with a further £200 penalty applied to each subsequent late submission while you're at threshold.

Accounting period	Penalty points threshold
Annually	2
Quarterly	4
Monthly	5

The late submission penalty rules do not apply to your first VAT return (for newly-registered VAT businesses), your final VAT return after cancelling your VAT registration, or one-off returns that cover a period other than a month, quarter, or year.

It is possible to remove penalty points. If you have not reached your penalty point threshold, individual points expire automatically, depending on the date the return was due.

Namely, if the deadline for your return was:

- not the last day of a month — a penalty point expires on the last day of the month, 24 months after this,
- the last day of a month — a penalty point expires on the last day of the month, 25 months after this.

If you're at the penalty points threshold, penalty points can only be removed where you meet both condition A (complete a period of compliance) and B (submit all outstanding returns for the previous 24 months).

## Late payment

Late payment penalties can apply to any payment of VAT not paid in full by the relevant due date, except for VAT payments on account and instalments under the VAT Annual Accounting Scheme.

Where a payment is more than 15 days late, HMRC will issue a first late payment penalty. Where a payment is 31 or more days overdue, the first late payment penalty increases, and a second late payment penalty is issued.

Payment delay	First late payment penalty	Second late payment penalty
Up to 15 days overdue	Nil	Nil
Between 16 and 30 days overdue	Calculated at 2% on the VAT you owe at day 15	Nil
31 days or more overdue	Calculated at: 2% of what was outstanding at day 15, plus 2% of what is still outstanding at day 30	Calculated at: A daily rate of 4% per year on the outstanding balance Charged everyday from day 31 until the outstanding balance is paid

As a transitional period, HMRC will not charge a first late payment penalty until after 31 December 2023 (provided you pay in full within 30 days of the payment due date or enter into a Time to Pay arrangement).

## INTEREST

HMRC will charge late payment interest from the first day a payment is overdue until you pay in full. The amount is calculated at the Bank of England base rate, plus 2.5%.

## INTEREST ON OVERPAID VAT

Where HMRC unnecessarily delay a repayment (30 days after the relevant VAT period) or if you overpaid VAT, you may be entitled to claim repayment interest. For accounting periods starting on or after 1 January 2023, repayment interest replaces the repayment supplement.

Repayment interest is paid at the Bank of England base rate minus 1% with a minimum rate of 0.5%.

## Appeals

For indirect tax appeals, HMRC should offer you the opportunity of a review in their decision letter, which is where the tax decision will be reviewed by an HMRC officer who was not involved in the original decision. Typically, you have 30 days from the date of HMRC's decision to accept the offer.

## **Value-added tax**

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Alternatively, you can appeal to the tax tribunal.

# INHERITANCE TAX

## Charge to tax

### UK DOMICILED

If you are UK domiciled, inheritance tax (IHT) applies to your estate and any chargeable lifetime transfers you make.

If you are not domiciled in the UK then IHT only applies to your UK estate.

### POTENTIALLY EXEMPT TRANSFER (PET)

You can avoid IHT by making a potentially exempt transfer (PET), i.e., by gifting your assets without reservation while you're alive.

Provided you survive seven years from the date of the gift, it is exempt.

If you die within seven years, the gift's value is added back to your estate on death.

IHTA 1984 s 3A.

### CHARGEABLE LIFETIME TRANSFER (CLT)

Certain transfers do not qualify as PETs and are immediately chargeable to IHT at 20%, although no IHT may be payable if the amount of CLT falls within any available nil rate band.

A common example of a CLT would be a transfer into a relevant property trust which is not a specified trust (e.g., a discretionary trust).

IHTA 1984 s 3; 94(1); 98.

## Rates

### THRESHOLD

Transfer value	death rate	Chargeable lifetime transfer
£1 - £325,000	0%	0%
Over £325,000	40%	20%
Reduced rate where 10% or more of estate is left to charity or amateur sports body	36%	

The £325,000 figure is referred to as the IHT threshold or nil rate band (NRB). In theory, IHT is payable on any excess value over the nil rate band.

However, this is subject to the availability of any transferable nil rate band (TNRB), which can transfer the unused amount of a deceased spouse's or civil partner's nil rate band to the surviving spouse.

## Inheritance tax

In addition, there is the residence nil rate band (RNRB), which is available where a deceased and their estate meet the relevant conditions.

Broadly, to be eligible for the RNRB:

- the deceased must have died on or after 6 April 2017,
- the estate includes a residence owned by the deceased,
- the residence is inherited by the deceased's direct descendants.

The amount of RNRB available is the lower of £175,000 and the value of the residence.

The RNRB is tapered for estates worth more than £2 million, with the RNRB reducing by £1 for every £2 that the estate is worth more than £2 million.

IHTA 1984 s 7 and Sch 1; 8A.

### PET MADE WITHIN SEVEN YEARS OF DEATH: TAPERING RELIEF

If you die between three and seven years after making the gift, IHT is reduced as follows:

Time between date of gift and date of death	rate at which IHT charged	effective rate
Between 0 and three years	100%	40%
Over three but less than four years	80%	32%
Over four but less than five years	60%	24%
Over five but less than six years	40%	16%
Over six but less than seven years	20%	8%

## Exemptions

### EXCLUDED PROPERTY

IHT does not apply to a lifetime transfer of:

- property situated outside the UK if the beneficiary is non-UK domiciled,
- holdings in an authorised unit trust if the beneficiary is non-UK domiciled,
- shares in open-ended investment companies if the beneficiary is non-UK domiciled,
- Certain savings beneficially owned by persons domiciled in the Channel Islands or Isle of Man,
- decorations which have been awarded for valour or gallant conduct,
- emoluments and tangible movable property owned by members of visiting forces, or by certain staff of allied headquarters,
- certain overseas pensions,

- settled property outside the UK if the settlor was domiciled outside the UK when the property was settled,
- balances on non-sterling accounts with banks or post offices held by individuals not domiciled, resident or ordinarily resident in the UK.

This list is not exhaustive.

IHTA 1984 s 6, Sch A1.

### SMALL GIFTS: £250

IHT does not apply to small lifetime gifts you make to any one person during the same tax year, provided the total value of such gifts does not exceed £250.

IHTA 1984 s 20.

### ANNUAL EXEMPTION: £3,000

Annual gifts of up to £3,000 per donor, are exempt. Any unused annual exemption can be carried forward to the next tax year only.

IHTA 1984 s 19.

### WEDDING GIFTS

IHT does not apply to gifts in consideration of marriage (or civil partnership) where the donor's relationship to the donee is:

- a parent, provided it does not exceed £5,000,
- a grandparent, provided it does not exceed £2,500,
- anyone else, provided it does not exceed £1,000.

IHTA 1984 s 22.

### TRANSFERS BETWEEN SPOUSES AND CIVIL PARTNERS

Transfers made between spouses and civil partners are exempt. But if the transferor is UK domiciled, and their spouse or civil partner is non-UK-domiciled, the exemption is limited to £325,000 less any previous transfers to that partner.

IHTA 1984 s 18.

### OTHER EXEMPTIONS

IHT does not apply to **maintenance payments** arising from a divorce or dissolution of a civil partnership.

IHTA 1984 s 11.

IHT does not apply to reasonable capital transfers to a **dependent relative**, for example, a parent or parent-in-law, or a relative who is incapacitated as a result of infirmity or old age.

IHT does not apply to gift financed from the **donor's normal income** which does not affect the donor's normal standard of living.

IHTA 1984 s 21.

IHT does not apply to gifts:

## Inheritance tax

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- to charities and registered amateur community sports clubs,
- of UK land to registered housing associations,
- to political parties (with at least two MPs or one MP with 150,000+ votes),
- for national purposes, e.g., works of art gifted to a museum.

IHTA 1984 s 23; 24A; 24; 25.

## Reliefs

### AGRICULTURAL RELIEF

This relief applies to agricultural property located in the UK, Channel Islands, Isle of Man or the European Economic Area (EEA) including:

- land or pasture used to grow crops or rear animals intensively,
- farmhouses, cottages or buildings, that are of a character appropriate to the property,
- growing crops when they are transferred along with land,
- stud farms which breed and rear horses (including any land used for grazing associated with those activities),
- land not currently farmed under the habitat scheme,
- land not currently farmed under a crop rotation scheme.

The rate of relief is 100% where:

- immediately before the transfer you had the right to vacant possession of the property, or the right to obtain the property within the next 12 months,
- you are the landlord of land let before 10.03.1981, which would have qualified for relief if transferred before that date, and there was no possible right to vacant possession between then and the date of current transfer.
- you did not have vacant possession as above because you let the property on a tenancy which began on or after 01.09.1995.

In all other cases relief is at 50%.

IHTA 1984 s 116.

To qualify, the transferor must have:

- occupied the property for the purposes of agriculture throughout the two year period ending with the date of the transfer, or
- owned it throughout the seven year period ending with the date of the transfer, and was throughout that period occupied (by him or another) for the purposes of agriculture.

IHTA 1984 s 117.

### BUSINESS PROPERTY RELIEF (BPR)

This relief applies to **relevant business property** and applies at the following rates:



Type of property	relief
A business or interest in a business	100%
Unquoted shares including US and AIM shares	100%
Controlling stake in a quoted company	50%
Land, buildings, plant or machinery used primarily by the business of a transferor who is a partner or controlling shareholder in that business	50%
Settled land, buildings, plant or machinery used primarily in the business of the transferor where the transferor was beneficially entitled to an interest in possession	50%

IHTA 1984 s 105; 104.

To qualify, the transferor must own the relevant business property for two years immediately preceding the transfer, unless the transferred property replaced earlier property which qualified for BPR.

IHTA 1984 ss 106–107.

Ownership by a transferor's pre-deceased spouse or civil partner counts as ownership by the transferor for the purposes of this two year rule.

IHTA 1984 s 108.

Relevant business property does not include a business or company:

- that primarily deals in securities, stocks, shares, land or buildings,
- that primarily deals in making or holding investments,
- that is not carried on for gain,
- that is subject to a contract for sale,
- whose shares are subject to a contract for sale, or
- which is being wound up.

## WOODLANDS

If APR/BPR is unavailable, you may be eligible for woodlands relief. This means you can elect to exclude woodlands from the value of an estate by agreeing to pay IHT at a later date, when the timber is sold.

The deceased must have been beneficially entitled to the land for the five years preceding death, or have received it as a gift or inheritance.

To qualify, you must make the election within two years of the death.

IHTA 1984 s 125.

IHT is charged after deducting allowable expenses, which includes include selling and replanting costs, provided the replanting takes place within three years of disposal.

IHTA 1984 s 130.

Woodlands can qualify for BPR if it is run and managed as a business, or part of a wider mixed estate business which integrates woodlands with the main business activity and agricultural activities, including:

## Inheritance tax

- ponds for fishing,
- adventure sports and games,
- shooting or staking rights,
- equestrian activities with nature trails, or
- log cabins with holiday visits.

Woodlands can qualify for APR if it supplements agricultural property, for example, through use as game coverts or coppices for farm timber.

Woodland will not qualify for APR, if:

- it is used to commercially produce timber, or
- the trees were planted under a grant scheme to take the land out of agricultural use for a period of time.

### QUICK SUCCESSION RELIEF (QSR)

This relief is designed to reduce the IHT arising where an estate that is taxable on death includes assets received within the previous five years under a taxable transfer.

The reduction is broadly calculated as follows:

Percentage (per below table) x IHT charge on earlier transfer x (Increase in value of estate / Value of earlier transfer)

Years between transfer and death	relief
Up to one year	100%
Between 1 and 2 years	80%
Between 2 and 3 years	60%
Between 3 and 4 years	40%
Between 4 and 5 years	20%

However, if the recipient of a gift dies within seven year time limit, the PET becomes chargeable on the recipient's estate but QSR can reduce the IHT charge on his estate.

IHTA 1984 s 141.

## Self assessment

### PAYMENT OF TAX

In the case of an inheritance, the executor or personal representative of the deceased pays IHT from the estate.

If there is a shortage of cash because assets have yet to be sold, the executor may borrow to pay the tax. In such a case, he is entitled to be reimbursed from the estate.

Payment of IHT may also, in certain instances, be made by way of instalments.

## PAYMENT DATE

The payment dates for IHT are:

Event giving rise to IHT	deadline
death	end of sixth month after death
CLT between 06.04 and 30.09	30.04 in following year
CLT between 01.10 and 05.04	six months after end of month of transfer

IHTA 1984 s 226.

HMRC can accept property in satisfaction of IHT.

IHTA 1984 s 230–231.

Unpaid tax is subject to interest.

IHTA 1984 s 237; 233.

## HMRC powers

See Income Tax: HMRC Powers.

## Appeals

See Income Tax: Appeals.

# STAMP DUTIES

## Charge to tax

Standard stamp duty applies to paper transfers of shares, at a rate of 0.5% rounded up to the nearest £5. Transfers below £1,000 are not taxed.

A rate of 1.5% applies on certain transfers of shares to depository receipt schemes or clearance service systems.

## Stamp duty reserve tax (SDRT)

This applies to paperless transfers of shares, at a rate of 0.5%, rounded up to the nearest penny.

A rate of 1.5% is applied where chargeable securities are transferred to a depository receipt issuer or operator of a clearance service.

## Stamp duty land tax (SDLT)

This applies to the transfer of land and buildings in England and Northern Ireland (Land and Buildings Transaction Tax applies in Scotland, while Land Transaction Tax applies in Wales).

The rate applies to the part of the consideration that falls within each rate band (i.e., it is “stepped”).

### NON-RESIDENTIAL (OR MIXED USE) PROPERTY

The rates are:

£0-£150,000: 0%

£150,001-£250,000: 2%

Over £250,000: 5%

### RESIDENTIAL PROPERTY: FIRST-TIME BUYERS

#### 22.11.2017 to 07.07.2020

£0-£300,000: 0%

£300,001-£500,000: 5%

If the property costs more than £500,000, the normal rates apply.

#### 08.07.2020 to 30.06.2021 (Covid holiday)

£0-£500,000: 0%

If the property costs more than £500,000, the normal rates apply.

#### 01.07.2021 to 30.09.2021 (Covid holiday extension)

£0-£300,000: 0%

£300,001-£500,000: 2%

If the property costs more than £500,000, the normal rates apply.

**From 01.10.2021 to 22.09.2022**

£0-£300,000: 0%

£300,001-£500,000: 5%

If the property costs more than £500,000, the normal apply.

**From 23.09.2022**

£0-£425,000: 0%

£425,001-£625,000: 5%

If the property costs more than £625,000, the normal rates apply.

**RESIDENTIAL PROPERTY: NON-FIRST-TIME BUYERS**

**03.12.2014 to 07.07.2020**

£0-£125,000: 0%

£125,001-£250,000: 2%

£250,001-£925,000: 5%

£925,001-£1,500,000: 10%

Over £1,500,000: 12%

**08.07.2020 to 30.06.2021 (Covid holiday)**

£0-£500,000: 0%

£500,000-£925,000: 5%

£925,001-£1,500,000: 10%

Over £1,500,000: 12%

**01.07.2021 to 30.09.2021 (Covid holiday extension)**

£0-£250,000: 0%

£250,001-£925,000: 5%

£925,001-£1,500,000: 10%

Over £1,500,000: 12%

**From 01.10.2021 to 23.09.2022**

£0-£125,000: 0%

£125,001-£250,000: 2%

£250,001-£925,000: 5%

£925,001-£1,500,000: 10%

Over £1,500,000: 12%

**From 23.09.2022**

£0-£250,000: 0%

£250,001-£925,000: 5%

£925,001-£1,500,000: 10%

Over £1,500,000: 12%

### **Second-homes**

An additional surcharge of 3% applies where the individual purchaser has an interest in more than one property after purchase, and the new home does not replace the main residence that has been sold.

If you sell your old main residence within three years of buying the new home, it is possible to apply for a refund of the 3% surcharge.

### **Higher rate for companies**

Companies pay a 3% surcharge on any residential property purchase if the consideration is £40,000 or more, and the interest they buy is not subject to a lease which has more than 21 years left.

If consideration is greater than £500,000, a 15% surcharge is due on the entire amount. This flat rate applies to companies, mixed member partnerships, and collective investment schemes, unless an exemption applies.

### **Surcharge for non-UK residents**

For freehold residential property, where the consideration is greater than £40,000 and one or more buyers is non-UK resident, an additional 2% surcharge applies, on top of all other residential rates of SDLT. This surcharge also applies to purchases of leasehold property.

## LEVIES

### Annual tax on enveloped dwellings (ATED)

This applies where a residential dwelling in the UK is owned through:

- a company,
- a collective investment vehicle (such as a unit trust or an open ended investment company),
- a partnership which includes one, or more, of the above.

The rates are:

Property value (£)	Annual chargeable amount 01.04.2022 - 31.03.2023 (£)
500,001 to 1,000,000	3,800
1,000,001 to 2,000,000	7,700
2,000,001 to 5,000,000	26,050
5,000,001 to 10,000,000	60,900
10,000,001 to 20,000,000	122,250
Over 20,000,000	244,750

If unsure which valuation band your property falls into, you can ask HMRC for a "pre-return banding check".

A dwelling may be part of mixed-use property and includes:

- a property "capable of being a dwelling",
- the dwelling's gardens and grounds and any building within them, unless that building is being used for a purpose covered by a relief.

A dwelling does not include:

- a hotel or guest house,
- a boarding school,
- a hospital or care home,
- a student hall of residence,
- military accommodation,
- a prison,
- a historic house that's open to the public and run on a commercial basis,
- a farmhouse, provided the farm is run on commercial basis and it is occupied by a "farm worker".

## VALUATIONS

To determine how much ATED to pay, it is necessary to value property using the relevant valuation date. There are set revaluation dates for all properties, which take place every five years after 1 April 2012.

## Levies

Revaluations are required regardless of when the property was acquired. For the chargeable period 01.04.2022 to 31.03.2023, the relevant revaluation date is 01.04.2017 (or the date the property was acquired, if later).

Where a property is mixed use, only the residential part should be valued.

### Aggregates levy

This is an environmental tax on the commercial exploitation of rock, sand and gravel. It is designed to encourage recycling second-hand materials instead of purchasing freshly excavated aggregate.

The levy is charged at £2.00 per tonne with a proportionate reduction for smaller amounts.

The levy does not apply to material that is more than half:

- clay, soil, vegetables or other organic matter,
- coal, lignite, or slate,
- drill cuttings from seabed oil exploration,
- waste or by-products from an industrial combustion process or the smelting or refining of metal, eg., industrial slag, pulverised fuel ash and used foundry sand.
- The levy does not apply to material that is entirely:
- china clay and ball clay waste,
- processing waste from the separation of coal, lignite or slate from other aggregate after extraction,
- aggregate lawfully extracted from the site of a building to lay its foundations, pipes or cables.
- The above lists are not exhaustive.

### Climate change levy (CCL)

This aims to lower fuel emissions from businesses. The CCL must be charged when a business supplies electricity, natural gas, liquefied petroleum gas, and coal and lignite to business consumers, use such commodities themselves, or use a commodity to generate electricity.

Type of energy	Rate from 01.04.2022	Rate from 01.04.2021
Electricity (£ per kilowatt hour)	0.00775	0.00775
Natural gas (£ per kilowatt hour)	0.00568	0.00465
Liquefied petroleum gas (£ per kg)	0.02175	0.02175
Any other taxable commodity (£ per kg)	0.04449	0.03640



## PERCENTAGE DISCOUNT FOR HOLDERS OF A CLIMATE CHANGE AGREEMENT

Type of energy	Rate from 01.04.2021	Rate from 01.04.2020
Electricity (£ per kilowatt hour)	92%	92%
Natural gas (£ per kilowatt hour)	86%	83%
Liquefied petroleum gas (£ per kg)	77%	77%
Any other taxable commodity (£ per kg)	86%	83%

## THE CARBON PRICE SUPPORT RATE (CPS)

The carbon price support rate (CPS) applies to electricity suppliers and providers of combined heat and power (CHP).

This aims to encourage electricity producers to invest in low carbon technology.

Type of energy	Rate from 01.04.2016 to 31.03.2023
Natural gas (£ per kilowatt hour)	0.00331
Liquefied petroleum gas (£ per kg)	0.05280
Coal and other taxable solid fossil fuels (£ per gross gigajoule)	1.54790
Gas oil; rebated bioblend; kerosene (£ per litre)	0.04916
Fuel oil; other heavy oil; rebated light oil (£ per litre)	0.05711

## Landfill tax

This applies to “landfill”, i.e., waste placed in a licensed landfill site in England or Northern Ireland (Scottish Landfill Tax operates in Scotland and Landfill Disposals Tax applies in Wales).

Landfill tax	Rate from 01.04.2022 (£ per tonne)	Rate from 01.04.2021 (£ per tonne)
Standard rate	98.60	96.70
Lower rate	3.15	3.10

The lower rate applies to inert waste – rocks, soils, ceramics, concrete, minerals, ash, etc.

The standard rate applies to all other taxable waste.

The landfill operator must charge VAT on the full charge for waste disposal, including the landfill tax.

The following do not count as landfill activities:

- dredgings,

## Levies

- quarrying and mining, and quarry filling,
- pet cemeteries.

To encourage the recycling of waste, tax credits are available if waste is sent from landfill to be recycled, incinerated or reused.

## Air passenger duty (APD)

### RATES

APD rates (FA 1994 s 30) relate to a passenger's class of travel and final destination:

- The reduced rates apply to the lowest class of travel available on the aircraft for seat pitches less than 40 inches.
- The standard rates to any other class or where the seat pitch is more than 40 inches.
- The higher rates apply to travel in aircraft of 20 tonnes or more equipped to carry fewer than 19 passengers.

In 2022-23, there are two destination bands:

- Band A includes destinations whose capital is up to 2,000 miles from London.
- Band B includes all other destinations.

### FLIGHTS ORIGINATING FROM UK EXCLUDING NI AND SCOTTISH HIGHLANDS AND ISLANDS

#### Rates from 01.04.2022 to 31.03.2023

Destination bands and distance from London (miles)	Reduced rate (£)	Standard rate (£)	Higher rate (£)
Band A (0 to 2,000 miles)	13	26	78
Band B (over 2,000 miles)	84	185	554

### FLIGHTS ORIGINATING FROM NORTHERN IRELAND (NI)

#### Rates from 01.04.2022 to 31.03.2023

Destination bands and distance from NI (miles)	Reduced rate (£)	Standard rate (£)	Higher rate (£)
Band A (0 to 2,000 miles) - Direct & indirect	13	26	78
Band B (over 2,000 miles) - Direct	0	0	0
Band B (over 2,000 miles) - Indirect	84	185	554

## FINANCE ACT 2022

An Act to grant certain duties, to alter other duties, and to amend the law relating to the national debt and the public revenue, and to make further provision in connection with finance.

[24 February 2022]

### PART 1 Income tax, corporation tax and capital gains tax

#### INCOME TAX CHARGE, RATES ETC

1. Income tax charge for 2022-23.

2. Main rates of income tax for 2022-23. These are:

- the 20% basic rate,
- the 40% higher rate, and
- the 45% additional rate.

These rates apply to “non-savings, non-dividend” income of taxpayers in England and Northern Ireland.

Welsh income tax rates, which are added to the reduced UK rates, are set by the Welsh National Assembly. For Welsh taxpayers the main rates are reduced by 10p in the pound.

Scottish income tax rates and thresholds on non-savings, non-dividend income are set by the Scottish Parliament.

3. Default and savings rates of income tax for 2022-23. These are:

- the 20% default basic rate,
- the 40% default higher rate and
- the 45% default additional rate.

The “savings rates” applies to savings income of all UK taxpayers.

The “default rates” applies to non-savings, non-dividend income of taxpayers who are not subject to the main rates of income tax, Welsh rates of income tax or the Scottish rates of income tax.

4. Increase in rates of tax on dividend income. From 2022-23:

The dividend ordinary rate is 8.75% (was 7.5%).

The dividend upper rate is 33.75% (was 32.5%).

The dividend additional rate is 39.35% (was 38.1%).

The dividend trust rate is 39.35% (was 38.1%).

5. Freezing starting rate limit for savings for tax year 2022-23. for the tax year 2022-23, ITA 2007 s 21 (indexation) does not apply to the starting rate limit for savings set out in ITA 2007 s 12(3).

The starting rate limit for savings for the tax year 2022-23 therefore remains at £5,000.

### BANKING SURCHARGE

**6. Rate of surcharge and surcharge allowance.** From 01.04.2023, the surcharge on banking companies will be charged at 3%, and the surcharge allowance, above which the surcharge is charged, will be increased from £25 million to £100 million.

### TRADING AND PROPERTY INCOME

**7. Abolition of basis periods.** For 2024-25 and later tax years, the basis of taxation for trades, professions and vocations is changed from the current year basis to the tax year basis, with a transition year in 2023-24 to tax profits which would otherwise escape taxation and to give relief for profits taxed twice (overlap profit). Schedule 1.

**8. Profits of property businesses: late accounting date rules.** For 2023-24 and later tax years, a property business can treat profits of a year to a date near to the end of the tax year (e.g., 31 March).

It also allows those a property business commencing after 31 March to treat the profits up to the end of the tax year as falling in the following tax year. This means a property business will no longer have to apportion small proportions of their profits between tax years for income tax purposes.

### PENSIONS

**9. Liability of scheme administrator for annual allowance charge.**

Under the Mandatory Scheme Pays system, an individual can elect for his or her pension scheme administrator to be jointly liable for his or her annual allowance charge for previous tax years, in return for an actuarial reduction in the value of their pension pot.

This section amends the period within which a scheme administrator must provide information about, and account for, an amount of annual allowance charge.

**10. Increase of normal minimum pension age.**

A registered pension scheme must not normally pay any benefits to a scheme member until he or she reaches normal minimum pension age, unless they are retiring due to ill-health.

Since 06.04.2010 the normal minimum pension age is 55. It is now increased to 57 with effect from 06.04.2028.

**11. Public service pension schemes: rectification of discrimination.** In 2014-15, under a scheme known as **transitional protection**, active members of pre-existing public service pension schemes who were close to retirement were allowed to remain in those schemes, rather than requiring them to start to accrue pension benefits in a new scheme.

The Court of Appeal found in *Lord Chancellor v McCloud* [2018] EWCA Civ 2844, that transitional protection unlawfully discriminated against younger members of the judicial and firefighters' pension schemes (and also gave rise to indirect sex and race discrimination).

The Treasury can make regulations to address the tax impacts that arise in consequence or in connection with the rectification of unlawful

discrimination set out in the Public Service Pensions and Judicial Offices Act (PSPJOA) 2022 Part 1. Effective 06.04.2022.

### CAPITAL ALLOWANCES

**12. Extension of temporary increase in annual investment allowance (AIA).** The AIA is a 100% capital allowance available for the costs of most plant and machinery incurred by most businesses up to a maximum of £200,000 per annum.

The maximum was temporarily increased to £1m per annum for qualifying expenditure incurred on or after 01.01.2022. This section extends that temporary increase to 31.03.2023.

**13. Structures and buildings allowances: allowance statements.**

Structures and Buildings Allowances (SBAs) are a capital allowance available for the cost of constructing, renovating, converting or acquiring non-residential structures and buildings. When SBAs were first introduced from 29.10.2018, the allowances were given at 2% per annum of qualifying expenditure on a straight-line basis. This rate was increased to 3% per annum with effect from April 2020. The period over which SBAs are available to be claimed is known as the **allowance period**.

This section requires SBA statements to include the date qualifying expenditure is incurred, or treated as incurred, where that is later than the date on which the building or structure was first brought into non-residential use. Effective as regards expenditure incurred, or treated as incurred, on or after the date of Royal Assent.

### RELIEFS FOR INVESTMENTS

**14. Qualifying asset holding companies (QAHCs).** Recognises circumstances where intermediate holding companies are used only to facilitate the flow of capital, income and gains between investors and underlying investments, and enables the intermediate holding companies to pay tax that is proportionate to the activities they perform.

The aggregate percentage relevant interests of all investors that are not category A investors in the company, or a class of profits or assets of the company, must not exceed 30%. Schedule 2.

**15. Real Estate Investment Trusts (REITs).** A REIT is a company through which investors can invest in real estate. There are now 92 UK REITs as of June 2021.

A company may notify HMRC that it is to be treated as a UK REIT. Its property rental profits and gains are then, in broad terms, treated as exempt from corporation tax, provided the REIT distributes 90% of its exempt profits, which are in turn treated as property rental income in investors' hands.

This section:

- removes the requirement for REIT shares to be admitted to trading in certain cases,
- amends the definition of an overseas equivalent of a UK REIT,
- amends the 'holder of excessive rights' charge to corporation tax, and

- changes to the rules which ensure a REIT's business is primarily focused on its property rental business.

Effective 01.04.2022. See also Schedule 3.

### CREATIVE RELIEFS

**16. Film tax relief: films produced to be television programmes.** Since it was introduced in 2006, film relief has applied only to films intended to receive a theatrical release. This intention must be met at the end of every accounting period.

For accounting periods ending on or after 01.04.2022, films can remain eligible for film tax relief even if they are no longer intended for theatrical release, providing they are intended for broadcast and meet the four conditions required for high-end television tax relief.

**17. Temporary increase in theatre tax credit.**

From 27.10.2021 to 31.03.2023, the rate of credit is 50% or 45% (touring/non-touring productions).

From 01.04.2024, the rates return to 25/20%.

**18. Theatrical productions tax relief.** Clarifies several areas of legislative ambiguity within theatre tax relief. Effective where the production phase begins on or after 01.04.2022.

**19. Temporary increase in orchestra tax credit.** A company qualifying for orchestra tax relief can surrender losses in exchange for a payable tax credit. The amount of loss able to be surrendered in a period depends on the amount of core production expenditure that has been incurred in the UK and EEA.

From 27.10.2021 to 31.03.2023, the rate of relief is 50%.

From 01.04.2023 to 31.03.2024, the rate of relief is 35%.

From 01.04.2024, the rate of relief returns to 25%.

**20. Orchestra tax relief.** Clarifies several areas of legislative ambiguity within orchestra tax relief. Effective where the production process begins on or after 01.04.2022.

**21. Temporary increase in museums and galleries exhibition tax relief (MGETR).** A company qualifying for MGETR can surrender losses in exchange for a payable tax credit. The amount of loss able to be surrendered depends on the amount of core production expenditure that has been incurred in the UK and EEA.

From 27.10.2021 to 31.03.2023, the rate of relief is 50% or 45% (touring/non-touring exhibitions).

From 01.04.2023 to 31.03.2024, the rates of relief are 35% and 30%.

From 01.04.2024, the rates of relief return to 25/20%.

**22. Museums and galleries exhibition tax relief (MGETR).** Extends MGETR to 31.03.2024. Clarifies several areas of ambiguity within MGETR and amends the criteria for a primary production company.

Effective where the production stage begins on or after 01.04.2022.

## CAPITAL GAINS TAX: DISPOSALS OF UK LAND ETC

**23. Returns for disposals of UK land etc.** Extends the time limit within which a taxpayer must report a property disposal to 60 days (previously 30 days), and clarifies the rules for mixed use properties.

Effective as regards disposals with a completion date on or after 27.10.2021.

## INTERNATIONAL MATTERS

**24. Cross-border group relief.** Aligns the group relief rules for all non-UK companies. Amends legislation which allows group relief for losses incurred in a UK permanent establishment (PE) of an EEA resident company. Schedule 4.

**25. Tonnage tax.** Tonnage tax applies to operators of qualifying ships. Simplifies the operation of the law from 01.04.2022.

**26. Amendments of TIOPA 2010 s 259GB.** Amends the CT rules for hybrid and other mismatches. Puts a new category of "relevant transparent entities" on the same footing as partnerships when they are payees. Amends the rules relating to partnerships to make sure they work as intended.

**27. Application of TIOPA 2010 s 124 of in relation to diverted profits tax (DPT).** DPT is not covered by UK law that gives effect to tax treaties. Allows relief against DPT to be given where necessary to give effect to a decision reached under the Mutual Agreement Procedure.

**28. DPT: closure notices etc.** Taxpayers can continue to use the relieving provisions in FA 2015 ss 101A-101B to amend their company tax returns and bring taxable diverted profits into charge to corporation tax during the DPT review period.

## CHANGES IN ACCOUNTING STANDARDS ETC

**29. Insurance contracts: change in accounting standards.** IFRS 17, the new international accounting standard for insurance contracts, is expected to become mandatory for periods of account beginning on or after 01.01.2023.

IFRS 17 removes the requirement for life companies to spread their acquisition costs over seven years for tax purposes.

Secondary legislation can revoke this requirement for life companies to spread acquisition costs over seven years for tax purposes. Schedule 5.

**30. Deductions allowance in connection with onerous or impaired leases.** Loss reform increased the company's flexibility to set off carried-forward losses, either against the company's own total profits in later periods, or in the form of group relief in a later period.

Additionally, it limited the amount of profit against which carried-forward losses can be set. Each group (or a company that is not part of a group) has an annual deductions allowance of £5m profits. Carried-forward losses can be set against that amount without restriction. Losses in excess of that amount are restricted to a maximum of 50% of the company's total profits for the period.

The restriction to carried-forward losses was extended to include corporate capital losses with effect from 01.04.2020.

CTA 2010 ss 269ZX and 269ZY increase the amount of the deductions allowance where there has been a reversal of an onerous lease provision that has been required for accountancy purposes due to an arm's length arrangement under which the tenant company's obligations under the lease are varied or cancelled.

This section amends ss 269ZX and 269ZY to ensure that companies accounting under pre-existing accounting standards and IFRS16 continue to benefit from the same treatment.

Effective for accounting periods beginning on or after 01.01.2019.

### EXPANDED DORMANT ASSETS

**31. Dormant Assets Act 2022.** A bank account is dormant if it has been unused for 15 years and the owner cannot be contacted. Banks and building societies can channel funds from dormant bank and building society accounts towards good causes.

The government has now expanded the scheme to a wider range of dormant assets, such as pensions, investment products and securities.

Some of these assets have the potential to increase or decrease in value.

This section ensures that a disposal for CGT purposes does not arise when the cash value of dormant assets is transferred into the Dormant Assets Scheme. Schedule 6.

## PART 2 Residential property developer tax (RPDT)

### INTRODUCTION

**32. Introduction.** A new tax on the profits of companies carrying out residential property development, RPDT applies to profits arising in accounting periods ending on or after 01.04.2022. Profits from periods straddling that date are apportioned.

### CHARGE TO TAX

**33. Charge to RPDT.** The RPDT rate of 4% applies to the part of a developer's RPD profits that exceed its allowance for the period. The tax so computed is charged as if it were CT.

### KEY CONCEPTS

**34. "Residential property developer".** Sets out the conditions to be satisfied for a company to be a residential property developer (RP developer) and potentially within the charge to RPDT.

**35. "Residential property development activities".** Sets out the territorial scope of RPDT to include profits from activities on or in connection with land in the UK.

**36. "Interest in land".** Sets out when a developer is regarded as holding an interest in land. That interest is attributed to the developer and any related company. This ensures that where a developer company is



treated as having an interest in land, the base for RPDT includes profits from any related company involved in land development.

**37. “Residential property”.** Provides a general definition of residential property then provides some specific exclusions for specialised institutions or accommodation that are restricted in how and by whom they will be occupied.

**38. “Residential property developer profits or losses”.** Sets out the formula used to calculate the profits or losses of a developer that form the base for the purposes of the RPDT for an accounting period. Sections 39 to 42 give further details of the elements included in the formula. The amount on which tax will be charged is also subject to an allowance to be calculated in accordance with section 43.

### PROFITS AND LOSSES

**39. Adjusted trading profits and losses.** Sets out how a company's CT trading profits and losses are to be adjusted to arrive at the amounts that are the adjusted trading profits or losses for section 38.

**40. Attributable joint venture profits and losses.** sets out how an amount of joint venture (JV) profits or losses attributable to a developer is determined for the purposes of calculating RPD profits or losses under section 38 for the purposes of RPDT. The clause confirms the criteria for a relevant JV company to fall within the charge to RPDT.

**41. RPDT reliefs.** Schedule 7 provides for loss relief and group relief for the purposes of RPDT.

**42. Restrictions on RPDT reliefs.** Restricts the amount of a carried forward loss that can be set against profits of a later period for RPDT purposes. This ensures that carried forward losses do not reduce profits (above the annual allowance) chargeable to RPDT by more than 50%.

This corresponds to the treatment of carried forward losses for the purposes of CT on trading profits.

### ALLOWANCE

**43. Allowance.** An RP developer that is not a member of a group has an annual allowance of £25,000,000 in respect of its accounting period.

The allowance available to an RP developer in a group that has no allocating member is £25,000,000 divided by the total number of companies that are members of the group within the charge to corporation tax at the end of the accounting period of the ultimate parent of the group.

**44. Allowance: joint venture companies.** Provides for the calculation of the annual allowance for the residential property developer tax (RPDT) where the profits of a member of a joint venture (JV) company are not chargeable to corporation tax.

It provides for the allowance of a JV company to be reduced and for the exempt member to instead have an annual allowance that can be allocated to its JV interests.

### APPLICATION OF CORPORATION TAX PROVISIONS, MANAGEMENT ETC

- 45. Application of CT provisions and management of RPDT.** Applies general CT principles to RPDT and provides for RPDT to be treated for administrative purposes as an amount of CT. See also Schedule 8.
- 46. Information about payments.** Requires companies making a payment of RPDT to provide information about that payment to HMRC.
- 47. Non-profit housing companies: exit charge.** An “exit charge” applies where a non-profit housing company ceases to meet the conditions (section 34) to be exempt from RPDT.

### MISCELLANEOUS

- 48. Groups.** Provides the definition of a group of companies for most purposes of the residential property developer tax (RPDT) including the allocation of the allowance under section 43.
- The meaning of a group for the purposes of RPDT group relief and RPDT group relief for carried forward losses is separately provided for in Schedule 8.
- 49. Miscellaneous provision.** Makes miscellaneous provisions in relation to the residential property developer tax (RPDT). Schedule 9.
- 50. Interpretation etc.** Sets out where the meaning of various terms used in RPDT legislation can be found.

### COMMENCEMENT AND TRANSITIONAL PROVISIONS

- 51. Commencement.** RPDT applies to profits arising from 01.04.2022.
- 52. Accelerated profits.** Prevents taxpayers from adjusting their profits in an accounting period to obtain a tax advantage for RPDT purposes.

## PART 3 Economic crime (anti-money laundering) levy

- 53. Economic crime (anti-money laundering) levy.** This new levy is to be administered by HMRC, the Financial Conduct Authority (“FCA”), and the Gambling Commission.
- 54. Charge to the levy.** Establishes who will pay the levy and the amount to be charged.
- 55. UK revenue: amount.** Establishes the banding limits for medium, large and very large classifications.
- 56. Relevant accounting period.** Defines the relevant accounting period, by reference to which a person’s UK revenue size is determined.
- 57. UK revenue: determination.** Sets out how a person’s UK revenue is determined.
- 58. Assessment, payment, collection and recovery.** To be specified in regulations. The levy is recoverable as a debt due to the Crown.
- 59. Payments into Consolidated Fund.** Establishes the requirements on the appropriate collection authorities in remitting levy monies collected.

**60. Application to partnerships.**

**61. Collection of information.** Extends HMRC's powers under FA 2008 Sch 36 to the levy.

**62. Disclosure of information.** Sets out how information may be disclosed by relevant parties.

**63. Power to make consequential provision.** The Treasury can make consequential provisions through regulations.

**64. Regulations.** Sets out how any regulations may be made.

**65. Interpretation.** Defines the terms used under this Part.

**66. Commencement.** The periods of calculation for the levy will start from April 2022.

## **PART 4 Public interest business protection tax**

**67. Public interest business protection tax.** Schedule 10.

## **PART 5 Other taxes**

### **STAMP DUTY (SD) AND STAMP DUTY RESERVE TAX (SDRT)**

**68. Securitisation companies and qualifying transformer vehicles.**

Insurance-linked securities (ILS) are an alternative form of risk mitigation for insurance and reinsurance companies. They offer a means of transferring insurance risk to capital market investors.

Arrangements will typically involve an insurer or reinsurer transferring specific risks to an insurance special purpose vehicle known as a qualifying transformer vehicle. That vehicle will then issue notes to investors to raise sufficient capital to cover the transferred insurance risk.

Enables HM Treasury to make SD and SDRT changes in relation to ILS arrangements by secondary legislation.

### **VALUE ADDED TAX**

**69. Interim operation of margin schemes for used cars etc: Northern Ireland (NI).** introduces an interim scheme that permits second-hand motor dealers in NI to sell certain motor vehicles sourced in GB or Isle of Man (and removed to NI) under the VAT second-hand margin schemes. Effective from a date to be appointed by the Treasury.

**70. Margin schemes and removal or export of goods: VAT-related payments.** the Treasury may legislate that entitles a person, on making a claim, to a VAT-related payment in relation to specified supplies.

The VAT-related payment could be claimed on goods exported from GB where, if the goods had remained in GB, the supply to them would have been subject to the VAT second-hand margin scheme. It provides eligibility conditions and how the scheme would operate.

**71. Margin schemes and removal or export of goods: zero-rating.** Disapplies the zero-rate for goods exported from, or removed from, GB

to NI, if the supplier has opted to sell the goods under a second-hand margin scheme. Effective from a date to be appointed by the Treasury.

**72. Importation of dental prostheses.** Imports of dental prostheses by or on behalf of a registered dentist or other registered dental care professional are relieved of VAT.

### INSURANCE PREMIUM TAX (IPT)

**73. Identifying where the risk is situated.** Relocates the criteria for determining a location of risk for IPT. The criteria were previously located in regulations made under the Financial Services and Markets Act 2000. It does not substantively amend the location of risk criteria.

### IMPORT DUTY

**74. Transitioned trade remedies.** Empowers the Secretary of State to notify the Trade Remedies Authority that the Secretary of State will decide the outcome of a particular transition review or reconsideration of a transition review.

Where the power is exercised, the Secretary of State will be able to take a decision that need not be based on a prior recommendation or decision of the Trade Remedies Authority. The clause also includes a power to make regulations relating to the Secretary of State's decision.

**75. Reference documents: amount of import duty.** inserts a new Taxation (Cross-border Trade) Act 2018 section 32A which provides that where regulations made under sections 8 to 19 make provision by reference to a document – for example, a document detailing the UK's tariff schedule or listing goods subject to tariff suspensions - that these documents can be modified or replaced by notice.

A modification or replacement by notice will not be possible if the outcome of these changes alters the amount of import duty applicable to any goods. For these instances, regulations will continue to be required and current levels of parliamentary oversight maintained.

### FUEL DUTIES

**76. Restriction of use of rebated diesel and biofuels.** Amends the Hydrocarbon Oil Duties Act 1979 (HODA) to adjust restrictions on entitlement to use rebated diesel and rebated biofuels to a number of qualifying uses. The changes will take effect from 01.04.2022. Schedule 11.

### TOBACCO PRODUCTS DUTY

**77. Tobacco products duty.** Changes rates of excise duty as follows:

- Cigarettes. The duty is the higher of either the usual application of duty or the minimum excise tax (MET). The usual application of duty consists of two components, which are added.
- The first component is a specific duty element, which is increased from £244.78 per thousand cigarettes to £262.90 per thousand cigarettes.

- The second component is a percentage of the retail price, which remains unchanged at 16.5%. The MET for cigarettes is increased from £320.90 to £347.86 per 1000 cigarettes.
- Cigars. The duty rate is increased from £305.32 to £347.86 per kg.
- Hand rolling tobacco. The duty rate is increased from £271.40 to £302.34 per kg.
- Other smoking tobacco and chewing tobacco. The duty rate on is increased from £134.24 to £144.17 per kg.
- Tobacco for heating. The duty rate is increased from £251.60 to £270.22 per kg.

These changes take effect from 6pm on 27.10.2021.

### VEHICLE TAXES

#### **78. Rates for light passenger or light goods vehicles, motorcycles etc.**

Vehicle Excise Duty (VED) is charged by the Vehicle Excise and Registration Act 1994 (VERA). The rate depends on the vehicle type, engine size, date of first registration, fuel type and CO2 emissions data. In general:

- Cars registered on or after 01.04.2017 pay VED based on CO2 emissions and fuel type when first licensed, followed by a standard rate for subsequent licences.
- Cars first registered between 01.03.2001 and 31.03.2017 pay VED according to CO2 emissions and fuel type.
- Vans registered on or after 01.03.2001 pay a flat rate of VED.
- Cars and vans first registered prior to 01.03.2001, and all motorcycles, pay VED by reference to the engine size.

This section provides for new rates from 01.04.2022.

**79. VED: exemption for certain cabotage operations.** Cabotage is the transport of goods between two places in the same country by a transport operator established in another country for the purposes of hire and reward. It is restricted both in the UK and abroad.

This section temporarily allows unlimited cabotage movements of HGVs within GB for up to 14 days after arriving in the UK on a laden international journey, without transport operators needing to pay VED. It has effect for cabotage journeys on or after 28.02.2021. The temporary changes are to last until the end of 30.04.2022.

**80. HGV road user levy: extension of suspension.** Suspends the charging and collection of the heavy goods vehicle (HGV) Road User Levy for a further 12 months from 01.08.2022 to 31.07.2023.

### GAMING DUTY (GD)

**81. Gross gaming yield (GGY) charge.** GD is charged on a premises where dutiable gaming (e.g., roulette, baccarat, and blackjack) takes place. GD is calculated by reference to GGY (i.e., gross profits) bands for the accounting period. For example:

- 15% on the first £2,686,000 of GGY,
- 20% for the next £1,852,500 of GGY, etc.

GD is charged on premises in respect of six month accounting periods, normally beginning on 1 April and 1 October.

This section increases the GGY bands in line with inflation (1.96%) for accounting periods starting on or after 01.04.2022.

### PENALTIES RELATING TO EXCISE DUTY

**82. Excise duty: penalties.** Enables the application of the excise wrongdoing penalty regime (FA 2008 Sch 41) to the new free zone customs special procedure. This will cover breaches relating to excise goods in the new free zone customs special procedure.

It also amends FA 2008 Sch 41 to recognise a procedural change in the customs regime, with the introduction of the authorised use procedure.

This replaces the previous end use procedure that the wrongdoing penalty covered. Effective 03.11.2021.

### ENVIRONMENTAL TAXES

**83. Landfill tax (LT) rates.** LT (FA 1996 s 42) was introduced to encourage a switch to sustainable alternatives for disposal of waste, by increasing the cost of disposal at landfills. There are two rates:

- A lower rate of tax applies to less polluting qualifying materials listed in two Treasury Orders.
- A standard rate which applies to all other taxable material.

An operator of an unauthorised waste disposal site (without a proper environmental permit) is liable at the standard rate for all disposals.

From 01.04.2022, this section increases LT rates as follows:

- The lower rate is increased to £3.15 per tonne.
- The standard rate is increased to £98.60 per tonne.

The increases to any disposal of relevant materials made (or treated as made) at a landfill site (unauthorised waste site) in England or Northern Ireland.

**84. Plastic packaging tax.** Makes changes to ensure that the tax works as intended and meets policy objectives. Schedule 12.

## PART 6 Miscellaneous and final

### AVOIDANCE

**85. Winding-up petitions by a HMRC officer.** Allows HMRC to present a winding-up petition to the court for companies and partnerships operating against the public interest. This applies to companies and partnerships involved in the promotion, management and facilitation of tax avoidance.

**86. Publication of information about tax avoidance schemes.** Allows HMRC to publish information about tax avoidance schemes, persons suspected to be promoters of those schemes, those connected to them, and other persons involved in making the scheme available, to better inform taxpayers of the risks of relevant schemes, so that they can identify and steer clear of the schemes or exit them.

**87. Freezing orders: England and Wales.** Allows HMRC to seek an order to freeze the assets of a person when HMRC have commenced, or are about to commence, proceedings for a penalty to be determined by the tribunal under the:

- Disclosure of Tax Avoidance Schemes (DOTAS),
- Disclosure of Tax Avoidance Schemes for VAT and Other Indirect Taxes (DASVOIT),
- Promoters of Tax Avoidance Schemes (POTAS) and
- Enablers of Defeated Tax Avoidance regimes.

**88. Warrants for diligence on the dependence: Scotland.** Allows HMRC to seek a warrant in Scotland to freeze the assets of a person when HMRC have commenced, or are about to commence, proceedings for a penalty to be determined by the tribunal under the:

- Disclosure of Tax Avoidance Schemes (DOTAS),
- Disclosure of Tax Avoidance Schemes for VAT and Other Indirect Taxes (DASVOIT),
- Promoters of Tax Avoidance Schemes (POTAS) and
- Enablers of Defeated Tax Avoidance regimes.

**89. Freezing injunctions: Northern Ireland.** Allows HMRC to seek an injunction in Northern Ireland to freeze the assets of a person when HMRC have commenced, or are about to commence, proceedings for a penalty to be determined by the tribunal under the:

- Disclosure of Tax Avoidance Schemes (DOTAS),
- Disclosure of Tax Avoidance Schemes for VAT and Other Indirect Taxes (DASVOIT),
- Promoters of Tax Avoidance Schemes (POTAS) and
- Enablers of Defeated Tax Avoidance regimes.

**90. Sections 87, 88 and 89: interpretation etc.** Defines the terms used in sections 87, 87 and 89, including HMRC, relevant penalty, initial period and how the initial period is calculated.

**91. Penalties for facilitating avoidance schemes involving non-resident promoters.** Introduces a new penalty applicable to UK-based entities who facilitate tax avoidance schemes involving non-resident promoters. A UK entity may be liable to a penalty of up to 100% of the total consideration received by related entities involved in promoting that avoidance scheme where the relevant criteria are met. Schedule 13.

**92. Electronic sales suppression penalties.** Introduces penalties for activities which facilitate electronic sales suppression. Also enables HMRC to gather information about activities connected with electronic sales suppression. Schedule 14.

**93. Tobacco products: tracing and security.** Grants the power to make future regulations linked to the Tobacco Track and Trace system (TTS) and details the sanctions that can be included in those regulations. Also provides powers for a new information gateway which will allow HMRC to share relevant data when necessary to support those new sanctions.

### FREE ZONES AND FREEPORTS

**94. Treatment of goods in free zones.** Inserts VATA 1994 s 57A which deems a taxable supply of goods or services to have been made by, and to, a person in certain circumstances following receipt of zero-rated supplies in a free zone.

The deemed supply is referred to informally as an exit charge. The Schedule amends VATA 1994 ss 6, 7 and 7A which are consequential on the deemed supply provisions. The section and Schedule also make consequential amendments to VATA 1994 ss 17 and 18 to remove inconsistencies with the new free zone scheme.

Effective 03.11.2021. Schedule 16.

**95. Freeport tax site reliefs: provision about regulations.**

### UNCERTAIN TAX TREATMENT

**96. Large businesses: notification of uncertain tax treatment.** Requires large businesses to notify HMRC where they have taken a tax position in a return that is uncertain. The new requirement has effect for returns within scope that are due to be filed on or after 01.04.2022. Schedule 17.

### DISCOVERY ASSESSMENTS ETC

**97. Discovery assessments for unassessed income tax or capital gains tax.** Amends TMA 1970 s 29(1)(a) to provide certainty that HMRC can use discovery assessments to make good a loss of tax where they discover that charges including High Income Child Benefit, Gift Aid and certain Pension charges have not been accounted for.

The section also removes Registered Pension Schemes (Accounting and Assessment) Regulations 2005 (SI 2005/3454) regulation 9, which is no longer needed.

**98. Notification of liability to income tax and capital gains tax.** Amends TMA 1970 s 7 and extends the circumstances in which a person must make a notification under section 7 to the charges listed in ITA 2007 s 30.

**99. Calculation of income tax liability for certain charges relating to pensions.** ITA 2007 s 30(1)(additional tax) lists the provisions for charges to be brought into account at Step 7 of the income tax calculation in section 23 of that Act.

This section replaces the entries in ITA 2007 s 30(1) relating to the unauthorised payments charge and unauthorised payments surcharge at FA 2004 ss 208(2)(a) and 209(3)(a) with entries for the entire ss 208 and 209 of that Act. This clause also inserts FA 2004 s 244A. Effective from Royal Assent for 2021-22 and later tax years.

### TEMPORARY POWERS IN DISASTER OR EMERGENCY

**100. Power to make temporary modifications of taxation of employment income.** Grants HM Treasury the power to make regulations to temporarily modify ITEPA 2003 Parts 3, 4 or 5, under ministerial direction, in the event of a disaster or emergency of national significance.

HM Treasury can determine when it is appropriate to use the powers within the legislative criteria.



Any modifications made to ITEPA in exercise of the new powers must have effect only for the minimum period of time necessary or desirable to address the circumstances set out in any regulations made under the new power.

### EMISSIONS CERTIFICATES FOR VEHICLES

**101. Vehicle CO2 emissions certificates.** Provides for more types of vehicle approval certification with CO2 emissions figures to be used for the purposes of capital allowances, taxable benefits arising from the provision of cars, and Vehicle Excise Duty. This will include certificates issued under the Great Britain Comprehensive Vehicle Approval Scheme, which is expected to be introduced in 2022. A provisional scheme has been in existence since January 2021.

### OFFICE OF TAX SIMPLIFICATION

**102. Increase in membership of the Office of Tax Simplification (OTS).**

Allows the OTS to increase the maximum representation on the Board to a total overall membership of up to ten.

### FINAL

**103. Interpretation.** Allows the use of abbreviations for Acts. For example, "CAA 2001" is an abbreviation for the Capital Allowances Act 2001.

**104. Short title.** This Act is to be known as "Finance Act 2022".

## SCHEDULE 1 Abolition of basis periods

**Section 7.** Changes the basis of taxation for trades, professions and vocations from the current year basis to the tax year basis, for 2024-25 and later tax years, with a transition year in 2023-24 to tax profits which would otherwise escape taxation and to give relief for profits taxed twice (overlap profit).

## SCHEDULE 2 Qualifying asset holding companies (QAHCs)

**Section 14.** Recognises circumstances where intermediate holding companies are used only to facilitate the flow of capital, income and gains between investors and underlying investments, and enables the intermediate holding companies to pay tax that is proportionate to the activities they perform.

## SCHEDULE 3 Real Estate Investment Trusts (REITs)

**Section 15.** This section:

- removes the requirement for REIT shares to be admitted to trading in certain cases,

- amends the definition of an overseas equivalent of a UK REIT,
- amends the 'holder of excessive rights' charge to corporation tax, and
- changes to the rules which ensure a REIT's business is primarily focused on its property rental business.

Effective 01.04.2022.

### **SCHEDULE 4 Cross-border group relief**

Section 24. Aligns the group relief rules for all non-UK companies. Amends legislation which allows group relief for losses incurred in a UK permanent establishment (PE) of an EEA resident company.

### **SCHEDULE 5 Insurance contracts: change in accounting standards**

Section 29. IFRS 17, the new international accounting standard for insurance contracts, is expected to become mandatory for periods of account beginning on or after 01.01.2023.

IFRS 17 removes the requirement for life companies to spread their acquisition costs over seven years for tax purposes.

Secondary legislation can revoke this requirement for life companies to spread acquisition costs over seven years for tax purposes.

### **SCHEDULE 6 Dormant assets**

Section 31. A bank account is dormant if it has been unused for 15 years and the owner cannot be contacted. Banks and building societies can channel funds from dormant bank and building society accounts towards good causes.

The government has now expanded the scheme to a wider range of dormant assets, such as pensions, investment products and securities.

Some of these assets have the potential to increase or decrease in value.

This section ensures that a disposal for CGT purposes does not arise when the cash value of dormant assets is transferred into the Dormant Assets Scheme.

### **SCHEDULE 7 Residential property developer tax (RPDT) reliefs**

Section 41. Provides for loss relief and group relief for the purposes of the RPDT.

### **SCHEDULE 8 Management of RPDT**

Section 45. Applies general CT principles to RPDT and provides for RPDT to be treated for administrative purposes as an amount of CT.

## **SCHEDULE 9 Miscellaneous provisions**

Section 49. Makes miscellaneous provisions in relation to RPDT.

## **SCHEDULE 10 Public interest business protection tax**

Section 67.

## **SCHEDULE 11 Restriction of use of rebated diesel and biofuels**

Section 76. Amends the Hydrocarbon Oil Duties Act 1979 (HODA) to adjust restrictions on entitlement to use rebated diesel and rebated biofuels to a number of qualifying uses. The changes will take effect from 01.04.2022.

## **SCHEDULE 12 Plastic packaging tax**

Section 84. Changes to ensure that the tax works as intended and meets announced policy objectives.

## **SCHEDULE 13 Penalties for facilitating avoidance schemes involving non-resident promoters**

Section 91. Introduces a new penalty applicable to UK-based entities who facilitate tax avoidance schemes involving non-resident promoters. A UK entity may be liable to a penalty of up to 100% of the total consideration received by related entities involved in promoting that avoidance scheme where the relevant criteria are met.

## **SCHEDULE 14 Electronic sales suppression**

Section 92. Introduces penalties for activities which facilitate electronic sales suppression. Also enables HMRC to gather information about activities connected with electronic sales suppression.

## **SCHEDULE 15 Treatment of goods in free zones**

Section 94. Inserts VATA 1994 s 57A which deems a taxable supply of goods or services to have been made by, and to, a person in certain circumstances following receipt of zero-rated supplies in a free zone.

The deemed supply is referred to informally as an exit charge. The Schedule amends VATA 1994 ss 6, 7 and 7A which are consequential on the deemed supply provisions. The clause and Schedule also make consequential amendments to VATA 1994 ss 17 and 18 to remove inconsistencies with the new free zone scheme.

### **SCHEDULE 16 Freeport tax site reliefs: provision about regulations**

Section 95.

### **SCHEDULE 17 Large businesses: notification of uncertain tax treatment**

Section 96. Requires large businesses to notify HMRC where they have taken a tax position in a return that is uncertain. The new requirement has effect for returns within scope that are due to be filed on or after 01.04.2022.

### **SCHEDULE 18 Vehicle CO2 emissions certificates**

Section 101. Provides for more types of vehicle approval certification with CO2 emissions figures to be used for the purposes of capital allowances, taxable benefits arising from the provision of cars, and Vehicle Excise Duty.

This will include certificates issued under the Great Britain Comprehensive Vehicle Approval Scheme, which is expected to be introduced in 2022. A provisional scheme has been in existence since January 2021.