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THE CHANCELLOR'S SPRING STATEMENT

Introduction

Tax changes are now supposed to be announced in the Autumn budget, leaving the Spring statement to deal with spending. This time, however, the Chancellor has been under pressure to do something to mitigate increases in the cost of living, so he has made some tax changes.

National Insurance

1. The point at which employees start to pay Class 1 NI will increase from £190 to £242 a week. Because the payroll software has already been written, it is not feasible to make this change for the start of the new tax year, so it will take effect in July 2022.

When this change applies for a full year starting 6 April 2023, it will allow employees to earn £12,570 without paying NI, the same as the starting point for Income Tax. That achieves the ambition of Gordon Brown, when he was Chancellor, to equalise the thresholds for tax and NI.

2. The starting point for self-employed people to pay Class 2 NI and Class 4 NI will also be increased to £12,570. To ensure that the employed and self-employed are treated the same, only three-quarters of the increase will be applied in 2022/23, giving a threshold for that year of £11,908.

Income Tax

The basic rate of Income Tax will be cut from 20% to 19% in April 2024. That would reduce the Gift Aid claimed by charities, so they will be able to continue claiming 20% for another 3 years

Fuel Duty

Duty on petrol and diesel is reduced by 5p a litre immediately, but only for 12 months. By then, oil prices will hopefully have fallen

Employment Allowance

The Employment Allowance, which is a grant set against employers' NI contributions, has been increased from £4,000 to £5,000 a year.

VAT

a five years from 1 April 2022, a temporary zero rate of VAT will apply to the installation of energy saving materials, including insulation, heating controls, solar panels and heat pumps.