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CHARTERED ACCOUNTANTS

Tax Facts 2021-22

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2021 TAX FACTS 2022

This booklet is prepared for guidance only. We recommend that you contact us for advice before acting on any information contained in the booklet and we cannot accept responsibility for any action taken without such advice.

Coronavirus Business Support Measures From 1 April 2021

All of the schemes outlined below have very detailed qualifying conditions, not all of which can be mentioned here. These conditions may be subject to change over forthcoming months, as the government tries to open up the economy while keeping COVID-19 under control.

Corona Job Retention Scheme (CJRS)

1. This scheme, which covers furloughed workers, will continue to run until 30 September 2021.
2. An employee must not work for the company at all during hours for which they are furloughed, but this can be as many or as few hours a week as are agreed between the worker and employer. An exception is a furloughed director, who is allowed to carry out any statutory work related to their directorship (e.g. preparation of accounts).
3. For each pay period, the employee must receive at least 80% of their 'normal pay' for the hours on furlough, although the employer may choose to pay them more. Any holiday taken or training undertaken must be paid at normal pay rates, as this is regarded as working rather than furlough.
4. For each pay period, the employer may claim a CJRS grant from HMRC, via an online portal. This grant must be claimed by the 14th of the following month, but is commonly claimed at least a few days before the payroll is run, to aid cash flow of the employer.
5. Although the worker must be paid a minimum of 80% of normal pay for furloughed hours, the amount of grant that can be claimed by the employer will vary as follows:
   - 1 April – 30 June: The full amount of minimum furlough pay (i.e. 80% of normal pay)
   - July: ⅞ of minimum furlough pay (i.e. 70% of normal pay) – the employer must pay the balance
   - August and September: ¾ of minimum furlough pay (i.e. 20% of normal pay)
6. The employer must pay the employer's Class 1 National Insurance and any minimum auto enrolment pension contributions due on the total paid to the employee – these amounts are not covered by the furlough grant.
7. Any CJRS grant received by the employer is taxable income of the business, unless the employment is not by a business (e.g. where a nanny has been furloughed).

Statutory Sick Pay

1. Statutory sick pay (SSP) must be paid by employers to those of their employees who qualify by meeting two conditions:
   - average earnings of at least £120 per week; and
   - unable to work due to sickness.
2. SSP is normally payable from the fourth day that the person is unable to work, at the rate of £96.35 per week in 2021/22, prorated per day. However, for COVID-19-related absences only, employers must pay SSP from the first day the employee is unable to work.

3. Where employees are affected by COVID-19, they are eligible for SSP if
    - suffering from COVID-19 symptoms; or
    - self-isolating due to someone in their household having symptoms of COVID-19; or
    - 'shielding' under public health guidance measures; or
    - required to self-isolate, as they have been contacted under the Test and Trace process.
4. Employers should maintain records of staff absences and payments of SSP, which is treated as part of normal pay and is taxable. It should be paid through the payroll and is subject to PAYE and NIC, as appropriate.
5. Eligible employers can reclaim up to 14 days of the SSP paid to employees for COVID-19-related absences, but any SSP paid for other reasons cannot be reclaimed. The employer must meet all these conditions:
    - have fewer than 250 employees on all the PAYE schemes it runs on 28 February 2020
    - not be in financial difficulty on 31 December 2019
    - not break the state aid limits by claiming the SSP refund, which is classed as state aid.

Self-employed Income Support Scheme (SEISS)

1. Self-employed people with average reported profits over the previous 3 years of up to £50,000 have been able to claim SEISS grants. When making a claim, they have had to confirm that their business has been adversely affected by the pandemic.
2. There were three such 3-month grants available in 2020/21, two paying 80% and one paying 70% of average monthly profits, up to a limit of £7,500 and £6,562.50 respectively per grant.
3. A fourth grant, covering February to April 2021, will be claimable from late April at 80% of three months' average profits, capped at £7,500.
4. Claimants must have filed a 2019/20 tax return to be eligible for this grant. People who began self-employment in 2019/20 could not claim the first three grants, but may be able to claim the fourth grant if they filed a 2019/20 return by midnight on 2 March 2021.
5. A fifth grant, covering the period from May to September 2021, can be claimed from late July 2021. Unlike the earlier grants, this one will take account of how much turnover has been affected by the pandemic.
    - Those whose turnover has fallen by 30% or more will be eligible for the full grant, which will be 80% of three months' average profits, capped at £7,500 in total.
    - Those whose turnover has fallen by less than 30% will receive a 30% grant, capped at £2,850.

    Further details of this fifth grant are still to be published.
6. SEISS grants will be treated as taxable income of the business in the tax year in which they are received.
7. Certain categories of people fall outside SEISS, including:
    - those whose profits were previously just over £50,000;
    - taxpayers who have less than 50% of total reported income from self-employment;
    - directors working through their own company (who can claim the furlough grant, but nothing to replace profits previously paid out as dividends).

‘Recovery Loan’ Scheme

1. In 2020/21, there were several government-backed loan schemes available to support businesses through the pandemic, including ‘Bounce Back’ and ‘Business Interruption’ loans. Some of these end on 31 March 2021.
2. The new Recovery Loan Scheme will provide lenders with a guarantee of 80% on eligible loans between £25,000 and £10 million, to give them confidence in continuing to provide finance to UK businesses.
3. These loans will be open to all businesses from 6 April 2021, including those who have already received support under the existing loan schemes.

Business rates and ‘restart grants’ in England

1. These measures only have effect in England. The devolved authorities will be responsible for any such support in other parts of the UK.
2. Eligible retail, hospitality, leisure and nursery properties in England enjoyed 100% business rates relief in 2020/21. This is extended to 30 June 2021.
3. There will then be further 66% relief for the period to 31 March 2022, capped at £2 million per business for those that were required to be closed on 5 January 2021, or £105,000 for other businesses.
4. Restart grants are to be made available, as follows, to businesses as they reopen after the current lockdown:
   - Non-essential retail businesses can claim up to £6,000 per premises.
   - Hospitality, accommodation, leisure, personal care and gym businesses can claim up to £18,000 per premises.
5. The Government is also providing £425 million to local authorities to use for discretionary grants to businesses.

Hospitality, leisure and entertainment sectors – VAT

1. The rate of VAT on most supplies by hospitality, leisure and entertainment businesses was cut from 20% to 5% in July 2020. This was due to end on 31 March 2021 but has now been extended until 30 September 2021.
2. From 1 October 2021 to 31 March 2022, a new intermediate rate of 12.5% will apply, after which supplies will revert back to the standard 20% rate.
3. There is no obligation on businesses to pass on this VAT cut to customers; instead, they could keep their gross price the same and use the tax break to increase profits, if they feel their prices will still be competitive.
4. HMRC has stated that there are no plans to introduce ‘anti-forestalling rules’ to counter the VAT saving enjoyed by someone who pays a deposit before the rate goes back up but will receive the service afterwards.
5. The following are eligible for these reduced rates:
   - food and non-alcoholic beverages sold for on-premises consumption, for example in restaurants, cafes and pubs
   - hot takeaway food and hot takeaway non-alcoholic beverages
   - sleeping accommodation in hotels or similar establishments, holiday accommodation, pitch fees for caravans and tents, and associated facilities
   - admissions to the following attractions, if they are not already eligible for the ‘cultural’ VAT exemption:
     - theatres, concerts, cinemas
     - circuses, fairs, amusement parks, zoos
     - museums, exhibitions
     - similar cultural events and facilities

Personal Tax

Main personal allowances

	2021/22	2020/21
Personal income tax allowance (PA)	£12,570	£12,500
Marriage allowance (transferable)	1,260	1,250
Blind person's allowance	2,520	2,500
Rent-a-room relief	7,500	7,500
Trading Income	1,000	1,000
Property Income	1,000	1,000

Notes

1. PA is reduced by £1 for every £2 by which Adjusted Net Income (ANI) exceeds £100,000, so PA is nil when ANI is £125,140.
2. ANI is total taxable income, less qualifying pension contributions and Gift Aid donations.
3. Marriage allowance is the transferable part of the PA and is available only to married couples and civil partners born after 5 April 1935. It can be transferred to their spouse or civil partner as long as the recipient is not a higher or additional rate taxpayer.
4. The rent-a-room exemption is available where the taxpayer lets out part of the home they live in as furnished residential accommodation.
5. The trading and property income allowances have various conditions that restrict their availability.
6. Where rent-a-room, trading or property income exceed the relevant limit above, that limit (rather than expenses) may be deducted from gross income.

Income tax bands

	2021/22	2020/21
Savings rate band	£5,000	£5,000
Basic rate band (BRB)	37,700	37,500
Higher rate band (HRB)	37,701-150,000	37,501-150,000
Additional rate	over 150,000	over 150,000
Personal Savings Allowance (PSA)		
– Basic rate taxpayer	1,000	1,000
– Higher rate taxpayer	500	500
Dividend allowance	2,000	2,000

Notes

1. The BRB (Scotland: intermediate rate band) and additional rate threshold are extended by the grossed-up equivalent of personal pension contributions and Gift Aid donations paid by the taxpayer in the tax year, or treated as paid in the tax year.
2. Taxable income usually uses up the rate bands in the following order:
   - G 'general income' (employment, pensions, business profits, rent)
   - S 'savings income' (mainly interest)
   - D 'dividends' (distributions from companies/most unit trusts)
3. The savings rate band is part of the basic rate band, meaning that to the extent that savings income falls in the first £5,000 of the basic rate band, it is taxed at nil rather than 20%.
4. Different bands and rates apply to general income in Scotland (see page 3).

Income tax rates

Rates differ for:	2021/22 & 2020/21 G	S	D
Basic rate	20%	20%	7.5%
Higher rate	40%	40%	32.5%
Additional rate	45%	45%	38.1%

Notes

1. The PSA taxes interest at nil, where it would otherwise be taxable at 20% or 40%. It is not available to an additional rate taxpayer.
2. Dividends are usually taxed as the 'top slice' of income. The Dividend Allowance taxes the first £2,000 of dividend income at nil rather than the rate that would otherwise apply.

Income tax bands and rates - Scotland

		2021/22	2020/21
Starter rate	19%	£2,097	£2,085
Basic rate	20%	2,098-12,726	2,086-12,658
Intermediate rate	21%	12,727-31,092	12,659-30,930
Higher rate	41%	31,093-150,000	30,931-150,000
Top rate	46%	over 150,000	over 150,000

Note

The Scottish rates and bands do not apply for savings and dividend income, which are taxed at normal UK rates.

Remittance basis charge

Resident in the UK for	2021/22	2020/21
7 of preceding 9 tax years	£30,000	£30,000
12 of preceding 14 tax years	60,000	60,000
15 of preceding 20 tax years	Deemed to be UK domiciled	

Note

The remittance basis charge (RBC) is payable by non-UK domiciled individuals who claim the remittance basis and who have been resident in the UK for the periods shown.

Residential landlords

	2021/22	2020/21
Proportion of finance costs allowable against letting income	Nil	Nil

Notes

1. Finance costs comprise mainly interest, but include related matters such as arrangement fees.
2. A tax reducer at 20% of the disallowed finance costs is available to reduce the landlord's income tax liability, but is subject to certain restrictions.
3. These rules do not affect qualifying furnished holiday lets, commercial property or corporate landlords.

High Income Child Benefit charge (HICBC)

	2021/22	2020/21
Lower threshold	£50,000	£50,000
Upper threshold	60,000	60,000

Notes

1. Only applicable to families who receive child benefit, where adjusted net income of higher earner is above lower threshold.
2. HICBC is equivalent to 1% of child benefit received by the family, for every £100 of adjusted net income over lower threshold.
3. The higher earner in the family must declare child benefit received by them or their partner on their tax return.
4. The recipient of child benefit can elect not to receive it in order to avoid the HICBC, without losing their right to accrue certain state benefits. Child benefit payments can subsequently be recommenced if the claimant chooses.

Pensions

Registered pensions	2021/22	2020/21
Lifetime Allowance (LA)	£1,073,100	£1,073,100
Annual Allowance (AA) - maximum	40,000	40,000
Annual Allowance - minimum	4,000	4,000
Money Purchase Annual Allowance (MPAA)	4,000	4,000

Notes

1. Contributions to registered personal pension schemes are paid net of basic rate tax. The policyholder pays 80% and HMRC pay 20%.
2. Tax relief at the taxpayer's marginal income tax rate is given on pension contributions up to 100% of earnings, capped by the AA.
3. Those with little or no UK relevant earnings can make pension contributions up to £3,600 gross (£2,880 net) per year.
4. AA can be increased by unused allowance brought forward from the previous three tax years.
5. AA is usually tapered down by £1 for every £2 of adjusted income over £240,000, to a minimum of £4,000.
6. Annual allowance charge (for pension inputs exceeding the annual allowance) is levied at the individual's marginal rate.
7. Employers can contribute to the employee's pension fund up to the AA per year, less any contributions made by the individual. Employer will enjoy tax relief on those contributions under the normal rules for business expenses.
8. Investors in personal and other defined contribution pension schemes can access all of their pension savings once they reach age 55.
9. When the investor takes benefits from such pension schemes under flexi-access drawdown, up to 25% of the accumulated fund can be drawn as a tax-free lump sum. The balance is taxed at the investor's marginal rate of tax that applies in the year those benefits are drawn.
10. LA is measured against the capital value of the pension benefits at the time they are first taken and on certain other occasions.
11. LA charge is 55% if funds exceeding the LA are taken as a lump sum, or 25% if the benefits are taken as income.
12. MPAA replaces AA where taxpayer has started to take taxable income from a defined contribution scheme. There is no carry forward of unused MPAA.

State pension

Maximum amount per week	2021/22	2020/21
Old state pension – Single person	£137.60	£134.25
– Married couple	220.05	214.70
New state pension	179.60	175.20

Notes

1. An individual is eligible to draw the state retirement pension when he or she reaches State Pension Age (SPA). State Pension age is increasing for both men and women. It became 66 in October 2020; thereafter it will gradually increase to 68.
2. Individuals who reach SPA after 5 April 2016 receive the new state pension, which replaced the old state pension, the second state pension and pension credit.
3. An individual who qualifies for the state pension may choose to defer claiming it. Any deferred pension will be paid at a higher rate than the normal pension.
4. The state pension is taxable.

Investment reliefs

Annual investment limits	2021/22	2020/21
Individual Savings Account (ISA)		
– Overall Limit	£20,000	£20,000
– Lifetime ISA (LISA)	4,000	4,000
Enterprise Investment Scheme (EIS)	2,000,000	2,000,000
Seed EIS (SEIS)	100,000	100,000
Venture Capital Trust (VCT)	200,000	200,000
Social Investment Tax Relief (SITR)	1,000,000	1,000,000

Notes

1. ISA investors can invest in any combination of cash or shares, up to the overall limits shown. The £4,000 LISA limit is part of the general ISA limit of £20,000, not additional to it.
2. Taxpayers aged between 18 and 40 may open a LISA and invest up to £4,000 each year, which qualifies for a 25% Government bonus on amounts invested up to the age of 50.
3. This benefit is retained as long as the money is either:
   – put towards a first home costing up to £450,000, or
   – kept in the account until reaching age 60, or
   – withdrawn after being diagnosed with a terminal illness when having less than 12 months to live.
4. If the money in a LISA is withdrawn in other circumstances, the bonus is normally clawed back, with an additional 5% charge (i.e. total charge of 25% of amount withdrawn), although the extra 5% does not apply between 6 March 2020 and 5 April 2021.
5. Junior ISA, with an investment limit of £9,000 (2020/21: £9,000), is available to those aged under 18 and who don't have a Child Trust Fund account. At age 18, their junior ISA becomes an adult ISA.
6. Amounts invested above £1m in the EIS must be in 'knowledge-intensive' companies.
7. EIS, VCT and SITR investments attract 30% Income Tax relief, but those schemes all have different qualifying rules.
8. SEIS investments attract 50% Income Tax relief.
9. Where the disposal proceeds from any capital gain are reinvested under EIS or SITR in the four-year period that starts one year before the date of the gain, all or part of the original gain can be deferred.
10. Gains reinvested under SEIS, within the same tax year, up to the investment limit attract 50% exemption from CGT.
11. Investments made under EIS, SEIS and SITR can be carried back to be treated as made in the previous tax year, subject to the investment limits.

12. Gains on disposals of investments acquired under EIS, SEIS or SITR are exempt from CGT if investment conditions have not been broken. Disposals of VCT shares are exempt CGT (i.e. no gain or loss arises).
13. Dividends from investments in VCTs do not attract income tax provided the original investment was made within the permitted maximum of £200,000 per year. Dividends received from EIS, SEIS or SITR schemes are taxable as normal.

National Insurance Contributions (NIC)

Class 1 NIC thresholds 2021/22

	Week	Month	Year
Lower Earnings Limit (LEL)	£120	£520	£6,240
Primary Threshold (PT)	184	797	9,568
Secondary Threshold (ST)	170	737	8,840
Upper Secondary Threshold (UST)	967	4,189	50,270
Upper Earnings Limit (UEL)	967	4,189	50,270

Notes

1. Employers and employees both contribute at rates dependent on the level of earnings during a weekly, monthly or annual earnings period.
2. No employee NIC are payable on earnings between the LEL and the PT, but when reported by the employer, the employee receives credit towards the State Pension.

Class 1 NIC rates 2021/22

	Employee	Employer
PT/ST to UEL	12%	13.8%
Above the UEL	2%	13.8%
Class 1A/1B	N/A	13.8%

Notes

1. No employee NIC are payable once the employee reaches state retirement age, but employer NIC continue to be payable.
2. No employer NIC are payable on earnings up to the UST for employees aged under 21, or apprentices aged under 25, at the date of the payment.
3. A person with more than one employment can defer the payment of some employee NIC until after the end of the tax year. The total amount payable is then checked and limited, so the full 12% rate is only applied to income between the PT and the UEL.
4. An 'employment allowance' of £4,000 per qualifying business gives exemption from Class 1 Employer NIC. Some businesses are excluded, including certain sole director companies and employers who have an employer's Class 1 NIC liability of £100,000 or more for 2020/21. Employee NIC are unaffected.
5.. Employer contributions (at 13.8%) are also due on most taxable benefits (Class 1A) and on the amount chargeable to income tax under a PAYE settlement agreement (Class 1B).

Class 2 NIC

Rate per week	2021/22	2020/21
Flat rate	£3.05	£3.05
Small Profits Threshold (SPT)	6,515	6,475

Note

Self-employed people pay Class 2 NIC if their profits exceed the SPT for the tax year and can pay voluntarily if profits are below that level.

Class 3 NIC

Rate per week	2021/22	2020/21
Flat rate	£15.40	£15.30

Note

Anyone who wants to maintain State Pension rights may pay voluntary Class 3 NIC.

Class 4 NIC

Annual	2021/22	2020/21
Lower profits limit (LPL)	£9,568	£9,500
Upper profits limit (UPL)	50,270	50,000
LPL to UPL	9%	9%
Above UPL	2%	2%

Notes

1. Class 4 NIC are payable on profits from UK trades or professions that exceed the lower profits limit.
2. Both Class 2 and Class 4 NIC are collected through self assessment.
3. An individual who is both employed and self-employed may pay Class 1, Class 2 and Class 4 NIC, subject to the maximum limit for the year.

Employee Benefits

Employer-provided car benefit 2021/22

		Petrol cars first registered	
	Electric	Pre	Post
CO_2	Range	6.04.2020	5.04.2020
g/km	miles	%	%
0	N/A	1	1
1-50	>130	2	1
1-50	70 -129	5	4
1-50	40 - 69	8	7
1-50	30 - 39	12	11
1-50	<30	14	13
51-54	N/A	15	14

Then a further 1% for each 5g/km CO_2 emissions, up to a maximum of 37%.

Notes

1. The employee is taxed on the 'cash equivalent', calculated as a percentage (see table) of the vehicle's chargeable value.
2. Chargeable value is the list price when new plus the cost of most accessories added, less any capital contribution (up to £5,000) by the employee.
3. The employer must pay Class 1A NIC at 13.8% on the benefit.
4. Diesel cars that are not RDE2 standard suffer a 4% supplement on the table's figures, but are still capped at 37%

Car fuel benefit

	2021/22	2020/21
Benefit multiplier	£24,600	£24,500

Notes

1. Where fuel is provided by the employer for private use in a company car, the percentage used to calculate the car benefit is applied to the benefit multiplier in order to determine the taxable benefit.
2. The benefit is charged without reduction for contributions by the employee, unless all private fuel is paid for (in which case there is no benefit). This reimbursement by the employee must be done by 6 July following the end of the tax year, unless the fuel benefit is "payrolled", in which case the deadline is 1 June following the end of the tax year.
3. There is no taxable benefit where an employer provides free charging points for electric vehicles at their premises.
4. Where the employer provides the car and the employee provides the fuel, HMRC's advisory fuel mileage rates can be used to reimburse the cost of fuel used on business journeys. This includes reimbursement of 4p/mile for electric cars. Those rates are updated each quarter and published at www.gov.uk/government/publications/advisory-fuel-rates.

Employer-provided van benefits

	2021/22	2020/21
Ordinary van	£3,500	£3,490
Zero-emission van	Nil	2,792
Fuel benefit	669	666

Note

If the private use of a van is restricted to home-to-work travel, there is no taxable benefit, unlike for company cars.

Employment-related loans

	2021/22	2020/21
Official Rate of Interest (ORI)	2.25%	2.25%

Notes

1. Where a director or employee receives one or more loans from an employer that, in total, exceed £10,000 at any point in the tax year, interest of at least the ORI must be paid to avoid a benefit charge. There must also be a contractual obligation to pay that interest.
2. Where a benefit arises, the excess of the ORI over the actual interest paid must be applied to the value of the loan to calculate the benefit.
3. Loans from a 'close' company (broadly, one under the control of five or fewer shareholders) to its shareholders may also generate a tax charge for the company.

Tax-free mileage allowances

Employee's own transport	per business mile
Cars, first 10,000 miles	45p
Cars, over 10,000 miles	25p
Business passengers	5p
Motorcycle	24p
Bicycle	20p

Notes

1. Passenger must be completing the same business journey.
2. For all except the business passengers' allowance, if the employer does not pay the full mileage rate, the employee can claim tax relief on any shortfall from HMRC.

Childcare vouchers and Tax-free Childcare (TFC)

Childcare vouchers - weekly exempt amount

	2021/22	2020/21
Basic rate taxpayer	£55	£55
Higher rate taxpayer	28	28
Additional rate taxpayer	25	25

Notes

1. The employer-provided childcare voucher scheme is closed to new entrants.
2. Employees who joined the scheme before 6 April 2011, and are still employed by that employer, continue to receive a benefit of £55 per week, whatever their marginal rate of tax.
3. Tax-free Childcare (TFC) accounts are now available to all eligible parents. You cannot use TFC if you are receiving childcare vouchers.
4. Under TFC, where both parents work and earn a specified minimum income (but neither earns more than £100,000 per year), they are able to put up to £8,000 a year per child into an account, which the Government will top up with 25p for every £1 contributed by the parents.
5. You may still be eligible for TFC if you're temporarily working less and either:
   - you're on furlough through the CJRS; or
   - you're claiming a SEISS grant.
6. A TFC account can be used to pay for childcare for a child aged 11 and under, except for disabled children, where the limits are doubled and contributions can continue up to the age of 17.
7. Unlike the voucher scheme, TFC is available to the self-employed.
8. You cannot get TFC at the same time as claiming Working Tax Credit, Child Tax Credit or Universal Credit.

Employee share schemes

Type of share scheme	Tax advantages
Share Incentive Plan (SIP)	
Free shares worth up to £3,600 pa. Employee can buy up to £1,800 pa out of pre-tax pay. Employer can match each share bought with up to two more.	If shares are left in the scheme for at least five years: no Income Tax or CGT on the value when they leave the scheme. Gains on disposal are subject to CGT.
Enterprise Management Incentive (EMI)	
Trading companies with fewer than 250 employees and assets up to £30m can grant options to selected employees to buy up to £250,000 worth of shares.	No Income Tax or NIC if option is exercised within ten years of option grant. Shares qualify for 10% rate of CGT on disposal if grant is at least two years before disposal.
Company Share Option Plan (CSOP)	
Share options to buy up to £30,000 of shares can be granted to employees.	No Income Tax or NIC if option is exercised between three and ten years of grant. Gains on disposal are subject to CGT.
Save As You Earn (SAYE)	
Employees contribute up to £500 a month to a savings scheme, and use money to exercise share options.	No Income Tax or NIC if option is exercised three years or more after the grant of option. Gains on disposal are subject to CGT.

Notes

1. Generally, employees are charged to Income Tax on the value of shares that they are given or are issued to them by their employer, less any amount paid for the shares. NIC are also charged if the company is quoted, or the shares can be easily sold. If the employer operates one of the above tax-advantage schemes, the tax charges may be eliminated, reduced or deferred.
2. The employer must register the share scheme with HMRC, using the online Employment Related Securities (ERS) system, by 6 July following the end of the tax year in which the scheme is implemented.
3. Employers must file an annual return for each share scheme online through ERS by 6 July each year.
4. The above is a very brief summary of the main tax-advantaged share schemes; other conditions apply.

Main exempt benefits

Benefit item	Limit of exemption
Mobile phone	One per employee
Subsidised meals	For all employees in a staff canteen
Free parking at or near the employee's place of work	None
Pension contributions	Annual allowance (see Investment Reliefs)
Personal incidental expenses when staying away from home	£5 per night, £10 if abroad
Qualifying relocation expenses	£8,000 per employee per move
Medical treatment to help an employee return to work from absence of at least 28 days.	£500

Capital Gains Tax

Annual Exempt Amount (AEA)

	2021/22	2020/21
Individuals and deceased estates	£12,300	£12,300
Most trusts	6,150	6,150

Notes

1. Each individual is entitled to an AEA, but that exemption may be denied if they claim the remittance basis (see Personal Taxation).
2. The AEA cannot be transferred, nor carried forward or back to another tax year.

Tax rate

	2021/22 & 2020/21	
	Residential property	Other
Individuals		
– to limit of basic rate band	18%	10%
– above basic rate band	28%	20%
Trusts and deceased estates	28%	20%

Notes

1. CGT is payable on capital gains made in the tax year, after deduction of capital losses, available reliefs and the AEA.

2. Receipts of carried interest by venture capital investors are taxed at the same rates as residential property.
3. There is no CGT on gains accrued to the date of a taxpayer's death.
4. There is no charge on disposals between spouses or registered civil partners who are living together. On such disposals, the transferee takes over the transferor's CGT cost.
5. When a chargeable asset is given away, the donor is treated as receiving the full market value and is liable for CGT accordingly.
6. CGT is normally payable on 31 January following the end of the tax year of disposal (e.g. 31 January 2023 for 2021/22) as part of the self assessment process. However, for disposals from 6 April 2020, CGT on UK residential property is due within 30 days of completion of sale.
7. Non-residents disposing of any UK land and buildings must pay CGT within 30 days of completion

Business Asset Disposal Relief (BADR)

	2021/22	2020/21
Lifetime limit	£1m	1m
CGT on qualifying disposals	10%	10%

Notes

1. BADR was called Entrepreneurs' Relief before 6 April 2020.
2. Disposals made by individuals or certain trustees can qualify for BADR.
3. The asset disposed of must have been owned for at least two years and be one of:
    - a business or an interest in a business
    - business assets sold within three years of the business ceasing
    - shares in a trading company, of which the individual is an officer or employee and either holds at least 5% of the ordinary share capital or acquired the shares under an EMI scheme; other detailed conditions apply
    - assets used by the shareholder's personal company or partnership and sold at around the same time as 5% or more of either the company's shares or the partnership interest.

Investors' relief

	2021/22	2020/21
Lifetime limit	£10m	£10m

Note

This relief gives a 10% CGT rate to certain investors in qualifying unquoted trading companies. Investors cannot be a paid director or employee of the company when acquiring the shares and must hold newly issued shares (acquired on/after 17 March 2016) for a minimum period of 3 years.

Certain other CGT reliefs and exemptions

Asset	Conditions
Taxpayer's only or main home	Gain is exempt for the periods the taxpayer lives there, or is deemed to live there, plus the last 9 months of ownership.
Chattels (tangible movable property)	If bought and sold for less than £6,000.
Gifts to charity	Not charged to CGT, and gifts of quoted shares and land also enjoy an income tax relief.
Assets which become of negligible value	Deemed to be sold at nil, to create loss, when an election is made.

Corporation Tax (CT)

Rates from	1.4.2021	1.4.2020
Corporation Tax rate	19%	19%

Notes

1. Most companies must pay their Corporation Tax within nine months and a day after the end of the accounting period.
2. Large companies or groups generally make four quarterly payments on account of Corporation Tax, starting in either the third or seventh month after the start of a 12-month accounting period, depending on level of profits. Interest runs on any underpayments until final settlement of the period's liability.
3. All companies must file Corporation Tax returns online within 12 months of the end of the accounting period.

Research and Development

	From 1.4.2021	1.4.2020
SME enhanced deduction	130%	130%
Large company R&D Expenditure Credit (RDEC)	13%	13%

Notes

1. The above enhanced deduction is for qualifying revenue expenditure on qualifying R&D projects; various conditions apply to both terms.
2. Where an SME makes a loss attributable to R&D expenditure, it can surrender that loss for a payable tax credit worth 14.5% of the loss. For accounting periods commencing on/after 1 April 2021, this payment is capped at £20,000 plus 300% of the company's total PAYE and NIC liability for the period, subject to some exclusions.
3. RDEC is a taxable expenditure credit for qualifying R&D.

Special reliefs

Area	Relief
Intangible assets: goodwill, know-how and patent rights	Deduction given according to depreciation ("amortisation") in the accounts, unless the circumstances in Note 1 below apply.
Profits from goods/services deriving from a patent generated by the entity	10% rate of CT.
Certain creative industries, including those producing films or videos games	Enhanced deductions for certain expenditure and losses surrendered for payable tax credits.

Notes

1. Special restrictions apply to relief for amortisation of goodwill and customer-related intangibles:
   - No deduction if arising from incorporations from 3.12.14.
   - No deduction if arising from acquistions from 8.7.15 to 5.4.19.
   - Deduction at 6.5% pa if a purchase from 6.4.19, but qualifying amount limited to 6 x qualifying intellectual property purchased at the same time.
2. The above is a brief summary of selected reliefs available to companies; other conditions apply in each case.

Capital allowances

Plant and machinery (P&M) allowances

		Rate
Expenditure 1.4.21 - 31.3.23 (**companies only**)		
– Super-deduction (main pool expenditure)		130%
– First-year Allowance (special rate pool expenditure)		50%
Annual Investment Allowance (AIA)		
– Expenditure 1.1.19 - 31.12.21	£1,000,000	100%
– Expenditure from 1.1.22	200,000	100%
New zero-emission vans		100%
Writing down allowance: general pool (reducing balance)		18%
Writing down allowance: special rate pool (reducing balance)		6%

Notes

1. Neither capital expenditure nor depreciation is generally allowed as an expense.
2. The writing down allowance (WDA) spreads the cost over several years, and is not related to the accounting depreciation.
3. Special rate pool includes long life assets, plant integral to buildings and thermal insulation.
4. The Super-deduction provides a tax deduction of 130% on new P&M investment that would qualify for 18% WDAs in the main capital allowance pool;
5. The First-year allowance (FYA) provides an initial 50% relief on new plant and machinery that would qualify for 6% WDAs in the special rate pool.
6. Cars are not usually eligible for the Super-deduction, FYA or AIA.

Motor cars purchased

	From 1.4.21 CO_2 (g/km)	1.4.18 to 31.3.21 CO_2 (g/km)	Allowance
New cars only	Nil	up to 50	100%
In general pool	up to 50	up to 110	18% pa
In special rate pool	above 50	above 110	6% pa

Note

Unincorporated businesses: the allowance is reduced for private use of the car.

Structures and buildings allowances (SBA)

Fixed deduction p.a.	3%

Notes

1. The SBA is available on commercial buildings and structures purchased new or constructed on/after 29 October 2018 and used for a qualifying purpose.
2. It is not available on residences or buildings situated in residences (e.g. garden offices), nor on the cost of land itself.

Unincorporated Business Tax

Cash basis	2021/22	2020/21
Entry threshold – turnover up to:	£150,000	£150,000
Exit threshold – turnover not more than:	300,000	300,000

Notes

1. Unincorporated trading businesses with annual turnover within the above limits can choose to calculate taxable profits on the 'cash basis' – income received and expenditure paid, rather than invoiced or accrued.
2. Deduction for loan interest is limited to £500 per year.
3. Losses can only be carried forward.
4. Certain businesses are not permitted to use the cash basis, including: farmers using the herd basis, persons using profit averaging, and LLPs.
5. Unincorporated property businesses can use the cash basis. The key differences to the rules for trading businesses are:
   - the entry and exit thresholds are both £150,000;
   - cash basis is the default position for such businesses, but they can elect to use accrual accounting;
   - there is no £500 restriction on interest costs.

Flat rate deductions

Item used for business		Permitted deduction
Taxpayer's car or goods vehicle	Up to 10,000 miles pa	45p/mile
	Over 10,000 miles pa	25p/mile
Taxpayer's home (use per month)	25 - 50 hours	£10/month
	51 - 100 hours	£18/month
	101 hours or more	£26/month
Business premises partly used as home		Private use adjustment
(e.g. public house or B&B)	1 occupant	£350/month
	2 occupants	£500/month
	3 or more occupants	£650/month

Notes

1. Unincorporated businesses can choose the above fixed rate deductions to use instead of calculating the business proportion of actual expenditure.
2. Use of home deduction covers power, internet, telephone, but not council tax or mortgage interest.
3. Use of vehicle does not cover finance element of lease or hire purchase costs for vehicle.
4. Use of business premises amounts are deducted from the actual expenses of running the building so that the personal costs of resident business owners are excluded.

Property Taxes

Annual Tax on Enveloped Dwellings (ATED)

Property value	Annual charge to 31.3.2022	31.3.2021
£0.5m - £1m	£3,700	£3,700
£1m - £2m	7,500	7,500
£2m - £5m	25,300	25,200
£5m - £10m	59,100	58,850
£10m - £20m	118,600	118,050
Over £20m	237,400	236,250

Notes

1. The ATED applies to 'high value' residential properties owned via a corporate structure, unless the property is used for a qualifying purpose.
2. There are many reliefs that can remove or reduce the charge, but in order to claim a relief, a Relief Declaration Return (RDR) must be submitted.
3. The ATED return, RDR and any tax due must generally reach HMRC by 30 April within the relevant year.

Stamp Duty Land Tax (SDLT)

Residential property

Purchase price	Rate on band
Up to £125,000	Nil
£125,001 - £250,000	2%
£250,001 - £925,000	5%
£925,001 - £1.5m	10%
Over £1.5m	12%

Notes

1. A supplement of 3% of the total purchase price applies where someone owning one or more residences acquires an additional residence for more than £40,000, unless they are replacing their main residence. It also applies to all corporate purchasers. A supplement also applies to LBTT and LTT (see below) at 4% of total purchase price.
2. The nil rate threshold has been temporarily extended to £500,000 until 30 June 2021. For transactions between 1 July and 30 September 2021, this threshold will be £250,000.
3. First-time buyers purchasing a property for up to £500,000 pay SDLT at a nil rate on the first £300,000 of the price from 1 July 2021.
4. Where purchaser is a company (or partnership including a corporate member) and price is over £500,000, SDLT is 15% of total purchase price, if exemptions or reliefs do not apply.
5. From 1 April 2021, purchases by a non-resident are subject to a 2% supplement on the rates that would otherwise apply.
6. New leases with a net present value of rents exceeding £125,000 attract SDLT of 1% of that excess.

Commercial property

Purchase price for freehold	Rate on band
Up to £150,000	Nil
Between £150,001 and £250,000	2%
Over £250,000	5%

Net present value of rent for lease	Rate on band
Up to £150,000	Nil
Between £150,001 and £5m	1%
Over £5m	2%

Note

New leases with an NPV of rents exceeding £150,000 attract SDLT of 1% up to an NPV of £5m, when the rate increases to 2%.

Land and Buildings Transaction Tax (LBTT) - Scotland

Residential property

Purchase price	Rate on band
Up to £145,000	Nil
£145,001 - £250,000	2%
£250,001 - £325,000	5%
£325,001 - £750,000	10%
Over £750,000	12%

Note

For first-time buyers, the nil band is extended to £175,000.

Commercial property

Purchase price	Rate on band
Up to £150,000	Nil
£150,001 - £250,000	1%
Over £250,000	5%

Notes

1. The above rates of LBTT also apply to any lease premium on commercial properties.
2. New Leases with an NPV of rents exceeding £150,000 attract LBTT of 1% up to an NPV of £2m, when the rate increases to 2%.

Land Transaction Tax (LTT) - Wales

Residential property

Purchase price	Rate on band
Up to £180,000	Nil
£180,001 - £250,000	3.5%
£250,001 - £400,000	5.0%
£400,001 - £750,000	7.5%
£750,001 - £1.5m	10.0%
Over £1.5m	12.0%

Note

The nil rate threshold is extended to £250,000 until 30 June 2021.

Commercial property

Purchase price for freehold	Rate on band
Up to £225,000	Nil
£225,001 - £250,000	1%
Between £250,001 and £1m	5%
Above £1m	6%

Net present value of rent for lease	Rate on band
Up to £150,000	Nil
Between £150,001 and £2m	1%
Over £2m	2%

Value Added Tax

VAT rates

	VAT rate	VAT fraction
Standard rate	20%	1/6
Lower or reduced rate	5%	1/21
Zero rate	0%	–

Notes

1. The reduced rate of 5% applies to most supplies by hospitality, leisure and entertainment businesses until 30 September 2021. Such supplies are then subject to a 12.5% rate until 31 March 2022. See page 4 for more details.
2. Lower rate applies to a small range of supplies, including domestic fuel and power and some conversions of residential property.
3. Zero rate applies to a range of supplies, including some types of food, books and newspapers, new houses and children's clothes. VAT is charged at a zero rate to the customer, but the supplier can recover VAT on costs.
4. Exempt supplies include many land-related supplies, insurance, finance, education, health and welfare, and non-profit sports clubs. No VAT is charged to the customer, but the supplier can't recover VAT on costs.

VAT thresholds

From	1.4.2021	1.4.2020
Registration		
– Turnover for last 12 months	£85,000	£85,000
Deregistration		
– Turnover next 12 months	83,000	83,000

Notes

1. An unregistered business must register for VAT if it has made taxable supplies that equal or exceed the registration threshold in the last 12 months, up to any month-end, or if it expects to exceed that threshold in the next 30 days alone. Taxable supplies include reduced rate and zero-rated sales.
2. A VAT-registered business can apply to deregister if it can satisfy HMRC that taxable supplies in the next year will not exceed the deregistration threshold.
3. The vast majority of businesses above the compulsory registration threshold must comply with the Making Tax Digital (MTD) provisions. These mean that businesses will have to keep their records digitally for VAT and provide VAT return information through MTD functional compatible software.
4. Most VAT returns are prepared for three-month periods, and must be filed electronically within seven days of the end of the month following the return period.
5. Payment of VAT must be made electronically, and must be received by HMRC by the same deadline as the return or be paid by direct debit.
6. From 1 March 2021, a construction industry business making a supply to another such business will not usually charge output tax. Instead, the customer will account for the output tax itself through the reverse charge mechanism.

Small business schemes

Annual turnover	Joining	Leaving
Flat-rate scheme (FRS)	£150,000	£230,000
Annual accounting	1,350,000	1,600,000
Cash accounting	1,350,000	1,600,000

Notes

1. When using FRS, the VAT paid to HMRC by the business is a fixed percentage (based on business category) of 'FRS turnover' rather than the net of output tax over input tax.
2. Businesses in first year of VAT registration are entitled to a 1% discount on the normal FRS percentage for their business category.
3. Under FRS, input VAT is not recoverable, unless it relates to the purchase of a capital asset costing £2,000 or more (including VAT).
4. The special rules for 'limited cost traders' mean that they are likely to be worse off by using the FRS. These are businesses that spend an amount (including VAT) on relevant goods that is either:
   - less than 2% of their VAT flat rate turnover; or
   - greater than 2% of their VAT flat rate turnover but less than £1,000 per year.
5. 'Relevant goods' exclude many items, for example food or drink for the trader or staff, capital expenditure goods of any value and (for most businesses) vehicle costs.
6. Under annual accounting, the business files a single VAT return each year instead of one every three months.
7. When using the cash accounting scheme, the business only pays VAT to HMRC when its customers have paid the business, but it can only recover VAT on expenses actually paid for, rather than accrued.

Option to tax

1. Supplies of land and buildings, such as freehold sales or renting, are normally exempt from VAT. This means that no VAT is payable, but the person making the supply cannot normally recover any of the VAT incurred on their own expenses related to the supply.
2. You can 'opt to tax' non-residential land; this will include any buildings or structures permanently affixed to the land. Once you have opted to tax, all the supplies you make of your interest in the land will normally be standard-rated (e.g. you will have to charge VAT on disposal proceeds or rents). As a result, you will normally be able to recover any VAT you incur in making those supplies.
3. You must notify HMRC within 30 days of opting to tax, although in some circumstances they will accept late notification.
4. When deciding whether to opt to tax a property, you should consider the type of business to which you are making the supply and whether they will be able to recover any VAT you charge them. If they cannot, they may prefer to find another site where VAT is not being charged to them.
5. There are limited circumstances in which an option to tax may be revoked, including:
   - Within 6 months of the option taking effect, providing no VAT has become chargeable on a supply of the land as a result of the option;
   - 20 years after the option first took effect.

   Further conditions apply in each case.

Inheritance Tax (IHT)

Rates and thresholds from	2021/22	2020/21
Nil Rate Band (NRB)	£325,000	£325,000
Residential enhancement (RNRB)	175,000	175,000
Tax paid on legacies on death	40%	40%
Tax paid if at least 10% of net estate is left to charity on death	36%	36%
Gifts made up to seven years before death (see lifetime gifts)	40%	40%
Chargeable lifetime transfers to trusts	20%	20%

Notes

1. RNRB is available for transfers of a main residence (or assets of an equivalent value if the main residence has been sold) to direct descendents. It tapers away at the rate of £1 for every £2 of estate value above £2m.
2. Up to 100% of the proportion of a deceased spouse's/civil partner's unused NRB and RNRB may be claimed to increment the current NRB and RNRB when the survivor dies.
3. Gifts or legacies to charities are not charged to IHT.
4. IHT due on a deceased's estate and on gifts within seven years of death is generally due six months after the month of death, but in practice it must be paid before probate is granted.
5. If the donor pays the IHT due on a chargeable lifetime transfer to a trust, the effective rate is 25%.
6. IHT on chargeable lifetime transfers to trusts is payable within 6 months from the end of the month of transfer.

Lifetime gifts

Reduced tax charge on gifts up to seven years before death

Years before death	0 - 3	3 - 4	4 - 5	5 - 6	6 - 7
Percentage of IHT death charge payable	100%	80%	60%	40%	20%

Note

Lifetime gifts between individuals ('potentially exempt transfers') are only charged to IHT if the donor dies within seven years of the gift.

Exempt gifts

Amount of relief	Conditions
£3,000 pa	Amount per donor; unused exemption can be carried forward one year
£250 pa	*De minimis* amount per recipient
Unlimited	Regular gifts out of surplus income
Unlimited	To UK domiciled spouse or civil partner
£325,000	To non-domiciled spouse/civil partner (lifetime limit)
£5,000	From parent of party to a marriage
£2,500	From a grandparent (or remoter ancestor) of a party to a marriage, or from one party of a marriage to the other
£1,000	From any other person to a party to a marriage

Note

Exemptions for gifts on marriage apply also to civil partnerships.

Business and agricultural property

Amount of relief	Property and conditions
100%	All shareholdings in unquoted trading companies; an unincorporated business or interest in such a business
50%	Controlling shareholding in quoted company; land and buildings used by either a trading company controlled by the owner, or a partnership where he is a partner
100%	Agricultural value of qualifying farmland and buildings

Note

In all cases the property must have been owned for at least two years; other conditions apply.

Trusts

Tax rates

	2021/22	
Type of trust	Life interest	Discretionary
Rate on dividend income	7.5%	38.1%
Rate on other income	20%	45%
CGT rate on residential property	28%	28%
CGT rate on other gains	20%	20%
CGT annual exempt amount (AEA)	£6,150	£6,150

Notes

1. Trustees are liable to Income Tax on the trust income, CGT on the trust gains and, in some circumstances, IHT.
2. Discretionary trusts pay tax at 7.5% or 20% on income used to pay trust expenses and on another £1,000 of income, before paying at the main rates (38.1% or 45%).
3. Discretionary trusts for vulnerable beneficiaries (such as disabled people) may reduce their effective tax rates if an election is made.
4. The CGT AEA is divided between trusts established by the same settlor since 6.6.1978, to a minimum of £1,230.
5. Trustees are liable to pay IHT in a variety of circumstances; appropriate professional advice is essential.
6. Beneficiaries of life interest trusts ('liferent' trusts in Scotland) are treated as entitled to the income of the trustees, and pay tax on it in the year it arises to the trust, with a credit for tax paid by the trustees.
7. Beneficiaries of discretionary trusts pay tax on income distributed to them by the trustees, which is treated as paid with a tax credit of $^{9}/_{11}$ of the cash received (i.e. a £45 tax credit for every £55 of income distributed).

Key deadlines
Payment deadlines
Self assessment

		2021/22	2020/21
1st payment on account	31 January	2022	2021
2nd payment on account	31 July	2022	2021
Balancing payment	31 January	2023	2022
Capital Gains Tax	31 January	2023	2022

National Insurance

Class 1A NIC	19 July	2022	2021
Class 1B NIC	19 October	2022	2021

Notes

1. Payments on account for 2021/22 are based on 2020/21 self-assessed Income Tax and Class 4 NIC. The balancing payment includes Class 2 NIC.
2. Missing any payment dates leads to interest being charged at 2.6%.
3. Missing the balancing payment date by 30 days will lead to a 5% penalty.
4. When the balancing payment is 6 and 12 months late, further 5% penalties apply on each occasion.
5. Employment income is charged to both Income Tax and to Class 1 NIC.
6. Tax and NIC are normally paid by the employer through the PAYE system, under which the PAYE code makes adjustments for tax reliefs due and some tax due on other income.
7. Where a payment date is the 19th of the month, any cheque must reach HMRC by that date, or the business day preceding it (if the 19th falls on a week-end or Bank Holiday). Online payments can reach HMRC by 22nd of the month without incurring interest.
8. An employee who has overpaid or underpaid tax at the end of the year will normally receive a tax calculation from HMRC on form P800 and shortly afterwards receive a tax repayment, or be asked to pay any tax due.
9. Where taxpayers submit their self assessment tax return by 30 December following the tax year, they can request that underpaid tax of up to £3,000 is collected through their PAYE code in the subsequent tax year.
10. CGT payment deadlines for UK land and buildings have special rules. See page 14.

Filing deadlines

For tax year	2020/21
Issue P60s to employees	31 May 2021
P11D and P11D(b)	6 July 2021
Paper version of self assessment return	31 October 2021
Online self assessment return	31 January 2022

Notes

1. A late filing penalty of £100 will be issued if the self assessment return is not submitted within the deadlines indicated above. This applies even if no tax is due.
2. Further late filing penalties are due if the self assessment return is more than 3, 6 and 12 months late.
3. CGT filing deadlines for UK land and buildings have special rules. See page 14.

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