

Spring Statement 2022

25 March 2022

SPRING STATEMENT 2022

The Chancellor presented his spring statement on 23 March 2022. The statement was overshadowed by increasing inflation which is being described as the “cost of living crisis”. There were limited changes to business taxation and some changes to NICs intended to mitigate the effect of the Social Care Levy (which comes into effect on 6 April 2022) on lower earners.

EMPLOYMENT ALLOWANCE

The Employment Allowance, which can be claimed by employers as a reduction against their annual secondary Class 1 NIC liability, will increase from £4,000 to £5,000 from April 2022.

ZERO-RATE OF VAT ON ENERGY SAVING MATERIALS

The government have introduced a time-limited zero-rate of VAT for the installation of certain types of energy saving materials. These are currently subject to the 5% reduced rate of VAT, but will now be zero-rated for 5 years from 1 April 2022 until 31 March 2027. The measure also permanently removes certain social policy restrictions and adds wind and water turbines to the list of eligible items.

R&D

Although light on detail, the spring statement makes reference to continuing improvement in R&D tax reliefs. The statement refers to making improvements on capital investment in the UK and that they will continue to reform and improve the R&D tax reliefs at the next budget with a timeline to cut taxes on business investment by reforming Capital Allowances and R&D tax reliefs in April 2023.

CLASS 1 AND CLASS 4 NATIONAL INSURANCE CONTRIBUTIONS

The government have announced an increase in the threshold below which employees and the self-employed do not pay class 1 and class 4 NICs respectively. The Primary Threshold and Lower Profits Limit will both be increased from July 2022 to align with the tax-free personal allowance. The increase will be from £9,880 to £12,570, and will offset the increase brought in through the Health and Social Care Levy for any individuals earning less than c.£35,000.

FUEL DUTY

A temporary 5p per litre cut to fuel duty will be brought in effective immediately and lasting for 12 months.

INCOME TAX RATES FROM APRIL 2024

The basic rate of income tax will be reduced from 20% to 19% with effect from 6 April 2024.

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