McDade Roberts
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Tax Facts 2022-2023

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Personal Tax

Main personal allowances

	2022/23	2021/22
Personal income tax allowance (PA)	£12,570	£12,570
Marriage allowance (transferable)	1,260	1,260
Blind person's allowance	2,600	2,520
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

	2022/23	2021/22
Savings rate band	£5,000	£5,000
Basic rate band (BRB)	37,700	37,700
Higher rate band (HRB)	37,701-150,000	37,701-150,000
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:	2022/23 G	2022/23 S	2022/23 D	2021/22 G	2021/22 S	2021/22 D
Basic rate (%)	20	20	8.75	20	20	7.5
Higher rate (%)	40	40	33.75	40	40	32.5
Additional rate (%)	45	45	39.35	45	45	38.1

Notes

1. The PSA (see page 2) 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

		2022/23	2021/22
Starter rate	19%	£2,162	£2,097
Basic rate	20%	2,163-13,118	2,098-12,726
Intermediate rate	21%	13,119-31,092	12,727-31,092
Higher rate	41%	31,093-150,000	31,093-150,000
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	2022/23	2021/22
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	

Notes

1. 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.
2. If remittance basis is claimed, foreign income or gains is only taxable in the UK when remitted to the UK.
3. Those persons domiciled or deemed domiciled in the UK are not eligible to claim remittance basis.

Residential landlords

	2022/23	2021/22
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)

	2022/23	2021/22
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

	2022/23	2021/22
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. Tax relief is generally obtained on pension contributions in one of three ways:
   a) Under "net pay arrangements" i.e. contributions come out of gross pay;
   b) By "relief at source" (RAS) i.e. contributions are made net of basic rate tax (which the fund claims back from HMRC);
   c) Salary sacrifice (see note 13).
2. Tax relief at the taxpayer's marginal income tax rate is given on the individual's 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. Employers 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 currently 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 and has further pension inputs. There is no carry forward of unused MPAA.
13. Salary sacrifice for pension contributions is very tax-efficient. An employee agrees to give up some of their salary in exchange for pension contributions by the employer, which are are exempt from income tax and National Insurance.
14. The amount that must be paid to the employee for National Minimum Wage (NMW) purposes will be the post salary sacrifice amount, so a salary sacrifice can't generally take an employee below the NMW. There is an exception where an employee is provided with work-related accommodation under a salary sacrifice arrangement.
15. The post-salary sacrifice amount will apply for all tax, NIC and benefits purposes, including tax credits, pension net relevant earnings and statutory redundancy.
16. 'Auto enrolment' (AE) makes it a legal requirement for all employers to automatically enrol their eligible employees into a workplace pension and make contributions to that pension.
17. Under AE, the total minimum contribution is 8% of salary, of which the employer must fund a minimum of 3% of salary.
18. Employees can opt out of AE but those that do will need to be re-enrolled every three years.
19. Self-invested Personal Pensions (SIPPs) are a form of personal pension fund that can invest in a wider range of assets than other pension funds, where the investment is restricted to insurance-backed funds.
20. In particular, the permitted investments include direct holdings of quoted investments and commercial property. The latter is often owned by SIPPs of business owners, with the property being rented to the business as premises from which to operate. The rental payments are tax-deductible for the business and tax-exempt receipts for the SIPP.
21. Unlike other pension schemes, SIPPs are allowed to take on debt. They can (broadly) borrow up to 50% of their net asset value to invest in permitted investments.

State pension

Maximum amount per week	2022/23	2021/22
Old state pension	£141.85	£137.60
New state pension	185.15	179.60

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	2022/23	2021/22
Individual Savings Account (ISA)		
– Overall Limit	£20,000	£20,000
– Lifetime ISA (LISA)	4,000	4,000
– Junior ISA	9,000	9,000
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 clawed back, with an additional 5% charge (i.e. total charge of 25% of amount withdrawn).
5. Junior ISAs are 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. EIS, VCT and SITR investments attract 30% Income Tax relief, but those schemes all have different qualifying rules.
7. SEIS investments attract 50% Income Tax relief.
8. 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.
9. Gains reinvested under SEIS, within the same tax year, up to the investment limit attract 50% exemption from CGT.
10. 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.
11. 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).
12. 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 2022/23

	Week	Month	Year
Lower Earnings Limit (LEL)	£123	£533	£6,396
Primary Threshold (PT)			
6.4.2022 to 5.7.2022:	190	823	N/A
6.7.2022 to 5.4.2023:	242	1,048	N/A
Secondary Threshold (ST)	175	758	9,100
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 accesses entitlement to contributory benefits.
3. For those paid regularly, the PT for 2022/23 is equivalent to £11,908 for the year. It will become equal to the personal allowance (£12,570) in 2023/24.

Class 1 NIC rates 2022/23

	Employee	Employer
PT/ST to UEL	13.25%	15.05%
Above the UEL	3.25%	15.05%
Class 1A/1B	N/A	15.05%

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;
   - apprentices aged under 25;
   - armed services veterans in the first 12 months of civilian employment.
3. Employers with physical premises in a Freeport tax site ('Freeport employers') are eligible for some relief from employers' Class 1 NIC. See page 24.
4. 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 13.25% rate is only applied to income between the PT and the UEL.
5. An 'employment allowance' of £5,000 (2021/22 £4,000) per qualifying business gives exemption from Class 1 Employer NIC. Some businesses are excluded, including certain sole director companies and employers that had an employer's Class 1 NIC liability of £100,000 or more for 2021/22. Employee NIC are unaffected.
6. Employer contributions (at 15.05%) are also due on most taxable benefits (Class 1A) and on the amount chargeable to income tax under a PAYE settlement agreement (Class 1B).
7. When an employer reimburses non-deductible expenses to an employee, who has paid the initial cost themselves, the reimbursed amount is treated as earnings and is subject to PAYE and Class 1 NIC.

Class 2 NIC

Rate per week	2022/23	2021/22
Flat rate	£3.15	£3.05
Small Profits Threshold (SPT)	6,725	6,515
Lower Profits Limit (LPL)	11,908	N/A

Notes

1. Self-employed people pay Class 2 NIC if their profits exceed the LPL (2021/22 SPT).
2. Those with profits above the SPT access entitlement to contributory benefits and can pay Class 2 NIC voluntarily to maintain this access if profits are below that level.

Class 3 NIC

Rate per week	2022/23	2021/22
Flat rate	£15.85	£15.40

Note

Anyone who wants to maintain State Pension rights may pay voluntary Class 3 NIC, but there are restrictions on paying Class 3 (or voluntarily paying Class 2) where the individual lives abroad.

Class 4 NIC

Annual	2022/23	2021/22
Lower profits limit (LPL)	£11,908	£9,568
Upper profits limit (UPL)	50,270	50,270
LPL to UPL	10.25%	9%
Above UPL	3.25%	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

		2022/23	2021/22 chargeable % for cars first registered	
CO_2 g/km	Electric Range miles	All cars %	Pre 6.04.2020 %	Post 5.04.2020 %
0	N/A	2	1	1
1-50	>130	2	2	1
1-50	70 -129	5	5	4
1-50	40 - 69	8	8	7
1-50	30 - 39	12	12	11
1-50	<30	14	14	13
51-54	N/A	14	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 15.05% (2021/22: 13.8%) on the benefit.
4. Diesel cars (with some exceptions, including cars featuring 48V mild-hybrid technology) suffer a 4% supplement on the table's figures, but are still capped at 37%

Car fuel benefit

	2022/23	2021/22
Benefit multiplier	£25,300	£24,600

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 5p/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

	2022/23	2021/22
Ordinary van	£3,600	£3,500
Zero-emission van	Nil	Nil
Fuel benefit	688	669

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

	2022/23	2021/22
Official Rate of Interest (ORI)	2.00%	2.00%

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 to shareholders of the company 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. The above mileage rates also apply to employees completing business journeys in their own electric vehicle, as long as the employee is charging the vehicle themself.
2. Passenger must be completing the same business journey.
3. 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.

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 (or 10% of income if lower) out of pre-tax pay. Employer can match each share bought with up to two more.	If shares 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.

Childcare vouchers and Tax-free Childcare (TFC)

Childcare vouchers - weekly exempt amount

	2022/23	2021/22
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 has income of 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. 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.
6. Unlike the voucher scheme, TFC is available to the self-employed.
7. You cannot get TFC at the same time as claiming Working Tax Credit, Child Tax Credit or Universal Credit.

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 Pensions)
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
"Trivial benefits" not given in recognition of work done (or to be done)	£50 and not cash or a cash voucher; 6 x £50pa cap for directors of most small companies
Long-service awards where the service is not less than 20 years and no similar award has been made to the same employee within the previous 10 years.	Non-cash awards of up to £50 per year of service
Christmas or other annual party open to staff generally	£150 a head per employee attending (or £300 where employee can bring a guest)
Home working allowance if required to work from home	£6 per week or £26 per month (or higher amount if there is evidence of higher costs incurred)

Capital Gains Tax

Annual Exempt Amount (AEA)

	2022/23	2021/22
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

	2022/23 & 2021/22 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. There is no CGT on gains accrued to the date of a taxpayer's death.
3. 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.
4. 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 2024 for 2022/23) as part of the self assessment process. However, for disposals of UK residential property, any CGT is due within 60 days of completion of sale.
7. Non-residents disposing of any UK land and buildings must pay CGT within 60 days of completion

Business Asset Disposal Relief (BADR)

	2022/23	2021/22
Lifetime limit	£1m	£1m
CGT on qualifying disposals	10%	10%

Notes

1. Disposals made by individuals or certain trustees can qualify for BADR.
2. 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 disposed of as an 'associated disposal' of 5% or more of either the company's shares or the partnership interest.

Investors' relief

	2022/23	2021/22
Lifetime limit	£10m	£10m

Note

This relief gives a 10% CGT rate to certain investors in qualifying unquoted trading companies. Various conditions apply.

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; lifetime gifts of quoted shares and land also enjoy 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	1.4.2022	1.4.2021
Corporation Tax rate	19%	19%

Notes

1. From 1 April 2023, the rate will be 25% when profits are at least £250,000. Profits between £50,000 and £250,000 will be taxed at a marginal rate of 26.5% and those up to £50,000 at 19%.
2. These limits will be split between the number of 'associated companies', which are, broadly, companies under common control plus any company exercising that control (subject to exceptions).
3. Most companies must pay their Corporation Tax within nine months and a day after the end of the accounting period.
4. 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.
5. All companies must file Corporation Tax returns online within 12 months of the end of the accounting period.

Research and Development

	1.4.2022	1.4.2021
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 1.4.19, 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 - 31.3.23	£1,000,000	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. Where the accounting period of acquisition straddles 31 March 2023, the rate of Super-deduction and FYA will be restricted.
7. Cars are not usually eligible for the Super-deduction, FYA or AIA but there are certain exceptions, including dual-control driving instructors' vehicles and hackney carriages.
8. In general terms, plant and machinery comprises items that perform a function in the business, rather than providing the setting within which the trade is conducted.

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.
3. On disposal of a qualifying structure or building, the acquirer continues to claim the allowances that would have been available to the previous owner.

Unincorporated Business Tax

Basis of assessment

Up to 2022/23	Current year basis
From 2024/25	Tax year basis

Notes

1. Under current year basis, the profits assessable for a tax year are those arising in the 12-month accounting period ending in the tax year (e.g. y/e 30 April 2022 is assessed in 2022/23).
2. Special assessment rules apply on commencement of trade, cessation of trade and a change of accounting date.
3. The commencement of trade rules may involve some profits being assessed more than once ('overlap profits'), with credit given for them on eventual cessation of trade or (in some circumstances) on a change of accounting date.
4. Under tax year basis, the profits assessable for a tax year will be those arising in the tax year.
5. 2023/24 is a transition year where businesses will move from the old system of assessment to the new one.
6. The transition year rules (for those businesses that do not have a 31 March or 5 April year-end) will involve:
   - up to 23 months' worth of profits being assessed; and
   - the set-off of any overlap profits brought forward.
7. In the transition year, any additional profits over and above those that would have been assessable under the current year basis rules will be
   - spread over 5 years for tax purposes; and
   - ignored when determining the income level for personal allowance abatement (see page 2) or the High Income Child Benefit Charge (see page 4).
8. The above rules apply also for partnerships and limited liability partnerships (LLPs).

Cash basis

	2022/23	2021/22
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;
   - The £500 limit on interest costs does not apply but finance costs of residential landlords are dealt with under the rules covered on page 3.

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 rent, utilities other similar costs. It does not cover internet or telephone expenses.
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.

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