



**MUHASIB**  
CHARTERED CERTIFIED ACCOUNTANTS

**BULLETIN**  
**NOVEMBER**  
**2021**

## VAT RATE ON HOSPITALITY AND TOURISM INCREASES TO 12.5%

Following the end of a tax break, VAT on pubs, restaurants, vacation rentals, and admission to certain attractions increased from 5% to 12.5% last month.

The standard rate of VAT for struggling businesses in the hospitality and tourism sectors was reduced from 20% to 5% in a temporary cut that began on 8 July 2020. This temporary relief lasted until 30 September 2021, after which the rate for businesses in these sectors rose to 12.5 percent until March 31, 2022.

VAT on purchases in the hospitality and tourism sectors will return to its pre-pandemic level of 20% on 1 April next year, according to current Treasury plans.

Returning the VAT rate to 20%, according to a coalition of the UK's largest hospitality and tourism bodies, risks "derailing the recovery while businesses are still recovering."

In a joint letter, they said:

"Businesses are at a perilous stage of their recovery after what's been a devastating 18 months. Costs are increasing and there are numerous operational challenges for them to deal with, specifically around labour and product supply.

"A reduction in VAT has helped many of our businesses survive to this point and was most welcome. However, the return of VAT to its pre-pandemic level next year would curtail investment, restrict growth, set back our tourism recovery and risk yet more painful job losses."

**Please contact us if you have any questions about VAT.**

## SALARY REDUCTIONS MAY 'DAMPEN INCREASED NICS COSTS.'

Employees may be able to avoid the increase in National Insurance contributions (NICs) in 2022/23 if they agree to make salary sacrifices.

From April 2022, NICs for employees, employers, and the self-employed will increase by 1.25 percent to fund the government's new health and social care levy.

Employees and employers can work around this in some cases by agreeing to a salary sacrifice agreement that reduces an employee's gross pay in exchange for non-cash benefits such as pension contributions.

Since the amount of salary exchanged is not subject to income tax or class 1 NICs, it is a tax-efficient way to pay or boost pension contributions up to a certain limit. The non-cash benefit could effectively be converted into an employer pension contribution, lowering both the employee's and the employer's NIC liability.

Going down this road, however, may result in a reduction in some state benefits and may have an impact on mortgage applications and employee benefits.

Kate Smith, head of pensions at Aegon, said:

"The 1.25% rise in NICs from next April increases employers' payroll costs and will reduce employees' take-home pay, making salary sacrifice more attractive to dampen the increased costs. One way to offset the increased cost and to maintain current take-home pay, or increase pension contributions, is to use salary-sacrifice arrangements, although it may not be possible from April 2023."

**Talk to us about managing costs.**

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## THE NATIONAL LIVING WAGE HAS INCREASED TO £9.50 PER HOUR

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An increase in the hourly rate of the National Living Wage (NLW) for those aged 23 and over, which was higher than inflation, to £9.50 an hour, was among the announcements leaked before Budget Day.

This equates to £17,290 per year for an employee working a 35-hour week. With a 1.25% increase in employers' NIC to 15.05% on earnings over £9,100 a year, the cost to the employer would be £18,523 per year before pension costs.

***Please contact us if you have any questions about the National Living Wage.***

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## PERSONAL ALLOWANCE FROZEN AND NO CHANGES TO INCOME TAX RATES

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The basic and higher rates of income tax remain at 20% and 40%, respectively, and the additional rate of 45 percent continues to apply to income over £150,000. The personal allowance and higher rate threshold have been frozen at £12,570 and £50,270 until 2025/26, as announced in the March Budget.

Dividend income will be taxed at 8.75%, 33.75%, and then 39.35% beginning 6 April 2022, depending on whether the dividends fall into the basic rate band, higher rate band, or additional rate band, as announced on 7 September. Dividend income in the first £2,000 is still tax-free. These rates are expected to be maintained, according to a summary of the economic impact released on Budget Day. These rates are expected to remain unchanged until 2025/26.

***For further information please contact us.***

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## LIMITS ON INDIVIDUAL SAVINGS ACCOUNTS ARE FROZEN AGAIN

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The adult ISA annual subscription limit will remain at £20,000 in 2022/23, while the Junior ISA limit will remain at £9,000 per year.

***Get in touch to discuss personal savings.***

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## IMPORTANT DATES

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### NOVEMBER 2021

1<sup>ST</sup> – Due date for payment of Corporation Tax for period ended 31st January 2021

2<sup>ND</sup> – Deadline for submitting P46 (Car) for quarter ending 5th October 2021

7<sup>TH</sup> – Deadline for VAT Returns and payments of Accounting Quarter period ending 30th September 2021

14<sup>TH</sup> – Due date for Corporation Tax quarterly instalment for large companies with January, April, July or October Year Ends

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> – Corporation Tax Returns filed by companies with 30th November 2020 as year end

30<sup>TH</sup> – Due date to file company accounts with Companies House for Limited Companies with 28th February 2021 year end

### DECEMBER 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 28th February 2021

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

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

31<sup>ST</sup> - Due date to file Corporation Tax for companies with 31st December 2020 year end

31<sup>ST</sup> - Due date to file company accounts with Companies House for Limited Companies with 31st March 2020 year-end