



2021/22 TAX RATES AND ALLOWANCES POCKET GUIDE



| | |
|---|---------|
| Income tax allowances and rates, ISAs, tax reliefs, child benefit, pensions and key dates | 1 - 6 |
| National insurance contributions rates | 7 - 8 |
| Capital allowances, corporation tax and VAT | 8 - 10 |
| Car and van benefits, statutory payments, minimum wage rates | 10 - 13 |
| Capital gains, inheritance and stamp taxes | 13 - 16 |

Income tax allowances

- The Personal Allowance gives an individual an annual amount of income free from tax.
- The Personal Allowance will be reduced if an individual's 'adjusted net income' is above £100,000. The allowance is reduced by £1 for every £2 of income above £100,000.
- A married person born before 6 April 1935 may be entitled to a Married Couple's Allowance. This is not deducted from income but reduces the tax bill.
- Marriage Allowance - 10% of the personal allowance may be transferable between spouses where neither pays tax above the basic rate. This Marriage Allowance is not available to couples entitled to the married couple's allowance.
- Reference to spouses includes registered civil partners.

| Income tax personal allowances | 2021/22 | 2020/21 |
|--|---------|---------|
| | £ | £ |
| Personal Allowance | 12,570 | 12,500 |
| Marriage Allowance | 1,260 | 1,250 |
| Blind person's allowance | 2,520 | 2,500 |
| Married couple's allowance | | |
| Maximum reduction in tax bill | 912.50 | 907.50 |
| Minimum reduction in tax bill | 353.00 | 351.10 |
| Reduce married couple's allowance by £1 for every £2 of 'adjusted net income' over limit | 30,400 | 30,200 |

Income tax rates

- Income tax applies to the amount of income after deduction of personal allowances. Personal allowances may be allocated against whichever types of income results in the lowest overall tax liability.
- Income is taxed in a specific order with savings and dividend income taxed last.
- There are three main bands – basic rate (BR), higher rate (HR) and additional rate (AR).
- There is also a starting rate band (SRB) of £5,000 which is only applicable to savings income. The band is not available if the taxable amount of non-savings income exceeds the SRB.
- Savings income and dividend income are taxed using UK rates and bands regardless of where the taxpayer is resident in the UK.

Income tax rates (other than dividend income)

| 2021/22 | | 2020/21 | |
|------------------|--------|------------------|--------|
| Band £ | Rate % | Band £ | Rate % |
| 0 - 37,700 | 20 | 0 - 37,500 | 20 |
| 37,701 - 150,000 | 40 | 37,501 - 150,000 | 40 |
| Over 150,000 | 45 | Over 150,000 | 45 |

Devolved income tax rates

Scotland

Scottish resident taxpayers are liable on non-savings and non-dividend income as set out below.

| 2021/22 | | 2020/21 | |
|------------------|--------|------------------|--------|
| Band £ | Rate % | Band £ | Rate % |
| 0 - 2,097 | 19 | 0 - 2,085 | 19 |
| 2,098 - 12,726 | 20 | 2,086 - 12,658 | 20 |
| 12,727 - 31,092 | 21 | 12,659 - 30,930 | 21 |
| 31,093 - 150,000 | 41 | 30,931 - 150,000 | 41 |
| Over 150,000 | 46 | Over 150,000 | 46 |

Wales

Although income tax has been devolved to Wales, Welsh resident taxpayers continue to pay the same overall tax rates as taxpayers resident in England and Northern Ireland.

| 2021/22 | | | |
|------------------|--------------|-----------------|-------------------|
| Band £ | UK Rate % | Welsh Rate % | Overall Rate % |
| 0 - 37,700 | 10 | 10 | 20 |
| 37,701 - 150,000 | 30 | 10 | 40 |
| Over 150,000 | 35 | 10 | 45 |

Other allowances for specific types of income

Savings and Dividend Allowances are available. These tax relevant income falling within the allowances at 0%. The income still forms part of total income of an individual.

| Savings Allowance | 2021/22 and 2020/21 |
|-------------------|---------------------|
| BR taxpayer | £1,000 |
| HR taxpayer | £500 |
| AR taxpayer | £0 |

| Dividend Allowances | 2021/22 and 2020/21 |
|----------------------------|---------------------|
| Available to all taxpayers | £2,000 |
| Above Dividend Allowance: | Rate% |
| BR band | 7.5 |
| HR band | 32.5 |
| AR band | 38.1 |

| Trade Allowance | 2021/22 and 2020/21 |
|---------------------|---|
| Income up to £1,000 | Profits assessable NIL |
| Income over £1,000 | Election to deduct £1,000 allowance rather than the actual expenses |

There is an equivalent rule for certain miscellaneous income from providing assets or services which applies to the extent that the £1,000 allowance is not used against trading income.

| Property Allowance | 2021/22 and 2020/21 |
|---------------------|---|
| Income up to £1,000 | Profits assessable NIL |
| Income over £1,000 | Election to deduct £1,000 allowance rather than the actual expenses |

Trade and Property Allowances do not apply to 'rent a room' or partnership income.

Individual Savings Accounts (ISAs)

| ISA limits | 2021/22 | 2020/21 |
|--|---------|---------|
| The overall annual investment limit | £20,000 | £20,000 |
| Lifetime ISA annual limit | £4,000 | £4,000 |
| Help to Buy ISA monthly subscription limit | £200 | £200 |
| Junior ISA annual limit | £9,000 | £9,000 |

Tax reliefs for individuals

The following schemes provide income tax relief and capital gains tax breaks for individuals investing in new and growing companies.

| Enterprise Investment Scheme (EIS) | |
|--|------------|
| Maximum investment per annum | £1,000,000 |
| Additional investment limit where investing in knowledge-intensive companies | £1,000,000 |
| Income tax relief | 30% |
| Capital gains treatment on disposal of EIS investment held for three years | Exempt |

Capital gains from the disposal of other assets may be deferred by making an EIS investment.

Seed Enterprise Investment Scheme (SEIS)

| | |
|---|----------|
| Maximum investment per annum | £100,000 |
| Income tax relief | 50% |
| Capital gains treatment on disposal of SEIS investment held for three years | Exempt |

Capital gains from the disposal of other assets may be exempt up to £50,000 per annum by making an SEIS investment.

Venture Capital Trusts (VCTs)

| | |
|-------------------------------------|----------|
| Maximum investment per annum | £200,000 |
| Income tax relief | 30% |
| Dividend income | Exempt |
| Capital gains treatment on disposal | Exempt |

Child Benefit

Child Benefit is receivable by a person responsible for each child under 16, or under 20 if they stay in education or training.

If the person (or their spouse or partner) has 'adjusted net income' above £50,000, the person with the highest income has to pay back some of the Child Benefit as a tax charge. If their 'adjusted net income' is more than £60,000 a year, the tax charge equals the Child Benefit received.

| Rates per week | 2021/22 | 2020/21 |
|-------------------|---------|---------|
| Eldest/Only Child | £21.15 | £21.05 |
| Other Children | £14.00 | £13.95 |

State Pension

| Weekly State Pension | 2021/22 | 2020/21 |
|-----------------------|---------|---------|
| Basic - single person | £137.60 | £134.25 |
| New state pension | £179.60 | £175.20 |

Tax relief on pension contributions

- Tax relief available for personal contributions is the higher of £3,600 (gross) or 100% of relevant earnings.
- Any contributions in excess of £40,000, whether personal or by the employer, may be subject to income tax on the individual.
- The limit may be reduced to £4,000 once money purchase pensions are accessed.
- Where the £40,000 limit is not fully used it may be possible to carry the unused amount forward for three years.
- The annual allowance is tapered for those with 'adjusted income' over £240,000 if they also have 'threshold income' over £200,000. Both 'adjusted income' and 'threshold income' for this purpose have specific detailed conditions. For every £2 of income over £240,000 an individual's annual allowance will be reduced by £1, down to a minimum of £4,000.
- Employers will obtain tax relief on employer contributions if they are paid and made 'wholly and exclusively' for the purposes of the business. The tax relief for large contributions may be spread over several years.

Self assessment - Key dates

31 January 2021 - Deadline for filing electronic tax returns for 2019/20. Balancing payment due for 2019/20 tax year. First payment on account due for 2020/21 tax year.

31 July 2021 - Second payment on account for 2020/21 tax year.

5 October 2021 - Deadline for notifying HMRC of new sources of income (including the Child Benefit charge) if no tax return has been issued for 2020/21 tax year.

31 October 2021 - Deadline for submission of 2020/21 non-electronic returns.

30 December 2021 - Deadline for submission of 2020/21 electronic tax returns if 'coding out' of certain underpayments is required.

31 January 2022 - Deadline for filing electronic tax returns for 2020/21. Balancing payment due for 2020/21 tax year. First payment on account due for 2021/22 tax year.

National insurance contributions (NICs) - rates and allowances

- Employees start paying Class 1 NICs from age 16 (if sufficient earnings).
- Employers pay Class 1 NICs in accordance with the table below.
- Employer NICs for apprentices under the age of 25 and employees under the age of 21 are reduced from the normal rate of 13.8% to 0% on earnings up to the upper secondary threshold (UST) of £967 per week. Also applies to veterans in the first 12 months of civilian employment.
- Employees' Class 1 NICs stop when they reach their State Pension age. Employer contributions continue.

| Employee Class 1 - Earnings per week | | | |
|--------------------------------------|--------|----------------|--------|
| 2021/22 | Rate % | 2020/21 | Rate % |
| Up to £184 | Nil | Up to £183 | Nil |
| £184.01 - £967 | 12 | £183.01 - £962 | 12 |
| Over £967 | 2 | Over £962 | 2 |

Entitlement to State Pension and other contribution-based benefits is retained for earnings between £120 and £184 per week.

| Employer Class 1 - Earnings per week | | | |
|--------------------------------------|--------|------------|--------|
| 2021/22 | Rate % | 2020/21 | Rate % |
| Up to £170 | Nil | Up to £169 | Nil |
| Over £170 | 13.8 | Over £169 | 13.8 |

Other NICs payable by employers

Class 1A - 13.8% on broadly all taxable benefits provided to employees and on certain taxable termination and sporting testimonial payments in excess of £30,000.

Class 1B - 13.8% on PAYE Settlement Agreements.

Self-employed - Class 2 and 4

- A self-employed person starts paying Class 2 and Class 4 NICs from age 16 (if sufficient profits).
- Class 2 NICs stop when a person reaches State Pension age.
- Class 4 NICs stop from the start of the tax year after the one in which the person reaches State Pension age.

| Class 2 | 2021/22 | 2020/21 |
|-------------------------|---------|---------|
| Flat rate per week | £3.05 | £3.05 |
| Small Profits Threshold | £6,515 | £6,475 |

| Class 4 | | | |
|---------------------|--------|---------------------|--------|
| 2021/22 | Rate % | 2020/21 | Rate % |
| Up to £9,568 | Nil | Up to £9,500 | Nil |
| £9,568.01 - £50,270 | 9 | £9,500.01 - £50,000 | 9 |
| Over £50,270 | 2 | Over £50,000 | 2 |

Class 3

Generally a person needs 35 years (30 years if State Pension age is before 6 April 2016) of NICs to get a full State Pension.

Class 3 voluntary contributions can be paid to fill or avoid gaps in an individual's NICs record.

| Class 3 | 2021/22 | 2020/21 |
|--------------------|---------|---------|
| Flat rate per week | £15.40 | £15.30 |

Capital allowances

Plant and machinery - Annual Investment Allowance

The Annual Investment Allowance (AIA) gives a 100% write-off on most types of plant and machinery costs, including integral features and long life assets but not cars.

Any costs over the AIA fall into the normal capital allowance pools detailed below. The AIA may need to be shared between certain businesses under common ownership and is not available to mixed partnerships with corporate partners.

| | |
|---|------------|
| AIA from 1 January 2019 to 31 December 2021 | £1,000,000 |
| AIA from 1 January 2022 | £200,000 |

Other allowances

| | |
|---|------|
| Corporation tax super-deduction on certain plant and machinery | 130% |
| First Year Allowance (FYA) on certain plant, machinery and cars of 0 g/km | 100% |
| Corporation tax FYA on long-life assets, integral features of buildings, etc. | 50% |

Writing Down Allowance

| | |
|---|-----|
| Long-life assets, integral features of buildings, cars over 50 g/km | 6% |
| Other plant and machinery | 18% |
| Structures and Buildings Allowance | 3% |

| Cars purchased from April 2021 | before April 2021 | % |
|--------------------------------|-------------------|-----|
| > 50 g/km | > 110 g/km | 6 |
| ≤ 50 g/km | ≤ 110 g/km | 18 |
| ECA 0 g/km | ECA ≤ 50 g/km | 100 |

Corporation tax rates

Corporation tax rates are set for each Financial Year. A Financial Year runs from 1 April to the following 31 March.

If the accounting period of a company straddles the 31 March, the profits are apportioned on a time basis to each Financial Year.

| | Year to 31.3.22 and 31.3.21 |
|-------------|-----------------------------|
| All profits | 19% |

Different rates apply to ring-fenced (broadly oil industry) profits.

VAT

| VAT - rates and limits | 2021/22 and 2020/21 |
|--|---------------------|
| Standard rate | 20% |
| Reduced rate | 5%* |
| Annual Registration Limit - from 1.4.21 | £85,000 |
| Annual Deregistration Limit - from 1.4.21 | £83,000 |

*12.5% for hospitality and tourism from 1 October 2021 to 31 March 2022.

Mileage Allowance Payments (MAPs) for employees

- MAPs are tax free payments that an employee can receive from their employer for using their own vehicle for business journeys.
- If the employee receives less than the statutory rate, tax relief can be claimed on the difference.

| Cars and vans | Rate per mile |
|--------------------|---------------|
| Up to 10,000 miles | 45p |
| Over 10,000 miles | 25p |
| Bicycles | 20p |
| Motorcycles | 24p |

Car benefits

- The car benefit is calculated by multiplying the car's list price, when new, by a percentage linked to the car's CO₂ emissions.
- For fully diesel cars generally add a 4% supplement unless the car is registered on or after 1 September 2017 and meets the Euro 6d emissions standard. The maximum percentage is still capped at 37%.

- The list price is reduced for capital contributions made by the employee up to £5,000.
- Due to a change in the way CO₂ emissions are measured different benefit percentages apply to cars registered from 6 April 2020.

| 2021/22 | | Cars registered pre 6.4.20 | Cars registered after 5.4.20 |
|--------------------------------|-------------|----------------------------|------------------------------|
| CO ₂ emissions g/km | | % of list price taxed | % of list price taxed |
| 0 | | 1 | 1 |
| 1-50 | | | |
| Electric range | 130 or more | 2 | 1 |
| | 70 - 129 | 5 | 4 |
| | 40 - 69 | 8 | 7 |
| | 30 - 39 | 12 | 11 |
| | under 30 | 14 | 13 |
| 51 - 54 | | 15 | 14 |
| For every extra 5 | | +1 | +1 |
| 160 and above | | 37 | n/a |
| 165 and above | | n/a | 37 |

Car fuel benefit

- Car fuel benefit applies if an employee has the benefit of private fuel for a company car.
- The benefit is calculated by applying the percentage used to calculate the car benefit by a 'fuel charge multiplier'.
- The charge is proportionately reduced if provision of private fuel ceases part way through the year. The fuel benefit is reduced to nil only if the employee pays for all private fuel.

| Car fuel benefit | 2021/22 | 2020/21 |
|------------------------|---------|---------|
| Fuel charge multiplier | £24,600 | £24,500 |

Van benefit

- Van benefit is chargeable if the van is available for an employee's private use.
- A fuel benefit may also be chargeable if an employee has the benefit of private fuel paid for in respect of a company van.
- The charges do not apply to vans if a 'restricted private use condition' is met throughout the year.
- From 6 April 2021 a 0% benefit charge may apply to vans which cannot emit CO₂ when driven.

| Van benefits | 2021/22 | 2020/21 |
|--------------|---------|---------|
| Van benefit | £3,500 | £3,490 |
| Fuel benefit | £669 | £666 |

Statutory payments for employees

| Type | | 2021/22 | 2020/21 |
|------------------------------------|------------------------------|------------------------|------------------------|
| Statutory Sick Pay | | £96.35 | £95.85 |
| Statutory Maternity Pay | First 6 weeks | 90% of weekly earnings | 90% of weekly earnings |
| | Next 33 weeks | £151.97 | £151.20 |
| Statutory Paternity Pay | One or two complete weeks | £151.97 | £151.20 |
| Statutory Adoption Pay | First 6 weeks | 90% of weekly earnings | 90% of weekly earnings |
| | Next 33 weeks | £151.97 | £151.20 |
| Shared Parental Pay | Balance of unused SMP period | £151.97 | £151.20 |
| Statutory Parental Bereavement Pay | Two weeks | £151.97 | £151.20 |

Employees need average weekly earnings of £120 to qualify for statutory payments.

With the exception of Statutory Sick Pay, statutory payments may be payable at 90% of weekly earnings throughout the payment period in certain circumstances. This applies where 90% of weekly earnings are less than the standard rate of £151.97 (£151.20).

National Minimum Wage and National Living Wage rates

| Age | NLW | 21-22 | 18-20 | 16 & 17 | Apprentice rate |
|-------------|-------|-------|-------|---------|-----------------|
| From 1.4.20 | £8.72 | £8.20 | £6.45 | £4.55 | £4.15 |
| From 1.4.21 | £8.91 | £8.36 | £6.56 | £4.62 | £4.30 |

The Apprentice rate applies to apprentices under 19, or 19 and over in the first year of apprenticeship. National Living Wage (NLW) applies to those aged 23 and over from 1 April 2021 (previously 25 and over).

Capital gains tax (CGT)

- CGT is payable by individuals, trustees and personal representatives (PRs). Companies pay corporation tax on their capital gains.
- There are annual tax free allowances (the 'annual exempt amount') for individuals, trustees and PRs. Companies do not have an annual exempt amount.
- For individuals, net gains are added to total taxable income to determine the appropriate rate of tax. The standard rate applies only to the net gains which, when added to total taxable income, do not exceed the basic rate band. The higher rate applies above this threshold.
- Gains which qualify for Business Asset Disposal Relief or Investors' Relief are charged at 10% up to the lifetime limit. The lifetime limit for Business Asset Disposal Relief is £1 million. For Investors' Relief the limit is £10 million.
- Higher rates (18/28%) may apply to the disposal of certain residential property and carried interest.

CGT rates and annual exemption

| Individuals | 2021/22 | 2020/21 |
|------------------------|---------|---------|
| Exemption | £12,300 | £12,300 |
| Standard rate | 10% | 10% |
| Higher/additional rate | 20% | 20% |

| Trusts | 2021/22 | 2020/21 |
|-----------|---------|---------|
| Exemption | £6,150 | £6,150 |
| Rate | 20% | 20% |

Inheritance tax (IHT)

- IHT may be payable when an individual's estate is worth more than the IHT nil rate band when they die.
- A further nil rate band of £175,000 may be available in relation to current or former residences.
- The IHT threshold available on death may be increased for surviving spouses as there may have been a nil rate band not used, or not fully used, on the first death.
- There are reliefs for some business and farming assets which reduce their value for IHT purposes.
- IHT may also be payable on gifts made in an individual's lifetime but within seven years of death. Any tax due is payable at death rates subject to a tapered reduction for transfers between three and seven years before death.
- Some lifetime gifts are exempt.
- Transfers of assets into trust made in an individual's lifetime may be subject to an immediate charge but at lifetime rates.
- There are also charges on some trusts.

| Death rate | Lifetime rate | Chargeable transfers 2021/22 and 2020/21 |
|------------|---------------|--|
| Nil | Nil | 0 - £325,000 |
| 40% | 20% | Over £325,000 |

| Relief on gifts | | | | |
|------------------|--------|----------|---------------|--------|
| Annual exemption | £3,000 | Marriage | - parent | £5,000 |
| Small gifts | £250 | | - grandparent | £2,500 |
| | | | - other | £1,000 |

Stamp duty

When you buy shares, you usually pay a tax or duty of 0.5% on the transaction. Stamp Duty Reserve Tax is payable on electronic purchases or Stamp Duty for share purchases over £1,000 via a stock transfer form.

Stamp Duty Land Tax (SDLT)

Land and buildings in England and Northern Ireland.

| Rate | Residential | Non-residential | Rate |
|------|---------------------|-------------------|------|
| % | £ | £ | % |
| 0 | 0 - 500,000* | 0 - 150,000 | 0 |
| 5 | *500,001 - 925,000 | 150,001 - 250,000 | 2 |
| 10 | 925,001 - 1,500,000 | Over 250,000 | 5 |
| 12 | Over 1,500,000 | | |

The rates apply to the portion of the total value which falls within each band.

*£250,000 from 1 July 2021. From 1 October 2021, 0% up to £125,000, 2% from £125,001 - £250,000 and 5% from £250,001 - £925,000.

From 1 July 2021 First-time Buyer relief may apply to residential purchases up to £500,000.

Residential rates may be increased by 3% where further residential properties costing £40,000 or over are acquired.

Land and Buildings Transaction Tax (LBTT)

Land and buildings in Scotland.

| Rate | Residential | Non-residential | Rate |
|------|-------------------|-------------------|------|
| % | £ | £ | % |
| 0 | 0 - 145,000 | 0 - 150,000 | 0 |
| 2 | 145,001 - 250,000 | 150,001 - 250,000 | 1 |
| 5 | 250,001 - 325,000 | Over 250,000 | 5 |
| 10 | 325,001 - 750,000 | | |
| 12 | Over 750,000 | | |

The rates apply to the portion of the total value which falls within each band.

First-time Buyer relief may apply on the first £175,000 of residential purchases.

Residential rates may be increased by 4% where further residential properties costing £40,000 or over are acquired.

Land Transaction Tax (LTT)

Land and buildings in Wales.

| Rate | Residential | Non-residential | Rate |
|------|---------------------|---------------------|------|
| % | £ | £ | % |
| 0 | 0 - 250,000* | 0 - 225,000 | 0 |
| 5 | *250,001 - 400,000 | 225,001 - 250,000 | 1 |
| 7.5 | 400,001 - 750,000 | 250,001 - 1,000,000 | 5 |
| 10 | 750,001 - 1,500,000 | Over 1,000,000 | 6 |
| 12 | Over 1,500,000 | | |

The rates apply to the portion of the total value which falls within each band.

*The rates are 0% up to £180,000, 3.5% from £180,001 - £250,000 and 5% from £250,001 - £400,000 from 1 July 2021.

Residential rates may be increased by 4% where further residential properties costing £40,000 or over are acquired.

Disclaimer: Rates are for guidance only. No responsibility for loss occasioned by any person acting/refraining from action as a result of this information can be accepted by the authors or firm.

Northampton Office

Eagle House
28 Billing Road
Northampton
NN1 5AJ
T. 01604 657200

www.dngca.com



ICAEW
CHARTERED
ACCOUNTANTS