

Tax cut worth up to £1,000 for half a million small businesses starts today

- Tax cut worth up to £1,000 for eligible businesses announced by the Chancellor at the Spring Statement takes effect today.
- Increase in Employment Allowance from £4,000 to £5,000 benefits around 495,000 businesses – 30% of all UK firms.
- Takes the total number of firms not paying the Health and Social Care Levy to 670,000.

Nearly half a million UK businesses will benefit from a tax cut worth up to £1,000 from today (6 April 2022).

The Employment Allowance has risen from £4,000 to £5,000 – meaning smaller firms will be able to claim up to £5,000 off their employer National Insurance Contributions (NICs) bills.

Announced by the Chancellor at last month's Spring Statement to reduce employment costs, the change takes an extra 50,000 firms out of paying NICs and the Health and Social Care Levy. This increases the total number of businesses not paying NICs and the Levy to 670,000.

Chancellor Rishi Sunak said:

This tax cut for half a million businesses will help them thrive and grow to help drive our economic recovery.

It comes on top of a suite of wider tax cuts available to firms, including 50% business rates relief, a record fuel duty cut and the super-deduction, the largest two-year business tax cut in our history.

This is the third time the government has increased the Employment Allowance since its introduction in 2014, demonstrating an enduring commitment to supporting smaller businesses. Firms will be able to employ four full-time workers on the National Living Wage without paying employer NICs at all.

94% of businesses benefitting from the £1,000 increase are small and micro businesses, and the sectors that will see the highest numbers of employers benefitting are the wholesale and retail sector (87,000); the professional, scientific and technical activities industry (63,000); and the construction sector (52,000).

Today's Employment Allowance change is one of a number of measures on offer to spur business growth, including that:

- Last week eligible high street businesses saw the start of a new 50% business rates relief worth almost £1.7 billion, subject to a £110,000

cash cap per business.

- Businesses across the board are also benefitting from a freeze to the business rates multiplier, putting the brakes on bill increases and worth £4.6 billion over the next five years.
- Businesses are already benefitting from our temporary twelve-month-long 5p cut to fuel duty.
- Companies have one year left to make investments that benefit from the super-deduction, the largest two-year business tax cut in modern British history.
- Our landmark Help to Grow programmes are supporting SMEs to adopt productivity enhancing software and to get mini-MBAs.
- We will ensure that our tax regime for innovation is globally competitive and properly incentivises higher business investment in R&D, with further plans to be set out in the Autumn.

Michelle Ovens CBE, founder, Small Business Britain, said:

The Chancellor's move to increase the employment allowance is welcome, and will certainly play a role in helping those businesses with employees deal with the huge cost-of-living challenges they are currently facing. In particular, it is good to see the immediacy of this rise in employment allowance, which will go towards helping businesses asap.

Martin McTague, National Chair of the Federation of Small Businesses, said:

The increase in the Employment Allowance helps small firms do what they do best, creating and sustaining jobs.

This was FSB's 'hero ask' at the Spring Statement, and we have hugely valued the time taken by Treasury officials to work with us on the positive impact this will have not just on work opportunities, but also training and investment. The Chancellor has now raised the Allowance twice since his appointment, stepping up for small businesses.

Lee Harris-Hamer, from White Horse cleaning services based in Thirsk, North Yorkshire, said:

As a growing company, we appreciate the opportunity to reduce our annual NI liability because this helps us to invest the savings in other areas like staff training and further growth. Staff are our key asset and we want to be able to continue recruiting and offering more employment opportunities locally. Government has supported us with the change and we are proud to be members of FSB who championed the increase.

Jo Bevilacqua, owner of Serenity Loves hair and beauty salon, Peterborough, said:

This rise in the employment allowance offers welcome breathing space for my small business and others like us across the country. In an age where we are all facing increasing costs from all angles and every penny counts, this will help ease some pressure, allowing us to invest more in staff – whether it is increasing salaries or offering training.

Further information

- From today (6 April) businesses and charities who had employer NICs bills of £100,000 or less in the previous tax year will be able to claim up to £5,000 off their employer NICs bills. Up until today the Employment Allowance was £4,000.
- NICs policy is reserved, so this increase to the Employment Allowance will take effect across the UK.
- See full details of [Employment Allowance eligibility criteria](#)
- Smaller businesses will be able to benefit from the increased Employment Allowance from 6 April 2022. This will either be through payroll software where this has been updated or through a payroll adjustment.