The Construction Industry
Joint Taxation Committee

JTC

JTC NEWSLINE

Issue 155 October 2021

Increases to National Insurance Rates

The government has announced its plan for funding the NHS and social care sector. This will include a new Health & Social Care Levy which will be delivered initially by a raise in Class 1 and Class 4 National Insurance Contributions (NICs) of 1.25%.

The 1.25% Levy in National Insurance Contributions applies from 6 April 2022 on:

- Employee Primary Class 1 NICs.
- Employer Secondary Class 1, Class 1A and Class 1B NICs.
- Class 4 NICs.

Class 2 and Class 3 NICs will be unaffected.

- This tax rise only affects working-age employees, employers and the self-employed, not workers over retirement age.
- From 6 April 2023, the Levy will be distinct from NICs, which return to their lower rates.

From that date there will be a new Levy which will, from that point on, also apply to those individuals working above State Pension age.

- All existing NIC reliefs available to employers will apply to the Levy also.

The government paper's tax impact statistics anticipate:

- 6.2 million people earning less than the Primary threshold/Lower Profits Limit (£9,568) in 2021/22 will not pay the Levy.
- Only 2% of individuals affected will be additional rate taxpayers, but they will account for almost 20% of the revenues raised.
- In 2022/23, a typical taxpayer will pay the following additional amounts, depending on the tax band:
  - o Basic rate taxpayer (earning £24,100) - £180 extra.
  - o Higher rate taxpayer (earning £67,100) - £715 extra.
- About 40% of businesses will not be affected as the Levy will be covered by the Employment Allowance.
- Another 40% of businesses will face an increase of just £450 per annum.
- 70% of the revenues raised from business will come from only 1% of businesses, those largest with over 250 employees. ■

NIC rates: The proposed changes and current rates are set out below:

Proposed **Employee rate 2022 - 2023**	**Current** **Employee rate 2021 - 2022**	**Band**	**Current*** **Weekly earnings thresholds**	**Proposed** **Employer rate 2022 - 2023**	**Current** **Employer rate 2021 - 2022**	**Current*** **Weekly earnings thresholds for secondary threshold (ST)**
0%	0%	LEL	Up to £120	0%	0%	
0%	0%	LEL- PT	£120 to £184	-	-	
13.25%	12%	PT-UEL	£184 - £967	-	-	
-	-	ST	£170 to £967	15.05%	13.8%	Above £170
3.25%	2%	UEL	Over £967	15.05%	13.8%	Above £967

Notes
* The 1.25% tax rise will apply to earnings above the respective thresholds in future years, the government has yet to provide details of the earnings thresholds for 2022-23.
LEL= Lower Earnings Limit **PT =** Primary Threshold **ST=** Secondary Threshold **UEL =** Upper Earnings Limit
Rates applying to Class 1A (payable on Benefits in kind) and Class 1B (payable on PAYE Settlement Agreements) will increase from 13.8% to 15.05%. ■

Proposed changes to self-employed rates: set out below:

Type of NICs	Proposed 2022-23	Current 2021-22	From 2022-23* Profit bands	2021-22 Profit bands
Class 2 Flat rate	TBA	£3.05	TBA	£6,515+
Class 4	0%	0%	TBA	Up to £9,568
Class 4	10.25%	9%	TBA	£9,500 to 50,000
Class 4	3.25%	2%	Above TBA	Above £50,000

Notes:
* The 1.25% tax rise will apply to earnings/profits above the respective thresholds in future years, the government has not provided details of the earnings thresholds for 2022-23. ■

How will this affect me? Examples
The following table shows current NIC liabilities for both employee and employer versus the increased liability post 6 April 2022, for a selection of employee earnings levels.

	Personal Allowance: £12,570 p.a.	Basic Rate: £50,270 p.a	Higher Rate: £75,000
Liability above Primary Threshold (£9,564) @ 12% / 13.25%	£361 / £398	£4,884 / £5,393	£4,884 / £5,393
Liability above Upper Earnings Limit (£50,270) @ 2% / 3.25%	-	-	£495 / £804
Total Additional Employee Contributions	**£37**	**£509**	**£818**
Employer contributions above Secondary Threshold (£8,840) @ 13.8% / 15.05%	£515 / £561	£5,717 / £6,235	£9,130 / £9,957
Total Additional Employer Contributions	**£46**	**£518**	**£827**

The following table shows the same comparison but for self-employed individuals.

	Personal Allowance: £12,570 p.a.	Basic Rate: £50,270 p.a	Higher Rate: £75,000
Liability above Lower Profits Limits (£9,568) @ 9% / 10.25%	£270 / £308	£3,663 / £4,172	£3,663 / £4,172
Liability above Upper Profits Limit (£50,270) @ 2% / 3.25%	-	-	£495 / £804
Total Additional Self-Employed Contributions	**£38**	**£509**	**£818**

Increases to Dividend Tax Rates

The prime minister has announced a 1.25% increase to dividend tax rates from April 2022 as part of a package of measures to fund the costs of social care and the NHS.

At a glance
The changes to Dividend tax rates will sit alongside a proposal to raise the rates of National Insurance Contributions (NICs), also by 1.25% by way of a new Health and Social Care Levy. Both measures will be included in next year's Finance Bill.

The new dividend tax rates, which will apply across the UK, are:

Tax Band*	Proposed from 2022 - 23	Current rates
Basic rate	8.75%	7.5%
Higher rate	33.75%	32.5%
Additional rate	39.35%	38.1%

* The 1.25% tax rise will apply to dividends above the tax bands in future years, the government has not yet provided details of the proposed tax bands for 2022-23.

The £2,000 Dividend allowance will continue to be available and dividends received by ISA's will remain tax-free.

A knock on effect on s455?
Since the rate of tax which applies to overdrawn Directors loan accounts under s455 CTA 2010 is directly linked to the dividend upper rate this will mean that the s455 rate will also increase from April 2022, from 32.5% to 33.75%.

The government says that it hopes to raise £0.6bn from the raise to dividend tax rates. ■

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Registering for self-employment and paying Class 2 National Insurance Contributions without a National Insurance number

Due to Coronavirus, the Department for Work and Pensions suspended face-to-face interviews for applying for a National Insurance (NI) number.

- Taxpayers without an NI number, wanting to register as self-employed, were advised to use form SA1 and contact HMRC to arrange collection of NI contributions.

It is now possible to apply for a NI number again. Taxpayers can return to using form **CWF1** to register as self-employed. ■

COVID-19: Statutory sick pay scheme to end on 30 September

Legislation has been laid before parliament which will end the COVID-19 Statutory Sick Pay (SSP) rebate scheme on 30 September 2021. Eligible employers must claim their rebates by 31 December 2021.

Since March 2020 as part of a package of measures to support business during the pandemic, small and medium-sized employers have been able to reclaim statutory sick pay from the government where employees are unable to work because they either have COVID or have to self isolate after contact with someone testing positive for the virus.

This rebate scheme is now due to end on 30 September 2021. Eligible employers must make all claims for periods to 30 September 2021 by 31 December 2021 or face missing out on the rebate.

From 1 October 2021, the pre-COVID rules will apply, and employers will have to cover the cost of SSP for staff who cannot work because they are affected by Coronavirus, with no government support. SSP is currently £96.35 per week for up to 28 weeks.

Since the suspension of the rule which allows employers to avoid paying sick pay for the first three days of illness, implemented at the start of the pandemic, has not been repealed, employers will have to continue to pay SSP from the first day of sickness, putting them in a worse position than before the pandemic. ■

Making Tax Digital: Index & timeline

The introduction of Making Tax Digital for Income Tax (MTD for ITSA) for individuals has been postponed yet again. It will now commence on 6 April 2024. General partnerships will not be mandated to join until 2025. The date at which all other types of partnerships will be required to join will be confirmed later.

Looking at the announcement, it's not all good news because the new system of penalties for the late filing and late payment of tax is not going to be subject to any 'soft landing', and it too will begin in April 2024, and for all other ITSA customers in the tax year beginning in April 2025.

Making Tax Digital for VAT commenced back in 2019, and to be frank we still do not really know how that has gone, although we think that most accountants are now fully onboard with that system

Current timetable
Corporation Tax:

- From April 2024 companies can start using an MTD for Corporation Tax (CT) pilot scheme.
- From April 2026 companies join MTD for Corporation Tax.

VAT:

- From April 2019, most VAT registered businesses with turnover exceeding the VAT registration threshold must retain digital records and submit their VAT returns to HMRC using 'functional compatible software'.
- From April 2021, 'digital links' between software programs, applications or products must be in place.
- From April 2022, all VAT registered businesses must retain digital records and submit their VAT returns to HMRC using 'functional compatible software', unless an exemption such as digital exclusion applies. This includes those below the VAT registration threshold.

Income Tax:

- From April 2024, self-employed businesses and landlords with business turnover above £10,000 were to report under MTD for Income Tax. This measure has been delayed by a year.
- From April 2025 general partnerships join MTD.
- Other partnerships: the date at which all other types of partnerships will be required to join will be confirmed later.
- An MTD for Income Tax pilot is currently running. ■

Do you use red diesel in your vehicles ? Do you have your own tanks for red diesel?

Remember that from 1 April 2022 you cannot fill a construction vehicle with red diesel. If you have tanks you need to use up existing stock before that date or sell it to an authorised dealer.

Your tanks need to be emptied before 1 April 2022 so that new stock can be held. You do not have to drain vehicles of any residual red in their tanks but it will be against the law to fuel a construction vehicle with red diesel after the start date. It will be easy to test if a vehicle has 'traces' of red diesel or is being fueled with red or a suspiciously concentrated mix. You must think how you are going to make the change and when.

There will be contractors whose machines are sometimes used for construction and sometimes for agriculture. These machines will need to run on white diesel in the new regime -it will be impossible to drain tanks and refuel between jobs. If these vehicles are fuelled with red diesel after the deadline the owners will be fined if they are found with red diesel in the tank on a construction job.

This all becomes a pricing problem, you must price for work on the basis that the diesel used after 1 April 2022 will carry excise duty. ■