



The Autumn Budget 2021

Healthcare
Sector



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Not Much Change, A Continuation of Tone from the March Budget

Kirsty Swinburn dives into the budget's effects on the Healthcare Sector

The second Budget of 2021 produced very few surprises and was very much a continuation of the tone set in March, with the emphasis on continued support for business, especially the sectors worst hit during the pandemic, but with no big, headline-grabbing tax changes.

Many of the main measures had been announced before Budget day and, with our long experience of working with healthcare professionals, we have summarised the main areas which will impact the sector.

Changes to How and when Profits are Taxed

The Budget confirmed that from 5 April 2024 all sole traders and partnerships will be taxed on the profits arising on a tax year basis, in what is being called "Basis Period Reform". This change will potentially have a big impact on all businesses that currently have an accounting year end other than 31 March or 5 April.

Currently sole traders and partnerships are taxed on the accounting period ending in a tax year. 2023/24 will be the year of transition to the new basis and, where this transition results in

higher profits for 2023/24, there is to be an automatic spreading of the additional profits over a period of five years. There will be the ability however to elect out of this spreading and to treat the additional amounts as arising in the tax year.

The 5 April 2024 start date aligns with the new start date for Making Tax Digital for Income Tax and this change is widely seen as preparation for that, as well as a simplification of the current system.

The Health and Social Care Levy

The Budget confirmed that the new 1.25% Health and Social Care Levy to fund investment in the NHS and social care will, as expected, take effect from 6 April 2022.

The Levy will apply to all individuals subject to Class 1 (employees) and Class 4 (self employed) National Insurance contributions and will mean a 1.25 percentage point increase in the national insurance rates paid. It will not apply to those paying Class 2 or Class 3 National Insurance.

From 6 April 2023, the national insurance rates will return to current levels and the 1.25% Levy will be formally separated out and will also apply to the earnings of individuals working above State Pension age.



Dividend Tax Rates

The Budget also confirmed the 1.25 percentage point increase on the dividend tax rate from 6 April 2022.

The dividend rates will be as follows:

- Dividends falling in the basic rate band will be taxed at 8.75%.
- Dividends falling in the upper rate band will be taxed at 33.75%
- Dividends falling in the additional rate band or dividends received by a trust will be taxed at 39.35%
- There has been no change or abolition to the dividend allowance of £2,000.



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Corporation Tax main rate will increase to 25% as previously announced.

This will apply to profits over £250K, those with £50K or less will continue to pay 19%.

The chancellor confirmed that the...

£1million

limit for the Annual Investment Allowance will not reduce to £200K

Corporation Tax Rates

The Chancellor confirmed in his Budget speech that, from 1 April 2023, the Corporation Tax main rate will increase to 25% as previously announced. This will apply to profits over £250,000, companies with profits of £50,000 or less will continue to pay 19%. Those with profits between £50,000 and £250,000 will pay tax at 25% but with marginal relief applied.

For non-UK residents disposing of any property in the UK, this deadline will also increase from 30 days to 60 days.

Public Sector Pensions

In the background notes published on Budget Day, it was announced that legislation will be introduced to mitigate the impact on individuals affected by the age discrimination identified in the 2015 public service pension schemes (the 'McCloud' case).

Capital Allowances

In one of the few new announcements on Budget Day, the Chancellor confirmed that the £1,000,000 limit for the Annual Investment Allowance will not reduce to £200,000 on 1 January 2022 as originally planned but will remain in place until 31 March 2023.

This will affect individuals who were members of public service pension schemes on or before 31 March 2012 and at any time between 1 April 2015 and 31 March 2022.

Examples given include providing an exemption from a tax charge on compensation received and ensuring that an individual will not pay more annual allowance charge than they would have done if they had accrued their chosen benefits in the relevant tax years.

More details will follow in due course.

Capital Gains Tax

From Budget Day, the 30 day window for UK residents to report and pay the Capital Gains Tax liability arising on the sale of a UK residential property has increased to 60 Days. As previously, this period runs from the date of completion.

Contact Us

Start the conversation today with one of our BHP account managers or tax specialists...



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