

Subject: Tax Rises April 2022

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TAX RISES FROM APRIL 2022

As you will have heard the prime minister last week announced a **1.25% rise in both National Insurance Contributions (NICs) and dividend tax from 6 April 2022**. The dust on this announcement is starting to settle and we now have some more detail on how this will work in practice.

This is what we know so far:

- NICs will increase by 1.25% from April 2022 for both employees and employers but for one year only
- NICs will increase by 1.25% from April 2022 for the self-employed but for one year only
- Those above State Pension Age are not impacted by these April 2022 changes
- From April 2023 a new ringfenced **Health and Social Care Levy of 1.25%** will be introduced to replace the 1.25% NICs rise – this will be chargeable on employees and employers, and the self-employed, in the same way as NICs. When the new Levy comes into effect, NICs will revert back to their current levels
- The new Levy will also be extended to apply to those over State Pension age who are in work and with employment income or profits from self-employment above £9,568
- The new Levy will be administered by HMRC and collected through

- The new Levy will be administered by HMRC and collected through the existing PAYE and self-assessment system
- From April 2022 employers will need to include a reference to the new Levy on the payslip and from April 2023 the new Levy will need to be shown as a separate deduction on employee payslips
- **The government will also increase the income tax payable on dividends by 1.25% from April 2022**

Further details can be found at <https://www.gov.uk/government/news/record-36-billion-investment-to-reform-nhs-and-social-care>

National Insurance

Very broadly the rates will increase as follows:

		Employee	Employer	Self-employed
Current	21/22	12.00%	13.80%	9.00%
Proposed	22/23	13.25%	15.05%	10.25%

The increase in rate to 15.05% will also apply to NICs payable on Benefits in Kind.

Dividend Tax

From 6 April 2022 all rates of dividend tax will increase by 1.25%. The rates will be as follows:

		Basic rate	Higher rate	Additional rate
Current	21/22	7.50%	32.50%	38.10%
Proposed	22/23	8.75%	33.75%	39.35%

Dividend tax is charged on dividends that an individual receives in excess of the dividend allowance (£2,000 in 2021/22).

The government have not yet provided details of the proposed tax bands for 2022/23.

This increase comes on top of the proposed increase to the corporation tax rate from 19% to 25% from 1 April 2023, which means the effective

tax rate from 19% to 25% from 1 April 2023, which means the effective tax rate for shareholders drawing money as dividends will increase significantly from April 2023.

The Team at Allens



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