Budget representation: representations by ATT

Employment Tax | Management of taxes | Personal tax

04 November 2021

The ATT submitted three representations ahead of the Autumn Budget 2021, covering the annual investment allowance, employer provided coronavirus testing and the High Income Child Benefit Charge.

HM Treasury invites representations from individuals, interest groups and representative bodies commenting on government policy and suggesting new policy ideas to be considered. The ATT submitted three representations in advance of the Autumn Budget to be held on 27 October 2021.

Annual investment allowance (AIA)

On 1 January 2022, in the absence of any further legislative change, the AIA limit is set to drop from a temporarily increased level of £1 million to its permanent level of £200,000. Transitional rules apply to determine the AIA available where an accounting period spans this date.

The ATT's representation on the AIA (see www.att.org.uk/ ref385) highlights that, depending on the year end of a business and when it incurs expenditure, these transitional rules could result in an effective AIA limit of significantly less than £200,000. The businesses most likely to be hit by this are those smaller businesses that were least likely to have benefited from the temporary increase in the AIA limit.

In order to prevent these businesses from being disadvantaged, the ATT recommended that FA 2021 s 15 be amended to ensure that, for the year of change, the AIA is available on expenditure of up to £200,000 regardless of when it was incurred within the year.

Employer-provided or employer-funded coronavirus antigen tests

FA 2021 introduced temporary income tax and NIC exemptions for employer-provided COVID-19 antigen tests for 2020/ 21 and 2021/ 22. As outlined in the ATT's representation (see www.att.org.uk/ref386), we consider that there would be a public benefit in introducing a wider-ranging and enduring exception from benefit in kind charges for employers who pay to test their employees for highly transmissible diseases.

One way to achieve this would be to amend the existing power contained in FA 2021 s 26 (which allows the Treasury to extend the exemptions for COVID-19 testing to future years) so that the Treasury also has the power to apply the exemptions to other transmissible diseases.

High Income Child Benefit Charge (HICBC)

In the 2021 Spring Budget, it was confirmed that the higher rate threshold of £50,270 for 2021/ 22 will be frozen for the four-year period from 2022/ 23 to 2025/ 26. However, no compensatory increase was made to the point at which the HICBC applies, which still has an income threshold of £50,000.

As a consequence, the HICBC now affects basic rate taxpayers, something which is directly contrary to the original policy intent announced in the Spending Review of October 2010 (which stated that the charge should only affect families with a higher rate taxpayer).

The ATT representation (see www.att.org.uk/ref387) sets out our view that, as a minimum, the starting threshold for the HICBC should be in line with the higher rate threshold which applies for England, Wales and Northern Ireland (the Scottish higher rate threshold being different). The representation also lends support to representations by LITRG on this subject in previous years.