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a name you can count on

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Increase in NI Contributions and Dividend tax rates by 1.25% from April 2022

These are being raised to help fund the NHS, including the impact of the pandemic, and the gap in social care costs.

NI Contributions

What is changing?

From April 2022, there will be a temporary 1.25% increase in Class 1 primary (employee), Class 1 secondary (employers) and Class 4 (self-employed) NIC. From April 2023, these increases will be legislated separately as a “health and social care” (H&SC) levy and NIC rates will return to 2021/22 levels (the H&SC levy will also extend to individuals working above state pension age, who are currently exempt from NIC). See table below for further details.

Who is affected?

The changes will affect employees and self-employed individuals earning over the primary threshold/lower profits limit, currently £9,568.

NIC	2021/22 Current NIC threshold Main rate/higher rate*	2021/22 Current NIC rate Main rate/higher rate*	2022/23 NIC rates Main rate/higher rate*	2023/24 NIC Rates and H&SC Levy Main rate/higher rate*
Employees (Class 1)	£9,568	12%/2%	13.25%/3.25%	12%/2% and 1.25% (H&SC)
Employers (Class 1)	£8,840	13.8%	15.05%	13.8% and 1.25% (H&SC)
Self-employed (Class 4)	£9,568	9%/2%	10.25%/3.25%	9%/2% and 1.25% (H&SC)

*For 2021/22 the main rate is for earnings between £9,568 and £50,270). The higher rate applies for earnings above £50,270.



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Dividends

What is changing?

From April 2022, there will also be a 1.25% increase in dividend tax across all tax bands. The £2,000 dividend allowance will remain. See table below for further details.

Who is affected?

The changes will affect all taxpayers with total dividend income above the dividend allowance.

Dividends	2021/22 Current tax rate	2022/23 Tax rate
Basic rate taxpayer	7.5%	8.75%
Higher rate taxpayer	32.5%	33.75%
Additional rate taxpayer	38.1%	39.35%

Action to consider before April 2022

Affected taxpayers especially in the SME and family business sector may wish to consider, subject to commercial considerations, bringing forward bonus or dividend payments ahead of the changes in the NIC and tax rates.

Get in touch

If you would like further information on these areas please contact one of our team.

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