

National Insurance and Dividend tax rates rise to boost NHS and Social Care funds

Employees, employers and the self-employed will pay 1.25p more in the pound for National Insurance contributions (NICs) from April 2022 in a bid to give a financial boost to the NHS and to help pay for social care in the UK.

The Government made the announcement as part of measures to safeguard the NHS as it recovers from the effects of the pandemic.

The rise in NICs will be in place for a year and from 2023, it will return to its current rate. Then an extra tax on earned income will then be introduced as a new Health and Social Care Levy, which is likely to be announced in the Autumn Budget on 27 October 2021. It will be calculated in the same way as NIC and it will appear on an employee's payslip.

The changes are expected to raise up to £12bn a year, which will initially ease financial pressures for the NHS, and over the next three years a proportion will be moved into the social care system.

The 1.25% increase applies to the Class 4 contributions paid by the

self-employed on their profits as well as the Class 1 contributions paid by employees increasing the rates to 10.25% and 13.25% respectively.

The employer's Class 1 rate will increase from 13.8% to 15.05% however many small businesses are able to set off a £4,000 employment allowance against their employer's NIC liability.

The 1.25% additional levy doesn't just apply to national insurance contributions, it is proposed that the income from dividends, earned by those who own shares in companies, will also see a 1.25% tax increase.

This would mean that after the £2,000 tax free dividend allowance the rate of tax would be 8.75% for basic rate taxpayers, 33.75% for higher rate taxpayers and 39.35% for those with income in excess of £150,000 a year.

HWB Senior Tax manager, Alan Rolfe, confirmed: "It is still more advantageous for a business owner to draw money from the business in a combination of salary and dividends. To find out the optimal figure for you, contact your HWB director to discuss.

"Business owners will need to consider covering this extra cost to employees when looking at pay increases, just to keep their net pay at the same level as before this increase."

You can read more detail about the proposals at https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1015736/Build_Back_Better-Our_Plan_for_Health_and_Social_Care.pdf

HMRC Tax Enquiry Fee Protection Service

Fee Protection renewal date: 01/11/21.

It is possible for HMRC to open an enquiry into your tax affairs for numerous reasons. These are not always linked to having incorrect tax returns. HWB's Fee Protection covers all professional fees for responding and resolving the enquiry.

Contact James Alesbury on 023 8046 1222 or email james.alesbury@hwb-accountants.com



There's a buzz around B corps

With increasing awareness of the need for businesses to be more respectful of the environmental cost of their actions, as well as bottom-line considerations, we are hearing more about B corps.

The UK has the second largest B corp community in the world, with combined revenue of £4.3 billion, representing 48 industries.

What is a B corp?

Certified B Corporations or B corps are businesses that meet the highest standards of verified social and environmental performance, public transparency and legal accountability to balance profit and purpose.

They recognise that society's most challenging problems cannot be solved by government and non-profit organisations alone and businesses have a big part to play.

Profits and growth can be used for a greater end, resulting in positive impacts for employees, communities and the environment.

The B corp community is working towards:

- Reduced inequality
- Lower levels of poverty
- A healthier environment
- Stronger communities
- More high quality jobs with dignity and purpose.

More than 700 companies have signed up to support the Better Business Act which is calling for UK law to change to ensure every company, whether large or small, aligns the interests of shareholders with those of the wider society and the environment.

Alan Williams, Director at HWB, said: "Increasingly, businesses will be judged on their environmental impact and the stance they take on major issues in society such as racism and inequality.

"The B corp movement is gaining traction and the pandemic has only served to increase the number of businesses scrutinising their operations."

Keeping it in the family



Getting your child involved in the family business may seem like the most natural thing to do, but it's worth remembering there are a raft of rules designed to protect youngsters in the workplace.

Under the law, a child is deemed any person under compulsory school age and they are only allowed to do light work that won't affect their health and development, their school attendance or other work experience.

Many family businesses overlook the need to have a work permit in place to employ their own children and leave themselves at risk of prosecution by the local authority, as well as falling foul of health and safety regulations.

The potential fine for an employer failing to have a work permit is £1,000 – in addition, the failure to carry out a risk assessment can result in a fine of up to £2,000. There is also the risk that your employer's liability insurance would not cover a child who has been employed without the necessary permit.

The work permit application is straightforward and once the local authority is happy the employment is lawful, the child's health and welfare will be looked after and that it will not negatively impact on their education, they will issue a work permit which needs to be kept by the employer for the duration of the child's employment.

Charity update on validity of e-signatures

The Charity Commission has updated its guidance on using electronic signatures in charity accounts, covering both audits and independent examiner's reports.

Section 3.2 of CC15d has now been updated to:

"A charity's governing document may have specific requirements about using handwritten or electronic signatures.

"If it does not, signatures on balance sheets and trustees' annual reports do not have to be 'wet ink' or handwritten.

"Electronic signatures can be used, for example, typed signatures or electronic versions of a handwritten signature".

Please note that the Charity Commission's electronic annual return service requires that the report and accounts are uploaded in PDF format anyway.



State pension increases – ‘triple lock’ protection is suspended

In line with expectation, the government announced earlier this month that the ‘triple lock’ pledge, originally placed in its manifesto (to last until the end of this parliament), has been suspended for at least a year.

Originally, the triple lock (which was introduced so that pensioners were not overtaken by rising living costs) meant that the state pension increase would increase by one of the following:

- ❑ The rise in the Consumer Price Index (CPI) measure of inflation
- ❑ Increasing average wages
- ❑ 2.5%.

However, average earnings have risen far more sharply than anticipated.

The unique post-pandemic rise is an unusually high 8% (the largest increase since a 5.2% rise back in 2012). This has largely been caused by the increased number of employees returning to full paid work after being placed on furlough. The loss of many low paid jobs has also contributed to this surge in the average rate.

The average earnings option will therefore be disregarded when determining the rise in state pensions for the 2022-23 financial year. Instead, the rise in pensions for this period will be based on the greater of



the following:

- ❑ The rise in the CPI rate, or
- ❑ 2.5%.

The work and pensions secretary Therese Coffey did mention that the triple lock suspension should only last a year and that it

will be restored for the remainder of the current parliament.

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Changes are proposed for LLPs SORP

The Consultative Committee of Accountancy Bodies (CCAB) has published a revised draft of the Limited Liability Partnerships (LLPs) Statement of Recommended Practice (SORP), after stakeholder feedback regarding assessing whether a division of profit is automatic or discretionary.

The proposed changes, effective for financial years beginning from 1 January 2022 if adopted, also streamline the LLPs SORP to improve the overall structure and flow of the guidance.

Consultation ended on 24 September.
<https://tinyurl.com/pzprdes>

Don't get caught out by furlough requirements

The Coronavirus Job Retention Scheme (CJRS) or furlough, was wound down at the end of September after 18 months, four extensions, 11.6 million jobs furloughed and at a cost of nearly £70 billion.

Many small business owners who have furloughed employees may be unaware that it is an accounting regulations

requirement to report the government assistance received as grant income and not offset it against the payroll expense.

Something to watch for in your year-end accounts.

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Are you making the most of the Apprenticeship Levy?

Employers with annual pay bills in excess of £3m are obliged to pay the Apprenticeship Levy.

The tax on employers is designed to pay for apprenticeship training and it was introduced to increase the number and quality of apprenticeships.

Employers can spend their levy funds on training an

apprentice to an approved standard or framework. This includes either existing staff or new recruits as long as the training meets an approved standard or framework and the individual meets the eligibility criteria.

Employers can only spend their levy funds on apprenticeship training delivered by an approved

provider. This could be through buying in training from an approved provider or delivering the training themselves.

If employers do not spend their levy funds these will be lost. There is a time limit of 24 months.

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Glorious mud: HWB Associate Director James Flood (above right) and Business Adviser Tom Young (above left).

Right: The Tough Mudder team finishers

When the going gets tough, HWB gets going

Teamwork and digging deep took on real meaning for HWB Associate Director James Flood and Business Adviser Tom Young when they took part in a recent Tough Mudder event.

The challenging 10-mile course included 26 obstacles and plenty of mud, and James, Tom and the rest of their team did not let the soggy weather conditions dampen their spirits.

James said: "It was a fantastic day and we all really enjoyed the challenge, even more so knowing that we were raising money for a great cause".

"It's not so much a race as about getting to the end as a team and we certainly managed that, despite a few

injuries being picked up along the way."

From donations by HWB employees, family, and friends, James and Tom raised just over £1,000 for Abby's Heroes, who support children, teenagers, young adults and their families when diagnosed with cancer.

James added: "The event has been delayed a few times over the last eighteen months due to COVID, so we were pleased to have completed it.

"We are looking forward to arranging our next challenge soon."

If you would like to donate to Abby's Heroes, go to <https://uk.virginmoneygiving.com/hwb-tough-mudder>.

HWB seminars are back in action

Our regular seminar programme is back live! You can now register for the following:

- ❑ Personal Resilience with business psychologist Sue Firth – 20 October – Axis Conference Centre, SO16 7NP
- ❑ Academy Forum with HWB Directors – 25 January 2022 – Thornden School, Chandlers Ford

❑ Super Tribes with Simon Rhodes of Red Heart Blue Head – 17 February 2022 – Axis Conference Centre, SO16 7NP.

To find out more about these events and to register, visit our website www.hwb-accountants.com/events/

If you've missed any of our previous events, you can catch up via our YouTube channel, where there are also some useful guide videos: www.youtube.com/c/Hwb-accountants

Martin becomes Tax Compliance Manager

As part of HWB's strategy for growth, Martin Back has been promoted to Tax Compliance Manager.



A key member of the tax specialism team at HWB, Martin focuses on EIS (Enterprise Investment Scheme), 30 Day CGT disposals and taxation of rental properties.

He began working for the firm five years ago and achieved his ATT qualification in November 2019. Martin studied Economics at the University of Portsmouth and achieved a 1st class Bachelor of Science degree.

Outside of work, Martin enjoys football and cooking.

Summer recruitment drive pays dividends

The past few months have been buzzing with new starters at HWB. Over the summer, 11 trainees and a new secretary have joined the firm, along with new Tax Manager Joe Wilson; Marketing Executive Emma Kemp and HR Manager Shelley Harding.

Operations Director Tracy Jenkins says, "It's an exciting time at HWB and wonderful to see so many people joining the firm. As we begin to return to normality in the office, it's great to have so many new faces working alongside those who have been with HWB for many years.

"As well as attracting highly skilled individuals who will complement our existing talent base, we are keen to offer opportunities to the next generation."

Joe joins HWB from one of Devon's leading independent chartered accountants and will focus on tax advisory work for individuals and owner-managed businesses and prepare tax returns for clients.

Emma is Southampton born and bred, and has worked in professional services marketing for a number of years, including local law firms and a commercial business agency.

Welcome to all our new staff!