Hawsons Chartered Accountants
Latest News

April | 2022

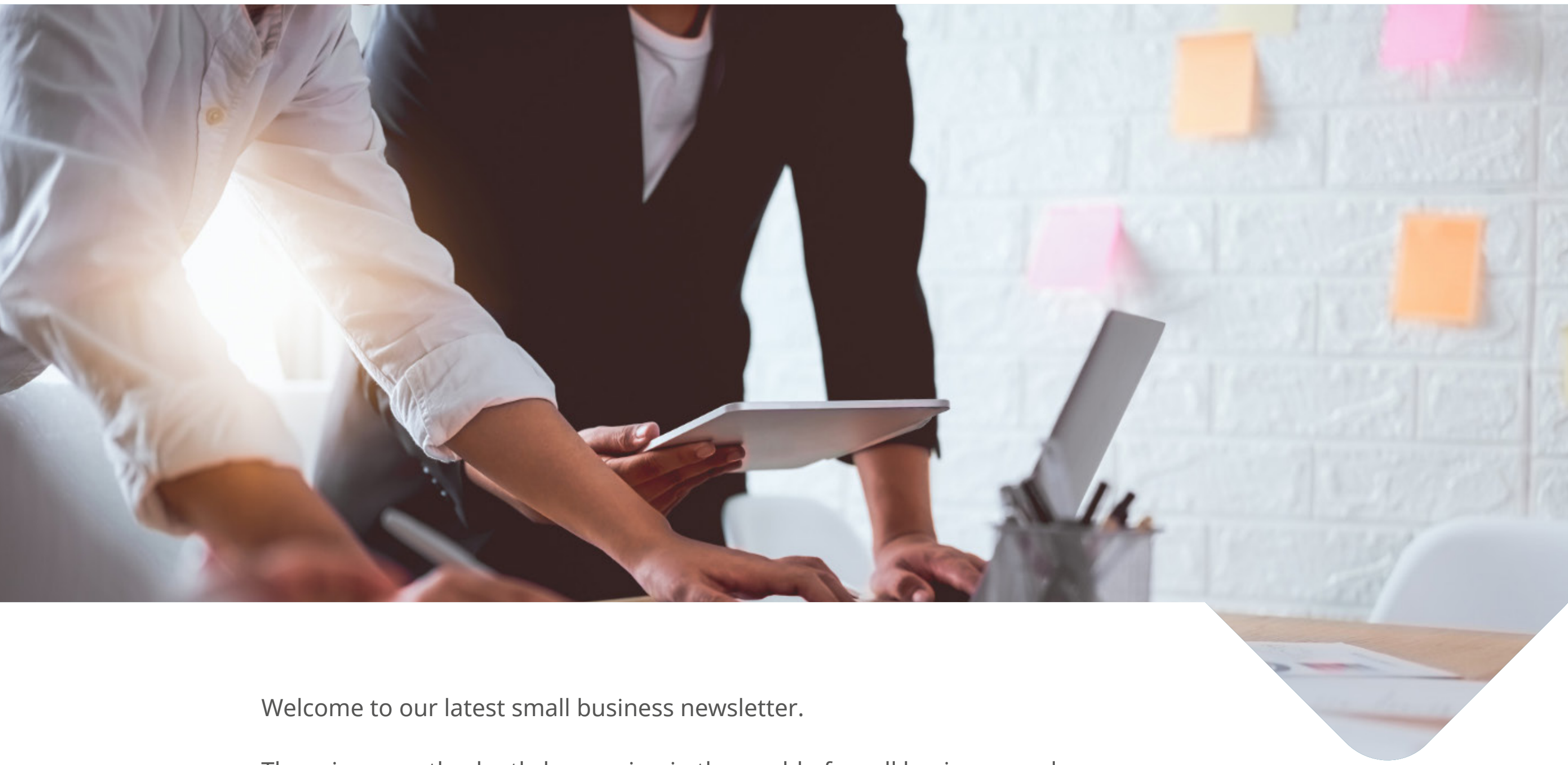
SME Newsletter

In this issue:

Hawsons

Big firm expertise,
small firm personal attention

Paul Wormald
Partner



Welcome to our latest small business newsletter.

There is currently plently happening in the world of small business as always new challenges present themselves. As life is now back to normal and the pandemic is starting to feel like it is in the rear view mirror inflationary pressures have become the latest challenge that small businesses need to tackle.

In this edition we look at the following areas:

Tax Rates & Allowances 2022/23
Spring Statement: R&D Tax Relief Update
Plastic Packaging Tax
What is the Postponed VAT Accounting System?

As ever, please contact us if you have any questions about the contents of the following articles.

Tax Rates and Allowances 2022/23

We have summarised the key rates and allowances which are fundamental to our business and personal lives. We are sure that you will find them a useful point of reference and have set out below a few examples of how they can be used.

Personal tax rates

As the UK tax system becomes more devolved, it is important to keep abreast of the changes taking place in the Scottish and Welsh income tax rates and bands. We have summarised the relevant information together with the rates and allowances which apply to investment income.

Buying property

If you buy property then property taxes payable are different depending where the property is in the United Kingdom. Stamp Duty Land Tax is payable on property in England and Northern Ireland, whilst Land and Buildings Transaction Tax is payable on property in Scotland and Land Transaction Tax on property in Wales. Our tax rates highlight the main rates so that you can consider the potential cost of buying property.

Business or asset sale

If you sell an asset such as shares or your business, capital gains tax may be due. Our tax rates highlight the main rates and reliefs so that you can consider the tax bill that may arise.

Rates for businesses

If you run a business, obtaining the right allowances on equipment that your business buys can affect the tax that your business has to pay each year. We have summarised the main allowances that are available.

Rates for employees

There are changes to the way company car benefits are calculated this year. Our guide explains how these are computed to help ensure that you are paying the correct amount of tax.

Rates that affect us all

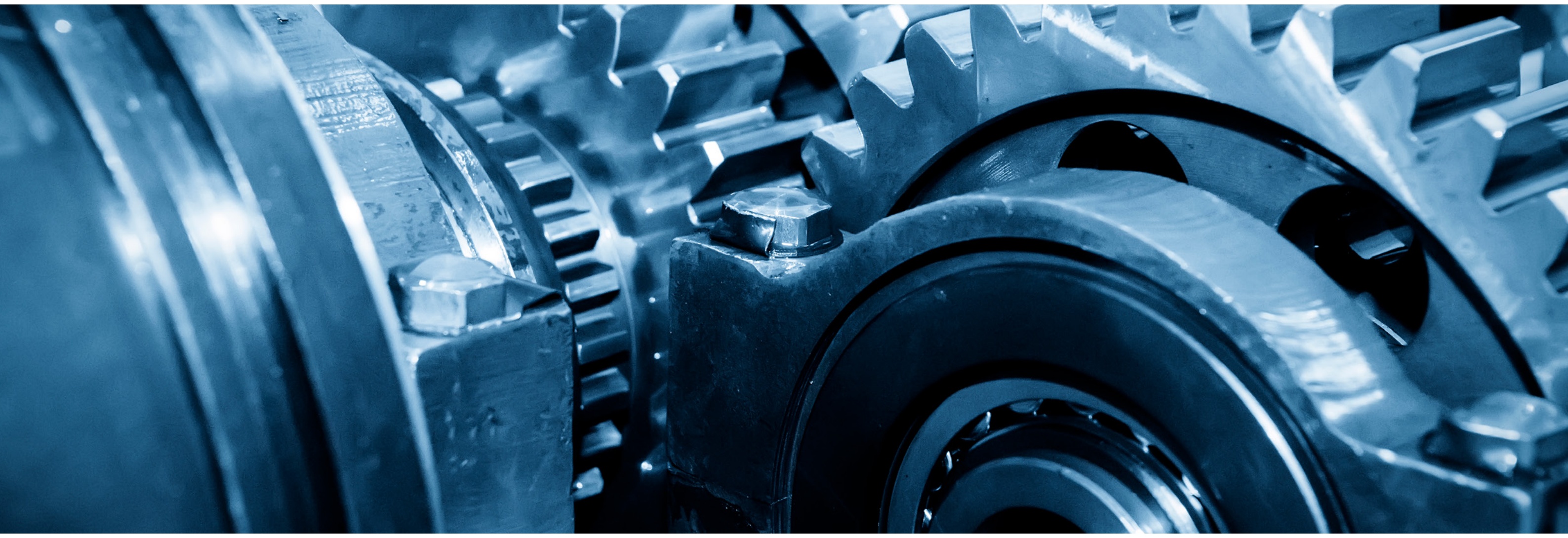
Long term planning for a comfortable retirement can never start too early. Our tax rates explain how much can be contributed to an approved pension scheme each year tax efficiently.

Our tax rates contain the main inheritance tax rates and exemptions but early planning can mitigate these tremendously.

These rates are intended for use as a quick point of reference. Should you require any further information, have a simple question or require detailed advice we are only a phone call away.

Read full article here

Keep up to date
with our latest news and updates



Spring Statement: R&D Tax Relief

Reform of R&D tax relief

In Spring 2021, the government announced a review of R&D reliefs with the objective of ensuring the UK remains a competitive location for cutting edge research and that the tax reliefs provided to businesses continue to be fit for purpose.

In November 2021 the government set out a series of initial measures to reform the R&D tax relief system, which included the expansion of qualifying expenditure to cover data and some cloud computing costs, as well as refocusing R&D relief on activity carried out in the UK. (UK companies claimed tax relief on £47.5 billion of R&D expenditure in 2019, but the ONS estimates that businesses only carried out £25.9 billion of privately financed R&D in the UK).

The Spring Statement announces further detail on these measures as well as a further change to expand qualifying expenditure to cover R&D underpinned by pure mathematics.

R&D undertaken overseas

The Chancellor said that the government remains committed to refocus support towards innovation in the UK, ensuring that the UK more effectively captures the benefits of R&D funded by the reliefs. However, he recognised that there are some cases where it is necessary for the R&D to take place overseas.

The government will, therefore, legislate so that expenditure on overseas R&D activities can still qualify where there is a material or regulatory requirement for this work to be carried out overseas.

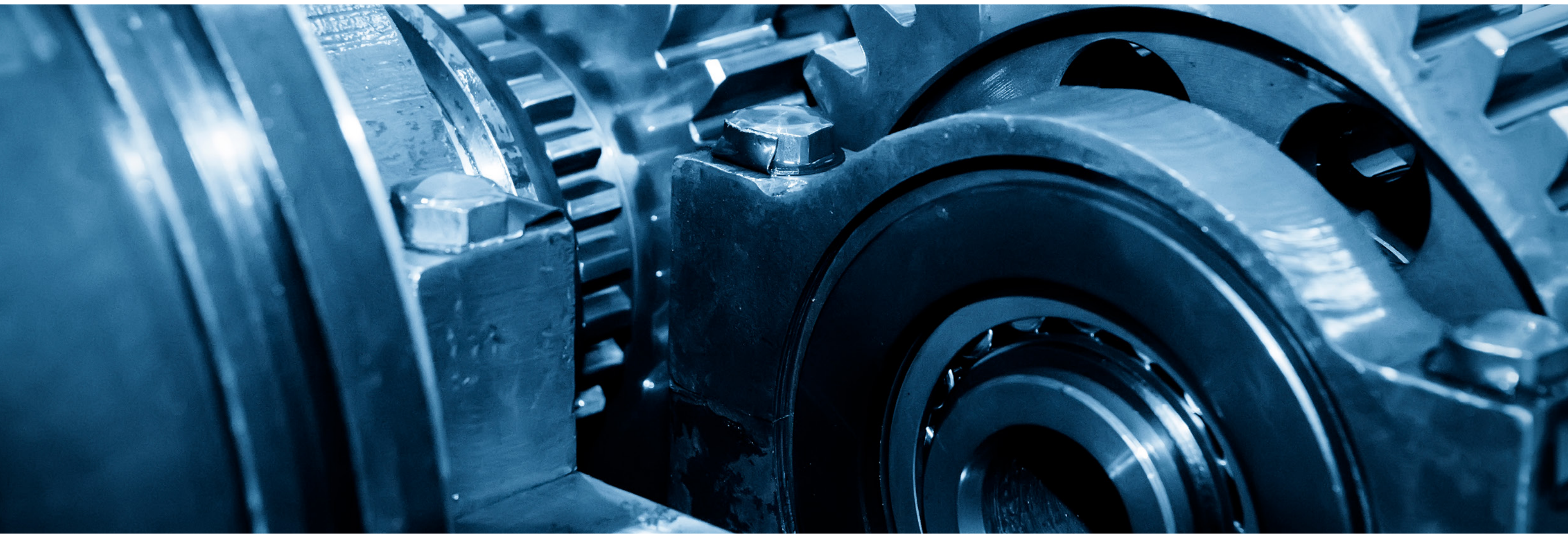
A material requirement could relate to geography, environment, population or other conditions that are not present in the UK and are required for the research – for example, deep ocean research. A regulatory requirement or other legal requirement that activities must take place outside of the UK could apply to clinical trials for example.

Mathematics included

The government recognises the growing volume of R&D being undertaken which is underpinned by pure mathematics. The Spring Statement announces an expansion of the qualifying expenditure to include all mathematics.

This reform is intended to support nascent sectors where the UK has a comparative advantage such as Artificial Intelligence, quantum computing and robotics while also supporting strong sectors such as manufacturing and design.

Continued overleaf



Spring Statement: R&D Tax Relief (continued)

The effectiveness of the reliefs

HMRC evaluations suggest that the Research & Development Expenditure Credit (RDEC) stimulates between £2.40-£2.70 of additional private R&D expenditure for each £1 of tax relief claimed, while the SME scheme only stimulates £0.60-£1.28.

The government is looking to understand why these figures are so different and what further changes might be needed to ensure that the tax subsidies incentivise companies most effectively to invest in additional R&D.

The generosity of RDEC

In the Autumn the government will consider increasing the generosity of RDEC claims, with the aim of rebalancing the schemes and making RDEC more internationally competitive.

Abuse of R&D tax relief

In addition to making the RDEC scheme more attractive, the government will consider what more can be done to tackle the abuse of R&D tax reliefs, particularly in the SME scheme, ahead of the Budget in Autumn 2022.

The government announced in November 2021 the creation of a new cross-cutting HMRC team focused on tackling abuse of these reliefs.

Further reform

The Spring Statement describes these changes as important initial reforms. The government is continuing the review of R&D tax reliefs, to ensure the UK's R&D tax reliefs are as effective as possible and deliver the best possible value for taxpayers.

Further announcements will be made in the autumn.

Where required, legislation will be published in draft before being included in a future Finance Bill to come into effect in April 2023.

Plastic Packaging Tax

HMRC are to introduce a Plastic Packaging Tax from 1 April 2022. The aim is to incentivise businesses to use more recyclables in the manufacture of plastic packaging. In turn, this will stimulate increased levels of recycling and collection of plastic waste, diverting it away from landfill or incineration.

Who is likely to be affected?

UK manufacturers of plastic packaging, importers of plastic packaging, business customers of manufacturers and importers of plastic packaging, and consumers who buy plastic packaging or goods in plastic packaging in the UK may be liable.

However, most businesses will not be affected as there is an exemption for manufacturers and importers of less than 10 tonnes of plastic packaging per year.

Reasons for introduction

This is a new tax that will apply to plastic packaging manufactured in, or imported into the UK, that does not contain at least 30% recycled plastic. Plastic packaging is packaging that is predominantly plastic by weight.

It will not apply to any plastic packaging which contains at least 30% recycled plastic, or any packaging which is not predominantly plastic by weight.

Imported plastic packaging will be liable to the tax, whether the packaging is unfilled or filled.

Costs

PPT will be charged at a rate of £200 per metric tonne of the chargeable plastic packaging.

Registering for the tax – Manufacturers or importers of 10 or more tonnes of plastic packaging over a 12-month period must register for the tax with HMRC.

How to register – To register, you may need to provide the following information:

- your business type
- your businesses address and contact details
- the date your business became liable for Plastic Packaging Tax
- an estimate of how much finished plastic packaging you expect to manufacture or import in the next 12 months
- a customer reference number, which could be your: Corporation Tax Unique Tax Reference, Self Assessment Unique Tax Reference, Company Reference number, Charity Registration number, National Insurance number, temporary National Insurance number

What is the postponed VAT Accounting System?

The Postponed VAT Accounting (PIVA) system for imported goods was introduced on 1 January 2021 and allows VAT registered businesses to declare and, subject to the normal rules, reclaim import VAT on the same VAT return. This avoids VAT being paid to HMRC on import and the business having to reclaim through its VAT return, often months later, and so assists with cashflow.

Under the flat rate scheme (FRS), VAT cannot be recovered on goods purchased or imported for resale, as an allowance for input tax is inbuilt in the flat rate percentages used to calculate the VAT payable.

If PIVA is not used a business will pay import VAT when goods arrive in the UK. Flat Rate Scheme traders cannot recover this VAT (unless they acquire capital goods items over the £2000 threshold).

Currently, when the PIVA system is used, HMRC guidance for FRS states: 'You must add the value of the imported goods to the total of all your supplies, before you do the scheme calculation'. Whilst this guidance is not very clear, the 'value' is understood to be the net value of the goods.

This means that the total value of imported goods should be included in the Flat Rate turnover in box 6. The VAT paid on the imported goods would be determined using the appropriate Flat Rate percentage and included within the box 1 figure.

Post-June 2022 (Revenue and Customs Brief 03 2022).

Businesses must adopt the new guidance for VAT Return periods that start on or after 1 June 2022. The correct treatment under the legislation excludes the value of imported goods from the Flat Rate Scheme calculation completely.

The full amount of import VAT should be added to box 1 only after the flat rate calculations have been completed. This means that businesses using the FRS will then pay the same amount of import VAT regardless of what type of business they are. (Vat notice 733 section 6.5 refers).

There will be no requirement to include any value in box 6 relating to the PIVA transaction.

Any amounts that may have been due to HMRC, had the correct treatment been in place, for periods starting before 1 June 2022 will not be collected and businesses will not be penalised in relation to those amounts. In these circumstances, businesses do not need to amend previously declared returns.

Get in touch

Our specialist small business accountants

Hawsons has a dedicated team of small business accountants in Sheffield, Doncaster, and Northampton. Our Small Business Services Department is dedicated to helping smaller businesses, providing a range of tax and accountancy services to small and growing businesses. We generally help sole traders, partnerships, and limited companies.

Starting up a new business is a challenging process and there are many aspects a small business owner must consider. We have a proven track record in helping new and small businesses get off the ground and continue to grow. Our small business accountants can help in all aspects of setting up and running your business.

Scott Sanderson
Partner
0114 266 7141
ss@hawsons.co.uk

Sheffield Office
Pegasus House
463A Glossop Road
Sheffield, S10 2QD

David Cairns
Tax Partner
01604 645600
davidcairns@hawsons.co.uk

Northampton Office
Jubilee House
32 Duncan Close, Moulton Park
Northampton, NN3 6WL

Paul Wormald
Partner
01302 367 262
pw@hawsons.co.uk

Doncaster Office
5 Sidings Court
White Rose Way
Doncaster, DN4 5NU

Hawsons

HLB UK is a member of HLB International. A world-wide network of independent accounting firms and business advisers.

WE ARE AN INDEPENDENT MEMBER OF THE GLOBAL ADVISORY AND ACCOUNTING NETWC