



**MUHASIB**  
CHARTERED CERTIFIED ACCOUNTANTS

**BULLETIN**  
**SEPTEMBER**  
**2021**

## LARGE TAX BILLS FOR THE SELF-EMPLOYED IN 2022/23

The basis periods for assessing self-employed profits will be changed to align with the tax year, according to proposed legislation. Profits and losses will be apportioned to tax years where the accounting period does not match with the tax year beginning in 2023/24, according to the proposed new rules. This is timed to coincide with the beginning of the income tax Making Tax Digital initiative.

Some sole traders and partners, particularly those with a current 30 April year end, may face high tax payments as a result of the proposed transitional provisions for the prior 2022/23 tax year. Earnings earned in the financial year ending 30 April 2021 would be taxed in 2021/22 under present regulations, with profits earned between 6 April 2023 and 5 April 2024 taxed in 2023/24 under the new rules.

But what about the years 2022/23?

Profits taxed in 2022/23 would be for the year ended 30<sup>TH</sup> April 2022 plus the period from 1<sup>ST</sup> May 2022 to 5<sup>TH</sup> April 2023, a total of 23 months profits!

The good news is that there would be a deduction for 11 months of "overlap relief," which generally occurs when profits are taxed twice at the start of a business - but the deductions will typically be substantially lower than the additional 11 months of taxation in 2022/23!

To smooth out the high tax burden, the transitional rules allow the taxpayer to choose to spread the extra profits over the next five tax years.

***We can help you determine how much money you should set aside to address these additional tax bills.***

## NATIONAL INSURANCE CONTRIBUTION EXPECTED TO INCREASE

According to a report, the government may be planning to increase National Insurance Contributions (NICs) by 1% for both employers and employees.

According to the Times, officials have agreed to hike rates in order to raise an additional £10 billion each year for the National Insurance Fund.

This would be used to lower NHS waiting lines initially, before contributing to longer-term social care reforms.

In 2021/22, most businesses pay NICs at a rate of 13.8 percent, while the majority of employees pay NICs at a rate of 12 percent on their earnings.

With many businesses still reeling from COVID-19, the Federation of Small Businesses (FSB) criticised the proposal of hiking the 'jobs tax.'

Mike Cherry, chairman at the FSB, said:

"A lot of business owners have had the worst 16 months of their professional lives.

"Many firms are now struggling with staff being pinged, emergency loans and late payments.

"NICs essentially serve as a jobs tax, making it harder for them to create opportunities.

"To hike them as the furlough scheme and wider support measures end would stop our economic recovery in its tracks before it's even started."

Any changes might take effect as early as April 2022.

***Please contact us if you have any questions about national insurance planning.***

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## 5% RATE ON TOURISM AND HOSPITALITY ENDS 30<sup>TH</sup> SEPTEMBER

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The interim 5% VAT rate that has been imposed to goods made in the tourist and hospitality sectors since the outbreak began will expire at the end of September. From 1<sup>ST</sup> October to 31<sup>ST</sup> March 2022, the rate rises to 12.5 percent before reverting to the normal rate.

This will necessitate a change in accounting software and possibly pricing for businesses in this industry. It's worth noting that alcohol sales are still subject to the 20% tax.

Deposits and other payments received before 30<sup>TH</sup> September 2021, will be taxed at a rate of 5% because that is the tax point for the supply.

***If the VAT change affects your business, please contact us.***

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## INCLUDING IMPORT VAT IN YOUR VAT RETURN

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HMRC recently amended their guidelines on accounting for VAT on products imported from outside the UK, which now includes the European Union as a result of Brexit.

Businesses registered for VAT in the UK can account for import VAT on their VAT Return for goods imported into:

- Great Britain (England, Scotland and Wales) from anywhere outside the UK
- Northern Ireland from outside the UK and EU

Businesses can also account for import VAT on products transferred between the United Kingdom and Northern Ireland that have been declared into a customs special procedure when they are removed from that special procedure.

To account for import VAT on your VAT Return, you do not need HMRC authorisation.

Accounting for import VAT on your VAT Return provides considerable cash flow benefits since you declare and reclaim import VAT on the same VAT Return, rather than paying it ahead when the products are imported and recovering it later.

***Discuss your VAT responsibilities with us.***

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## IMPORTANT DATES

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### SEPTEMBER 2021

1<sup>ST</sup> - New Advisory Fuel Rates (AFR) for company car users

1<sup>ST</sup> - Due date for payment of Corporation Tax for period ended 30<sup>TH</sup> November 2020

7<sup>TH</sup> - Deadline for VAT Returns and payments of Accounting Quarter period ending 31<sup>ST</sup> July 2021

14<sup>TH</sup> - Due date for Corporation Tax quarterly instalment for large companies with year-end 31<sup>ST</sup> March 2022

19<sup>TH</sup> - Monthly deadline for postal payments of CIS, NICs and PAYE to HMRC

22<sup>ND</sup> - Monthly deadline for electronic remittance of CIS, NICs and PAYE to HMRC

30<sup>TH</sup> - CT61 Quarterly Period ends

30<sup>TH</sup> - Corporation Tax Returns filed by companies with 30<sup>TH</sup> September 2020 as year end

### OCTOBER 2021

1<sup>ST</sup> - Due date for payment of Corporation Tax for period ended 31st December 2020

5<sup>TH</sup> - Deadline for Self-Assessment registration to notify HMRC of Income/Capital Gains Tax for 2020/2021

7<sup>TH</sup> - Deadline for VAT returns and payments of Accounting Quarter period ending 31st August 2021

14<sup>TH</sup> - Income Tax due date for CT61 period to 30 September 2021

19<sup>TH</sup> - Monthly deadline for postal payments of CIS, NICs and PAYE to HMRC

22<sup>ND</sup> - Monthly deadline for electronic remittance of CIS, NICs and PAYE to HMRC

31<sup>ST</sup> - Corporation Tax Returns filed by companies with 31st October 2020 as year end

31<sup>ST</sup> - Deadline for postal submission of Self-Assessment Tax Returns for tax year ended 5th April 2021 to be received by HMRC