

# INSIDER

## DECEMBER 2021

**Dunkley's**  
Chartered Accountants

### CLADDING TAX TO AFFECT LARGE PROPERTY DEVELOPERS IN 2022/23

**A new levy on large residential property developers' profits intends to raise around £2 billion over the next 10 years, starting from next spring.**

The 'cladding tax' will be a 4% tax on developers with company profits of £25 million or more from residential development, although student and build-to-rent developments are exempt.

It expects to raise around £200m a year, which will go towards the removal of flammable cladding from hundreds of thousands of high-rise flats around the UK.

The Treasury said the cladding tax will "ensure the largest developers make a fair contribution to help pay for building safety remediation".

The new tax kicks in from 1 April 2022, nearly five years after a fire killed 72 people at Grenfell Tower in West London.

Removing the unsafe cladding from the highest-risk buildings is expected to cost at least £5bn, but campaigners claim the real cost is much higher.

Jonathan Hale, head of government affairs at the Royal Institute of Chartered Surveyors, said:

"The £5bn for cladding replacement will give more leaseholders greater peace of mind that their homes will be made safe, but it's still well short of the £15bn needed that is estimated to fix every building."

Developers will get a £25m annual allowance to use against their profits, with any tax due being reported and paid in their corporation tax return.

[📌 Speak to us about your company tax return.](#)

### SIX-MONTH EXTENSION FOR COVID-19 RECOVERY LOAN SCHEME

**Chancellor Rishi Sunak has extended a coronavirus loan guarantee scheme in a bid to protect UK businesses into next year.**

Sunak used his Autumn Budget speech to announce a six-month extension of the recovery loan scheme, which had been due to end on 31 December 2021 but is now due to close on 30 June 2022.

The scheme was launched on 6 April 2021 as a bridge between the more generous coronavirus loan schemes which were winding down, and more normal credit conditions.

It provides credit worth up to £10 million per business and up to £30m across a group, with loans available to help fund growth and investment, or manage cashflow.

At the end of October 2021, a total of £822.8m had been borrowed by 5,137 UK businesses since the scheme was launched at the start of the 2021/22 tax year.

About 1,000 more firms have been told they can borrow up to £200m but have yet to tap into it, possibly because the terms are less generous than previous pandemic loan schemes.

Catherine Lewis La Torre, chief executive at the British Business Bank, said:

"A six-month extension to the recovery loan scheme will provide valuable support for smaller businesses as they look beyond the pandemic and towards the opportunities available to them in the recovery."

[📌 We can check if your business is eligible.](#)

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## TAX REPORTING DEADLINE FOR ADDITIONAL PROPERTY SALES EXTENDS

**Buy-to-let landlords and second homeowners have twice the amount of time to report and pay capital gains tax after selling a residential property in the UK.**

The deadline to report and pay capital gains tax after completing the sale of additional UK residential property is now 60 days – up from 30 days.

The change came into immediate effect after the announcement in the recent Autumn Budget, and applies to completions made on or after 27 October 2021.

This extension also applies to non-UK residents disposing of any type of property in the UK, whether directly or indirectly owned.

When mixed-use property is disposed of, the 60-day payment window will apply only to the residential element of the property gain.

The extension implements a specific recommendation contained in a report published by the Office for Tax Simplification (OTS) in May 2021.

That report claimed many taxpayers only found out about their capital gains tax obligations after they had completed the sale of their property.

This left around 150,000 people with insufficient time to consider if they had a gain, and even less time for the 85,000 people who had to report it.

Between 6 April 2020 and 6 January 2021, one in three UK property tax returns were filed later than the 30-day window according to HMRC.

Michael Steed, co-chair of the Association of Taxation Technicians' technical steering group, said:

“The very short time limit for reporting disposals of residential property has proved really challenging for those affected.

“A large part of the problem is that many taxpayers are simply not aware of the new requirements and with such a short deadline, it was very easy to miss.

“The OTS also called for more work to be done to make people aware of these reporting rules and we would still like to see the Government do more to alert landlords, second home-owners, and others to these obligations.”

[!\[\]\(235bfe13ebf007ce2eea9e689707fac7\_img.jpg\) Talk to us about your reporting obligations.](#)

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## BUDGET CONFIRMS ONE-YEAR DELAY FOR BASIS PERIOD REFORM

**Reforms to the ways in which unincorporated businesses pay income tax – known as basis periods – will go ahead, one year later than planned.**

Proposals and draft legislation were published in July 2021, suggesting the new rules would commence from 6 April 2023.

Instead, sole traders and most business partnerships will be subject to income tax on profits arising in a given tax year from 6 April 2024.

This will mean no change for self-employed businesses with an accounting year-end between 31 March and 5 April.

But for other businesses, this is likely to bring forward the date on which taxable income will need to be calculated and tax will need to be paid.

This new method of calculating taxable profit will apply from the 2024/25 tax year, rather than 2023/24 as previously planned.

The Government expects this will make it easier for the self-employed and small businesses to claim tax reliefs they are entitled to, but often do not take advantage of, due to confusing existing rules.

The Office for Budget Responsibility said the measure “generates the fiscal illusion of raising revenue when, in fact, it reduces it in the long-term” as it will have no effect on the amounts of profits taxed.

Special rules will apply to self-employed businesses that transition from the old to the new regime during a transitional 2023/24 tax year, during which time some businesses will experience double taxation.

Not only will they be taxed on 12 months of profits from the end of the basis period for 2022/23, there will also be transitional profit based on the period from the end of those 12 months to 5 April 2024.

On transition to the tax-year basis from 6 April 2023, all businesses' basis periods will be aligned to the tax year and all outstanding overlap relief given.

[!\[\]\(1adebd97b172010e8ebc985144647a7c\_img.jpg\) Get in touch to discuss the basis-period reform.](#)