

A VIEW TO 2022: WHAT'S ON THE HORIZON?

A LOOK AT WHAT'S ON THE MAP FOR BUSINESSES AND THEIR FINANCES



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A hint of excitement is in the January air, as many defiant businesses look ahead to the rest of 2022 and welcome the changes and challenges it promises.

As a fresh year gets underway, many businesses are facing the next 12 months with a feeling of anxious uncertainty.

Although the recent Omicron wave seems to now be showing signs of abating, the seasonal period was gloomier than many businesses were initially anticipating. After significant financial hits due to the swathe of customer cancellations and staff shortages plaguing them since December, many are now looking to the uncertain terrain of 2022 – which features legislation changes and innovation opportunities to embrace.

It seems as though the plucky British business sector has rallied once more, confident that they can continue to diversify and thrive in the face of challenges.

So, what exactly is on the map for businesses and their finances for the rest of 2022?

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Talking tax

National Insurance Contributions (NICs)

Announced prior to the Autumn Budget in October, Prime Minister Boris Johnson stated that, in order to aid the health and social care sector following the impact of the pandemic, there would be a [1.25% increase to NICs for the 2022/23 tax year](#). Predominantly affecting employers and employees, the funds generated from this will be ringfenced for the health and social care sector.

Making Tax Digital (MTD) for VAT-registered businesses

From 1 April 2022, all businesses that are VAT-registered in the UK – regardless of turnover – are required to digitally file their tax returns via MTD. Thus, every affected business should have signed up to MTD for their first VAT return; failure to do so will incur a penalty charge.

It's important to sign up for MTD at the correct time to avoid paying VAT twice: no less than 5 days after the last non-MTD VAT return deadline date, and no less than seven days prior to the first MTD VAT return deadline date.

Budget promises

VAT rate for hospitality, leisure, and retail

After having enjoyed a reduced 5% VAT rate until October 2021 and the subsequent 12.5% rate, the hospitality, leisure, and retail industries should now start preparing for the return to a 20% VAT rate in April 2022 – although this is believed to be dependent on the status of Covid nearer that date.

Residential Property Developer Tax

From 1st April 2022, a new tax will be applied to any company profits deriving from UK residential property development. Profits exceeding the annual allowance of £25 million will be taxed at 4%. For companies that exist as part of a group, this £25m annual allowance will be allocated by the group to the group companies.

Changes to Recovery Loan Scheme

The Recovery Loan Scheme, which currently allows SMEs access to pandemic-related recovery funds, has been extended until 30th June 2022, with a maximum of £2 million available for each business. An accredited lender from which to access Recovery Loans can be identified on the [British Business Bank's list](#).





Going green

Plastic Packaging Tax

The [UK's Plastic Packaging Tax \(PPT\)](#) will take effect from 1st April 2022 and will affect any businesses that manufacture plastic packaging in the UK or import it from the EU. From the above date, all finished, filled or unfilled plastic packaging will be subject to PPT – calculated at £200/tonne – if any plastic components contain less than 30% recycled plastic. This also applies to packaging made up of different materials, where the overall mass is predominantly plastic.

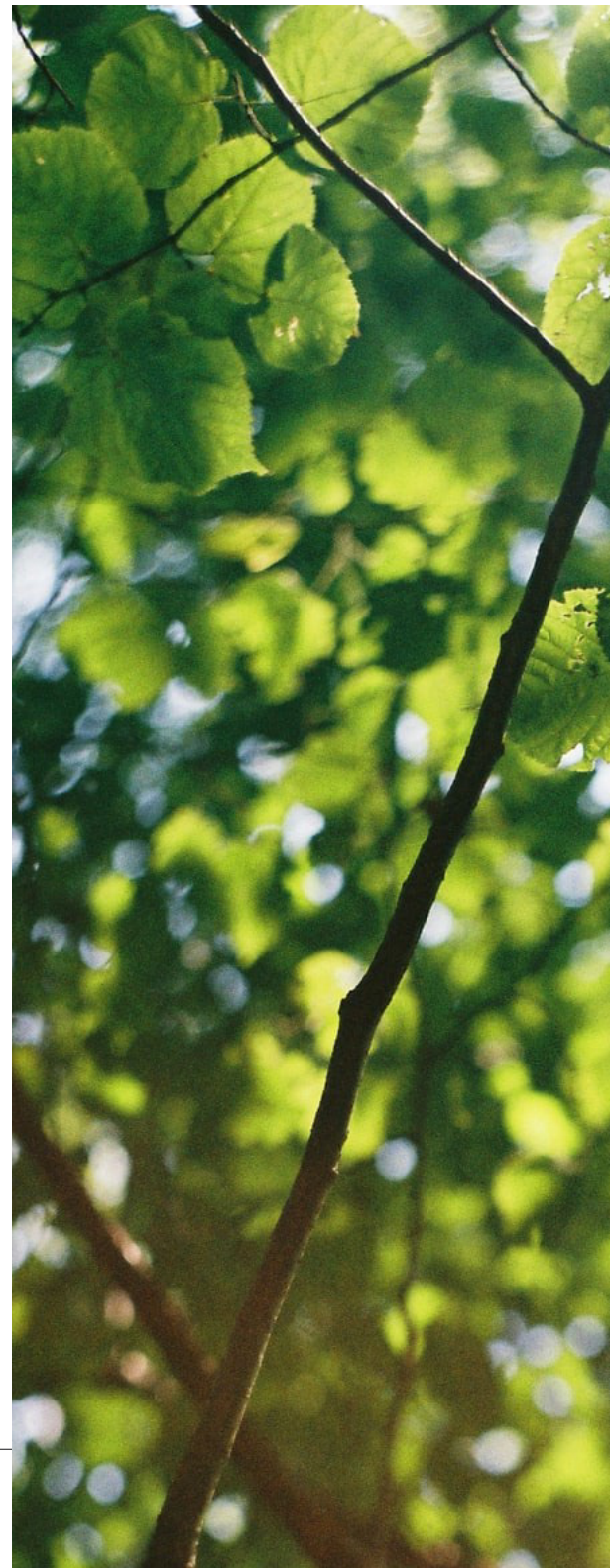
Green Finance Roadmap

In a bid to fulfil their ambition to 'green' the financial system, the government published the '[Greening Finance: A Roadmap to Sustainable Investing](#)' policy paper in October 2021. The document, which is aimed at investors, tightens expectations and regulations to discourage investment in counterintuitive markets, such as non-renewable energy and other carbon-emitting sources.

In 2022, the government hopes to implement the first phase of this strategy, which includes reporting on Environmental, Social, and Governance (ESG) factors related to sustainability and the climate. Thus, from 6 April 2022, it will become mandatory for all companies to report their carbon emissions and associated costs.

'Greenflation' of commodity prices

ESG reporting has been on the radar of businesses and financial institutions for a while now, with many companies actively choosing to disclose this information to investors prior to it being enshrined in law in April. This has led to a so-called 'greenflation' effect on prices, where tightening regulations and government-driven spending on green materials such as copper have spurred increased demand and have, therefore, driven up prices.

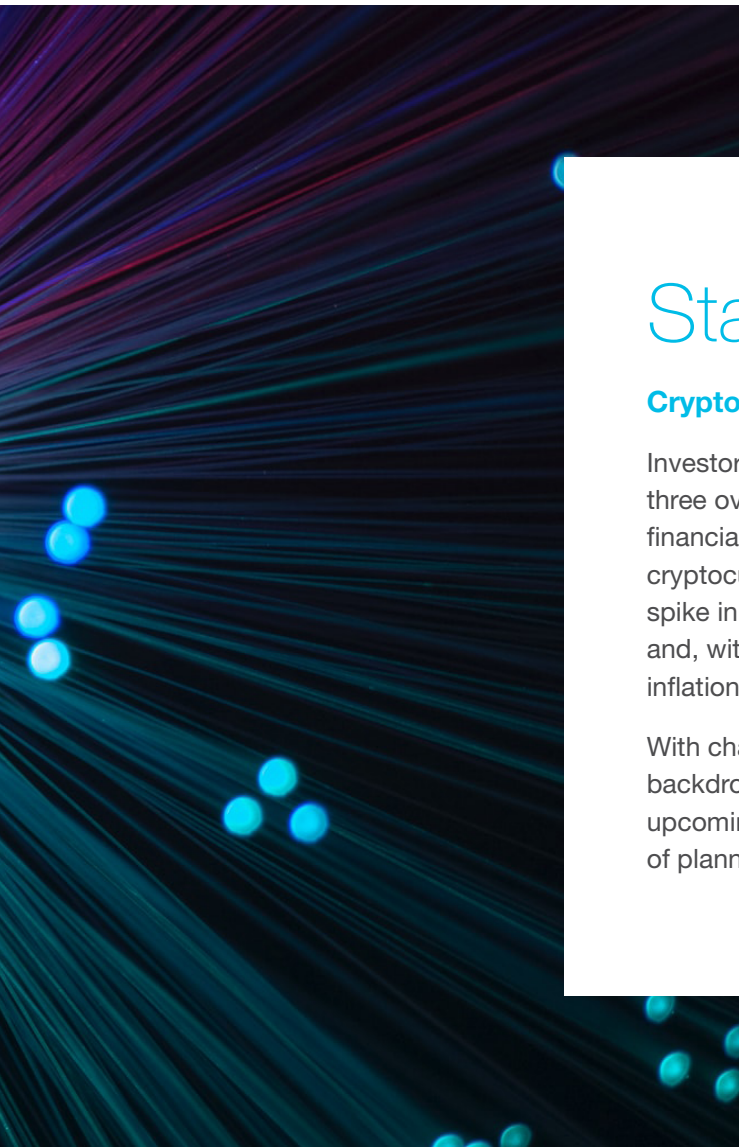




The Brexit effect

Customs changes

For some businesses, 2022 will be the first year that they've been significantly impacted by Brexit. From 1 January 2022, customs checks will be much more stringent: where manufacturing or processing of goods is not sufficient to grant EU origin status, a formal declaration confirming origin must be provided by the supplier before the exporter can issue a statement of origin. It's expected that this will significantly impact both the importing and exporting of goods by delaying transport and driving up costs.



Staying on trend

Cryptocurrency trading, clean energy, and inflation

Investors, financial experts, and business leaders all predict that three overarching trends set to dominate the UK's business and financial sectors will be those that primarily emerged in 2021: cryptocurrency mining and trading, which has seen such a huge spike in the past two years already; clean energy and sustainability; and, with wholesale prices driven up by high demand and scarcity, inflation.

With change abounding in the year ahead, an unstable financial backdrop, and businesses having to ensure that they are ready for upcoming legislation changes, it looks likely that 2022 will be a year of planning, preparation, and mitigation for many.

Get in touch

If any of the upcoming changes listed are likely to affect your business and finances, and you would like to discuss any potential impact further, please do not hesitate to get in touch with us.



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