

# The challenges and areas to navigate for businesses in 2022: part 1

The corporate business environment is one of significant change in recent times, with added regulation and more scrutiny being placed on areas such as environmental impact.

This article highlights the areas for particular consideration by directors and business owners in 2022 to avoid being caught out by any sudden surprises.

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## Plastic packaging tax

This is a new tax and will take effect from April 2022, levied on plastic packaging containing less than 30% recycled plastic, with the tax charged at a flat rate of £200 per tonne.

The aim of the tax is as a financial incentive for businesses to use more recycled plastic in their packaging, and to stimulate increased recycling and collection of plastic waste, diverting it away from landfill or incineration.

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## What does net zero mean for businesses?

Throughout 2021, there has been a steady stream of initiatives and policies by the government regarding their net zero ambitions, culminating in the COP26 summit in Glasgow. Some of the key impacts for UK businesses are:

- From 2023, listed companies and financial institutions will need to disclose their plans to move towards net zero.
- The IFRS foundation, which sets standards for financial reporting internationally, has set-up a new board to develop sustainability disclosure standards.



The UK government has stated in its report, [Greening Finance: A Roadmap to Sustainable Investing](#), that UK registered companies will eventually need to disclose information based on these standards.

- Grants are available for businesses working on projects to develop sustainable aviation fuel, carbon capture, hydrogen technologies, and nuclear power.
- By 2024, the cap level for the UK Emissions Trading Scheme will be lowered to be net zero compatible.

The weight of disclosure and operational requirements on businesses is likely to increase over the next decade, though it is to be hoped this will be supported by targeted grants to assist businesses in the transition.

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## Health and Social Care Levy

The government announced a temporary increase in National Insurance rates of 1.25% for both employees and employers from April 2022.

From April 2023, this will be replaced by a separate Health and Social Care Levy. The aim is to raise around £13 billion a year for spending on health and social care across the UK, and alongside these changes, dividend income tax rates will also increase by 1.25% from April 2022.

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## Remuneration planning for director shareholders

In many cases, in the past it has been more tax efficient for director shareholders to take a larger proportion of dividends compared to salary.

But the introduction of the Health and Social Care Levy, alongside the increase in dividend rates by 1.25% from April 2022, and the increased rate of corporation tax relief for salaries of 25% from April 2023, means it is worth looking again at the numbers to confirm whether changes are required to the remuneration strategy for director shareholders.

In line with the increase in dividend rates, the temporary (s455) tax charge payable by companies on loans to its shareholders will increase by 1.25% to 33.75% of the outstanding loan from April 2022.

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## Enhanced capital allowances for companies

Expenditure incurred by companies on new and unused qualifying plant and machinery during the two-year period from 1 April 2021 to 31 March 2023 can attract the following unlimited enhanced capital allowances:

Capital allowances at 130% on the acquisition of most plant and machinery that falls within the main asset pool (the super deduction).

Capital allowances at 50% on those assets falling within special rate asset pools, eg integral features attached to buildings, such as electric, air-conditioning or water systems (the special rate allowance).

The annual investment allowance (AIA) can also provide a 100% capital allowance for companies up to an annual limit. It was announced in the 2021 Autumn Budget that the annual limit of £1 million will be extended until 31 March 2023.

In many cases, the order of claiming these capital allowances by companies would be as follows, reflecting the amount of upfront tax relief available:

1. The super deduction
2. The AIA
3. The special rate allowance.

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## Residential property developer tax for companies

This is a new tax that will apply from 1 April 2022 to profits generated from residential property development activities. Although the definition of residential property development activities is currently quite widely drawn, the tax is only intended to apply to the largest companies.

Accordingly, an annual allowance of £25 million will be available, such that the tax charge will apply at 4% on annual taxable profits from residential property development above £25 million.

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## Changes to notification of uncertain tax positions by large businesses

There are new rules for tax returns due to be filed on or after 1 April 2022. This will only apply to large businesses (companies, partnerships and LLPs) with a turnover above £200 million or balance sheet totals over £2 billion.

Large businesses will need to notify HMRC of uncertain tax treatments where either:

- A provision is recognised in the accounts to reflect the probability that a different tax treatment will be applied to a transaction; or
- An interpretation or application of the law is not in accordance with how HMRC is known to interpret or apply the law.

Large businesses will be required to notify HMRC only if the tax advantage exceeds a £5 million threshold. This applies to corporation tax, VAT and PAYE.

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## Temporary reduced VAT rate for the hospitality sector

The current temporary rate of VAT of 12.5%, which applies to certain supplies within the hospitality sector, will revert to the standard rate of 20% on 1 April 2022. Eligible supplies include catering, hotel and holiday accommodation and admission to visitor attractions. Businesses in the sector are advised to maximise the opportunity of applying the 12.5% whilst they still can by taking advance payments and issuing tax invoices before 1 April 2022 for supplies to be made after that date.

***For any advice on the areas noted above, or for any questions relating to your business in 2022, please get in touch with your usual Saffery Champness contact, or speak to Martyn Dobinson, Partner, [E: martyn.dobinson@saffery.com](mailto:martyn.dobinson@saffery.com)***

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