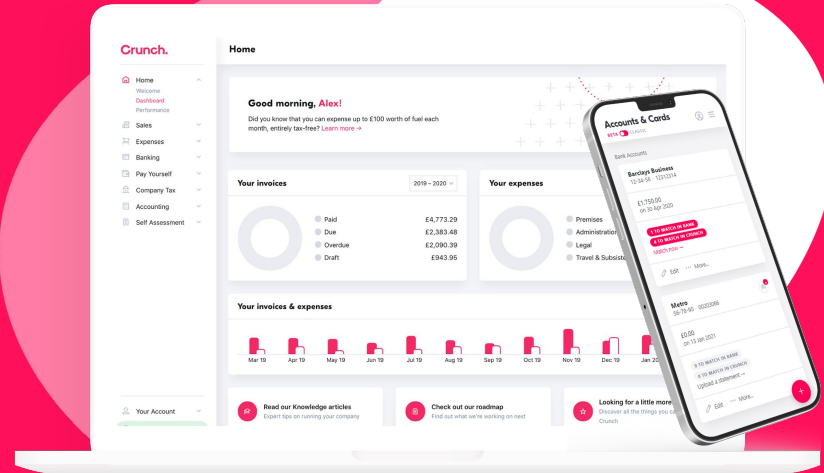


# Crunch.

## End of Tax Year **2021/22** Tax changes in **2022/23**

-  @TeamCrunch
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-  @crunch-accounting
-  /CrunchAccounting



# Your **hosts**

**Luke Young**

Client Education Specialist

**Michael Awuye**

FCCA Technical Services Manager

**Katie Mulrey**

Client Education Specialist





# What we're **covering today**

- Actions you need to take before 5th April 2022
  - *We'll cover both limited company and sole trader responsibilities*
- Personal allowances, dividends & salary
  - *We'll look back at the allowances and thresholds for 2021/22 to make sure you've maximised tax-efficiency*
- Tax breaks & allowable expenses
  - *What they are and what to you could do*
- Getting your self assessment prepared
- Tax, allowances & threshold changes for the 2022/23 tax year

# Responsibilities for Ltd Company

## What you need to do to complete the 2021/22 tax year

For you and any employees you may have:

- Report your company's final Full Payroll Submission to HMRC
  - *From 6th March, you can record your final payroll run for the current tax year in your Crunch account*
- P60 filing **due by 31st May 2022\***
  - *Your P60 is the summary of your pay and the tax that has been deducted during the financial tax year*
- P11D must be **filed by 6th July 2022\***
  - *Tax due must be paid to HMRC **by the 19th July***
  - *If paid electronically, HMRC allow **until the 22nd of July***

*\*Both are produced and available to view in your Crunch account*

### Helpful Resources:

["Final Full Payroll Submission"](#)

["Where is the P60 in Crunch?"](#)

["How to submit a P11D in Crunch"](#)

# Dividends & Salary for Ltd Companies

## Allowances given during the tax year 2021/22

- Your Personal Allowance is £12,570 and recommended Salary is £8,840\*
  - Monthly salary of £736.66 to stay below the National Insurance threshold, meaning a tax-free salary
- You can issue up to £41,430 in Dividends up to Basic Rate Allowance\*
- This would mean £2,677.50\*\* in Income Tax is due by the 31st January 2023

\* Assuming no other income

\*\* Need to budget for payment on account on 31st January 2023 & 31st July 2023

### Helpful Resources:

["UK Tax rates, tax thresholds, tax bands, and tax allowances"](#)

["What is a payment on account and do I have to pay it?"](#)

# Here's our **Dividend breakdown**

## Take tax-efficient dividends **before 5th April 2022**

The **£41,430** Dividend amount is broken down as follows:

- **£3,730** tax-free as part of your Personal Allowance (**£12,570 less £8,840**)
  - **£2,000** tax-free as part of your Dividend Allowance
    - Remaining **£35,700** is taxed at **7.5%**
- Any Dividends issued over **£41,430** are taxed at **32.5%**

# Responsibilities for Sole Traders

## A much simpler end of tax year

Just make sure that you've recorded all of your sales invoices and expenses

- Accounting on a "Cash Basis"
  - *Include invoices that have been paid - do not include invoices which are outstanding/awaiting payment*
  - *Include expenses where a payment has been made - future expenses (i.e. Direct Debits due) shouldn't be included*
- Accounting on an "Accrual Basis"
  - *Include all issued sales invoices, even if payment is outstanding or unpaid*
  - *Include all expenses from the date of purchase (invoice date or receipt from supplier), even if unpaid*
- Remember to complete your Self Assessment, **this will be due by 31st January 2023**
  - *More info on Self Assessment coming up*



# What else to do **before 5th April 2022?**

## Claim all of your **'Allowable Expenses'**

- Claim all of your allowable expenses
  - *Record them in Crunch, or keep a record of them elsewhere - just be sure you've got them logged somewhere*
- What can you claim?
  - *Simply apply the "wholly and exclusively for business purposes" test*
- Check that all paid invoices have been recorded/logged as such
  - *This is important because it can impact multiple taxes*
- How long to keep receipts?
  - *Six (6) years after the end of accounting period*
  - *Do remember, HMRC can request to see receipts this far back*

### Helpful Resources:

["What can I claim as a business expense"](#)





# Don't lose **your Tax breaks!**

## Some interesting **things to consider**

- Have money to invest? Don't lose your ISA (Individual Savings Accounts) Allowance
  - *A set amount that you can put into ISAs each tax year, without paying tax on any money your ISAs make*
  - *The allowance is **£20,000 in the tax year***
- Don't forget to claim for Pension Contributions
  - *You have a **£40,000 tax-free allowance***
  - *Normally more tax-efficient to make Pension Contributions through a limited company*
  - *You may need to get specialist advice on pensions*

### **Helpful Resources:**

["Self-employed pensions & investments"](#)

["Paying into a personal pension as a sole trader"](#)

["Pension contributions through my limited company"](#)



# Preparing for your **Self Assessment(s)**

## What to do **before you file with HMRC**

- Once you've fulfilled your responsibilities, submit your Self Assessment(s) as soon as possible
  - *Ltd Companies with Crunch must wait until the P11D has been filed, **Self Assessments can then be submitted***
  - *Sole Traders can submit a Self Assessment as soon as the new tax year begins, **from the 6th April***
- Crunch can provide Standalone and Crunch Member Self Assessment Services
  - *A super-simple questionnaire designed to gather all of the important information for HMRC*
  - *Crunch Members need to ensure that their Crunch accounts are up-to-date and **reconciled to the 6th April or beyond***

### **Helpful Resources:**

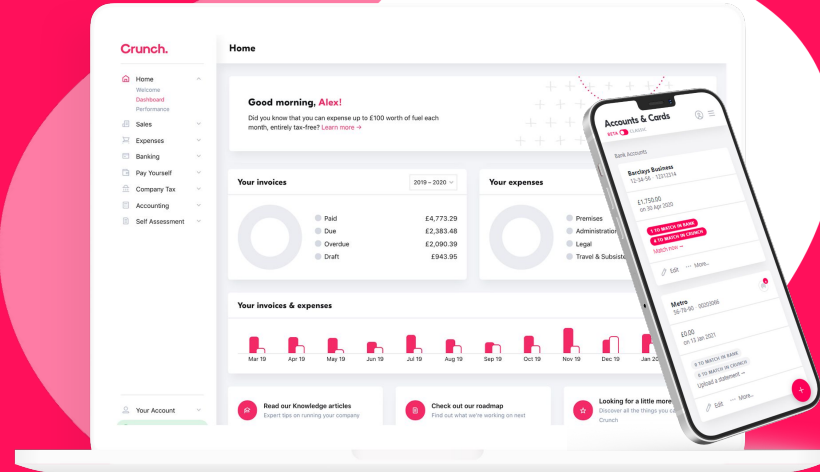
["Get ready for end of tax year, and prepare for the new year"](#)

["Crunch Standalone Self Assessment Service"](#)

["Crunch Member Self Assessment Service"](#)

# Tax changes for 2022/23

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# Changes to National Insurance & Tax

- Tax-free Personal Allowance **remains at £12,570**
- Basic Rate threshold for earnings **remains at £50,270**
  - *There are different rules for Scottish Residents*
- Dividend tax rates increases to **8.75%, 33.75% & 39.35%**
  - *Up from 7.5%, 32.5% & 38.10%*
- Primary Threshold for National Insurance **increases to £9,880 until June 2022** and then **£12,570 from July 2022**
  - *Up from £9,568 in 2021/22*
- Secondary Threshold for National Insurance **increases to £9,100**
  - *Up from £8,840 in 2021/22*
- Employees and directors will pay National Insurance Class 1 contributions at **13.25% & 3.25%**
  - *Up from 12% & 2% in 2021/22*
- Employers will pay National Insurance Class 1 contributions at **15.05%**
  - *Up from 13.8% 2021/22*

# Changes to National Insurance & Tax

- Small Profits Threshold (SPT) for National Insurance **increases to £6,725**
  - *Up from £6,515 in 2021/2022*
- Lower Profits Limit (LPL) **increases to £9,880 until June 2022** and then **£12,570 from July 2022** (creating an **annualised figure of £11,908**)
  - *Up from £9,568 in 2021/2022*
- Upper Profits Limit (UPL) also **remains at £50,270**
- Sole Traders will pay National Insurance Class 2 contributions at **£3.15 per week** (previously pegged to SPT but switched to LPL)
  - *Up from £3.05 in 2021/2022*
- Sole Traders will pay National Insurance Class 4 contributions at **10.25% & 3.25%**
  - *Up from 9% & 2% in 2021/2022*

# Tax-efficient Salary for Directors

- Recommended Salary is at the Secondary National Insurance threshold of **£9,100\***
  - *You will pay **£0.00** tax on your salary if you take this amount, **£758.33 per month***
- Employment Allowance of **£5,000 towards NIC** is available if you have more than one employee and are eligible
- What about the National Insurance rise in July, 2022?
  - *Your employees will take home more due paying less employee NI*

*\*Assumes no other source of income*

## Helpful Resources:

["How much should I take as a salary from my company?"](#)

# Salary for Directors, continued...

	Crunch Pro		
Single Director Salary	£9,100.00	£11,702.50	£12,570.00
NI Class 1 Employee @ 13.25%			£89.11
NI Class 1 Employer @ 15.05%		£391.68	£522.24
Payroll Fees		£237.60	£237.60
Accountancy Fees	£1,087.20	£1,087.20	£1,087.20
Total Expenses	£10,187.20	£13,418.98	£14,417.04
<b>Corporation Tax Saving</b>	<b>£1,935.57</b>	<b>£2,549.61</b>	<b>£2,739.24</b>

Corporation Tax savings lost by taking £9,100 salary and not going for £11,702.50 is **£614.04** (£2,549.61 less £1,935.57).  
 However, at the £11,702.50 salary you pay more expenses of **£629.28** (£391.68 + £237.60).  
*£9,100 is better for your company from a Corporation Tax and expenses point of view.*

Corporation Tax savings lost by taking £9,100 salary and not going for £12,570 is **£803.67** (£2,739.24 less £1,935.57).  
 However, at the £12,500 salary you pay more expenses **£848.94** (£89.11+ £522.24 + £237.60).  
*£9,100 is better for your company from a Corporation Tax and expenses point of view.*

# Tax-efficient Dividends for Directors

- Take up to the Dividends Basic Rate of £41,170 and a Salary of £9,100
- Tax-free Dividend Allowance remains at £2,000
- £3,123.75\* in Income Tax is to be paid to HMRC by 31st January 2024
- If taking the recommended tax-efficient Salary and full Dividends Basic Rate, the tax payable is £466.25 more than 21/22
  - *Impact of Social Levy on the same level of income*

\*Need to budget for Payment on Account, due by 31st January & 31st July each year

## Helpful Resources:

["What tax do I pay on Dividends?"](#)

["What is a payment on account and do I have to pay it?"](#)



# IR35 rules reminder, from 6th April 2021

- New rules applied to medium and large sized Private Sector businesses and all Public Sector organisations
- The end-client determines the IR35 status of an assignment
  - *Not the Personal Service Company (PSC)*
- The end-client issues a “Status Determination Statement” for the assignment
- If inside IR35, the “Fee Payer” (end-client or Agency) deducts all employment taxes
  - *Check out our IR35 Hub for more information*
  - *Try our IR35 Navigator Tool to assess your IR35 risk for free*

#### Helpful Resources:

[“What is IR35 and who does it affect?”](#)

[“Try out IR35 risk calculator”](#)

# IR35 rules **reminder continued**

Changes to the rules were **announced on 7th February 2020**, originally deferred as a result of government review including:

- If an end-client is based overseas, with no UK presence, the new rules do not apply
- It was a 'soft-landing' for the first 12 months
- No looking back to previous years (*except for fraud or criminal behaviour*)
- Only applied to services **carried out after 6th April 2022**
- End-clients are legally obliged to respond to requests for information about their business size

# What about Sole Traders?

- Sole Traders do not take a salary, but that doesn't mean you can't be savvy with your earnings. **Have you ever thought about going Limited?**
- The key differences between Sole Traders and Limited, and when it could be beneficial

Limited	Sole Trader
More complex reporting (more paperwork)	Simpler accounts (less paperwork)
Expensive running costs	Cheaper to run
Limited liability	Unlimited liability
Greater tax efficiency when profits greater than £30,000	Greater tax efficiency when profits less than £30,000
Improved reputation/credibility= Borrowing power	Privacy

#### Helpful Resources:

["Sole trader vs limited company - what's best for you?"](#)

["Take-home Pay Calculator. work out your income after tax"](#)

# What about **Sole Traders going Limited?**

- Total taxes as a percentage of Take Home or Turnover is lower compared to Limited Company, setup when **profits are less than £30,000 but higher after**
- Incorporating may seem ideal for tax efficiency, but you need to **consider the impact of IR35**
  - *Does your working relations with your client make you “look and feel like an employee”?*
  - *Do you have to complete the work personally?*
  - *Do you work specific hours or days which are set by your client?*
  - *If you are given more work by your client, do you have to accept the work offered?*
  - *Do you have to use your own equipment and provide your own training?*
  - *Do you need to have your own insurance?*
  - *Do you have to abide by your clients’ policies?*

## **Helpful Resources:**

[“Typical crossover point from Sole trader to Ltd for 2022/23”](#)

[“Free limited company formations with Crunch”](#)



# Claiming expenses for cars or vans

## Sole Trader

We usually only recommend claiming full costs for tools of trade vehicles, otherwise we suggest claiming Business Mileage rates

## Limited Company

Increase in Benefit in Kind (BiK) rates for company cars with new emission rates and percentages:

- For cars registered **after 6th April 2021**
- Fuel for a company car provided for personal use **increases to £25,300 (from £24,600)** multiplied by the relative rate
- Company vans **increases to £688 (from £669)**
- Fuel for a company vans provided for personal use **increases to £3,600 (from £3,500)**

### Helpful Resources:

["Taxation of company cars and vans](#)

[- how much will you pay?"](#)

# Changes to Corporation Tax

Corporation Tax **remains at 19%** for all companies for 2022/2023

Changes have been announced, which take effect from 1st April 2023:

- Corporation Tax rate will **remain at 19%** for business profits **up to £50,000**
- Tapered **increase to a main rate of 25%** for profits **over £250,000**

*\*Further consultation is underway.*



# Student & Postgraduate Loan Repayments

## Student Loans

- Plan 1 loan repayment threshold will **rise to £20,195** (from £19,895)
- Plan 2 loan repayment threshold **remains at £27,295**
- Plan 4 loan repayment threshold **will rise to £25,375** (Scottish students only)
- Repayment rate at **9%**

## Postgraduate Loan

- England and Wales students with **income above £21,000** has a **repayment rate of 6%**
- Scottish and Northern Ireland students with **income above £18,330** has a **repayment rate of 9%**

### Helpful Resources:

["How do I pay back a student loan when I'm self-employed?"](#)



# Are there **any other changes?**

- National Minimum Wage **increases to £9.50 per hour** if over 23 years old
- Capital Gains Tax annual exempt amount **remains at £12,300**
- “Super deduction” announced by the Chancellor
  - *Capital Allowance of 130% can be claimed on asset purchases - more details to follow*
- “VAT Reverse Charge” in the Construction Industry **is now in effect**
- “VAT Reduction” for the Hospitality Sector **will be going back to 20% on 1st April 2022**
  - *VAT had been reduced to 5% and then 12.5% to support businesses through Covid previously*
- High Income Child Benefit Charge threshold **remains at £50,000**

## Helpful Resources:

[“National Wage, Living Wage, Minimum Wage”](#)

[“What is VAT reverse charge in the construction sector?”](#)

[“What is a High Income Child Benefit?”](#)



## Crunch Free Help Centre

[help.crunchfree.co.uk](https://help.crunchfree.co.uk)

## Crunch Knowledge Articles

[crunch.co.uk/knowledge](https://crunch.co.uk/knowledge)

## Crunch Community Forum

[community.crunch.co.uk](https://community.crunch.co.uk)



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