Taxing times ahead

Autumn Statement Summary

November 2022

Personal tax

Business taxes

September's 'mini-Budget' measures

2022/23 National Insurance Contributions

COURTIERS

What a difference a few weeks can make.

It was only just under two months ago that we presented the main features of the former Chancellor of the Exchequer's Growth Plan. That plan has now been consigned to wherever such ill-fated plans go, perhaps never to be revived. Short-lived it may have been, but nevertheless it may serve as a reminder that even if cutting taxes to achieve it was rejected, the issue of how to grow the economy still needs to be addressed.

Following the market's reaction to Kwasi Kwarteng's so-called mini-Budget, which forced the Bank of England to step in with an emergency bond buying scheme to calm turmoil in government debt markets, the former Chancellor of the Exchequer was unceremoniously sacked.

His successor Jeremy Hunt immediately set about reversing most of the previous administration's economic policies. These included scrapping both the proposed cut in the basic rate of income tax from 20% to 19% and the plan to abolish the 45% rate for those earning more than £150,000 a year. The previously announced cut in tax on dividend income planned for April 2023 would not take place. The Chancellor also restored the planned rise in corporation tax to 25%. About the only policy that wasn't thrown out was the plan to reverse the 1.25% rise in national insurance contributions, which went ahead on 6 November.

Rishi Sunak's arrival at 10 Downing Street has seen a reiteration of those policies as the new government began to formulate plans to put the country's public finances on an even keel. Based on a series of assumptions by the Office for Budget Responsibility (OBR), the government identified a £50bn fiscal black hole, to be plugged with a mixture of public spending cuts and tax rises. It was widely trailed that much of the heavy lifting would be undertaken by so-called stealth taxes, with heavy hints that those with the broadest shoulders would be targeted.

The new Prime Minister has identified inflation as public enemy number one declaring that "it makes everyone poor" and "erodes savings". With annual inflation running at 11.1% in October, the highest for 41 years, this enemy continues to loom large. Tasked with returning inflation to its 2% target, in early November the Bank of England's Monetary Policy Committee voted by a majority of 7-2 to increase Bank rate by 0.75% to 3%. Many economists expect further rises as the Bank of England continues to bear down on inflation.

That's the bad news and the MPC's central projection is that inflation falls back from early next year as previous increases in energy prices drop out of the annual comparison.

With the new government's focus on stabilising the country's finances and its insistence that sound money is a prerequisite for economic growth, the Autumn Statement promises to be a radical departure from the one delivered a few weeks ago. Did Jeremy Hunt deliver what was probably the most-widely trailed Budget in history as had been expected? Or were there some shocks? Read on to discover how it might affect you and your family.

In this summary...

PERSONAL TAX

Income Tax

The personal allowance will remain at £12,570 for an extra two tax years until 5 April 2028 and the higher rate threshold will stay at £50,270, the levels that first took effect in 2021/22.

From 2023/24, the 45% additional rate threshold will be reduced from £150,000 (the level set in 2010/11) to £125,140. In Scotland, the higher and top (additional) rate thresholds for non-savings, non-dividend income will be announced in the Scottish Budget on 15 December.

The blind person's allowance will be increased to £2,870 for 2023/24.

Dividend tax

From 2023/24, the tax rates applicable to dividends will be reduced by 1.25 percentage points, taking them back to 2021/22 levels.

National insurance contributions (NICs)

The class 1 primary threshold and class 2 lower profits limit will remain aligned with the personal allowance (£12,570) until April 2028.

The upper earnings limit and class 4 upper profits limit will remain aligned to the higher rate threshold at £50,270 through to April 2028. The lower earnings limit (£6,396) and the small profits threshold (£6,725) will remain unchanged in 2023/24.

For 2023/24, the class 2 rate will be £3.45 a week and the voluntary class 3 rate will be £17.45 a week.

Capital gains tax

In 2023/24, the annual exempt amount for individuals and personal representatives will be reduced to £6,000 and then halved to £3,000 in 2024/25. The annual exempt amount for most trusts will be cut to £3,000 (minimum £600) in 2023/24 and then halved in the following year.

Inheritance tax

The nil rate band for 2026/27 to 2027/28 will remain at £325,000, which was the level first set for 2009/10. The residence nil rate band (RNRB) will likewise stay at £175,000 and the RNRB taper will continue to apply where the value of the deceased's estate is greater than £2 million.

Stamp duty land tax (SDLT)

The SDLT cuts affecting residential property in England and Northern Ireland, which were introduced in the 'mini-Budget' on 23 September 2022, will be reversed from 1 April 2025.

Enveloped dwellings (ATED)

The annual chargeable amounts for the ATED will be increased by 10.1% for 2023/24.

PERSONAL TAX

Company cars and vans

The benefit-in-kind (BIK) appropriate percentages for electric and ultra-low emission cars will increase by one percentage point each year from 2025/26 to 2027/28 up to a maximum appropriate percentage of 5% for electric cars and 21% for ultra-low emission cars.

The BIK rates for all other vehicle bands will be increased by one percentage point for 2025/26 up to a maximum appropriate percentage of 37% and will then be fixed in 2026/27 and 2027/28.

For 2023/24 car and van fuel benefit charges and the van benefit charge will increase in line with CPI.

Electric vehicles

Electric cars and vans will become subject to vehicle excise duty (road tax) from 1 April 2025.

Fuel duty

While no comment was made on fuel duty by the Chancellor in the statement, the OBR did flag up that if the temporary 5p a litre reduction for 2022/23 is not rolled over into 2023/24 and, for once, automatic fuel duty indexation is allowed to take effect, then there will be a total duty rise of around 12p a litre.

State pensions & social security benefits

All UK-wide benefits, including state pensions (under the 'triple lock') and the standard minimum income guarantee in pension credit will increase by 10.1% from April 2023. Plans to create a new housing element of pension credit to replace pensioner housing benefit are now intended to take effect in 2028/29.

The benefit cap will be raised from £20,000 to £22,020 for families nationally and from £23,000 to £25,323 in Greater London. For single adults, the national cap will increase from £13,400 to £14,753 and the cap in Greater London will rise from £15,410 to £16,967.

Households on means-tested benefits will receive an additional £900 cost of living payment in 2023/24. Pensioner households will receive an extra £300 cost of living payment, and individuals on disability benefits will get an extra £150 disability cost of living payment.

UC claimants will be able to apply for a loan to help with mortgage interest repayments after three months, instead of the current nine months. The zero earnings rule will be abolished in Spring 2023 to allow claimants to continue receiving support while they are in work and on UC.

PERSONAL TAX

Energy price support

The domestic energy price guarantee (EPG) will increase to £3,000 for one year from 1 April 2023 and equivalent support will continue to be provided in Northern Ireland. However, the parameters of the EPG scheme may be revised.

The support for households that use alternative fuels, such as heating oil, to heat their homes will be doubled to £200 for 2022/23.

Social care funding in England

The implementation of the plans to reform the funding of social care in England, recently legislated for in the Health and Care Act 2022, will be deferred for two years until October 2025.

Council tax in England

Having been give greater flexibility by the government, some councils (i.e.: those providing social care) could increase council tax by up to 5% a year from 2023:

- Local authorities in England will be able to increase council tax by up to 3% a year from April 2023 without needing to hold a referendum.
- Authorities with social care responsibilities will also be able to increase the adult social care precept by up to 2% a year.

BUSINESS TAXES

Employer NICs

The level at which employers start to pay employer NICs for their employees will remain at the current £9,100 until April 2028. The employment allowance will stay at £5,000.

Value added tax (VAT)

The VAT registration and deregistration thresholds will stay at their current levels of £85,000 and £83,000 respectively for a further two years from April 1 2024.

Business rates

Business rate bills in England will be updated from 1 April 2023 to reflect property values on 1 April 2021. Transitional relief over the next five years will support businesses as they move to their new bills.

Business rates multipliers will be frozen in 2023/24 at 49.9p and 51.2p, avoiding potential increases to 52.9p and 54.2p.

Support for eligible retail, hospitality and leisure businesses will be extended and increased from 50% to 75% business rates relief up to £110,000 per business in 2023/24.

Increases in the bills will be capped at £600 a year from 1 April 2023 for the smallest businesses that lose eligibility or see reductions in the supporting small business scheme or rural rate relief.

The improvement relief announced in the Autumn Budget 2021 will now be introduced from April 2024 and will be available until 2028. The relief is aimed at ensuring that ratepayers do not see an increase in their rates for 12 months as a result of making qualifying improvements to a property they occupy.

Online sales tax (OST)

Following consultation, the government has decided not to introduce an OST, an idea put forward as an equivalent to business rates for online businesses.

Energy bill relief scheme (EBRS)

The government's review of the EBRS, which offers support to non-domestic energy consumers currently up to March 2023, will be published by 31 December 2022. The government recognises that some businesses may need support beyond March 2023, but such support will be significantly lower and targeted.

BUSINESS TAXES

Research & development (R&D) tax reliefs

For R&D expenditure after 31 March 2023:

- the R&D expenditure credit rate will increase from 13% to 20%;
- the small and medium-sized enterprises (SME) additional deduction will decrease from 130% to 86%; and
- the SME credit rate will decrease from 14.5% to 10%.

As announced in the Autumn Budget 2021, qualifying expenditure will be expanded to include data and cloud costs and support will be focused on innovation in the UK. The government will consult on the design of a single R&D tax relief scheme for all businesses.

Creative industry tax reliefs

The government will consult on proposals to incentivise further the production of culturally British content and to support the growth of the audio-visual sectors.

National living wage (NLW) & national minimum wage (NMW)

The government has accepted the recommendation of the Low Pay Commission to increase the NLW for individuals aged 23 and over by 9.7% to £10.42 an hour from 1 April 2023. NMW rates for younger workers and apprentices will be increased by similar percentages.

First-year allowance for electric vehicle charging points

The 100% first-year allowance for electric vehicle charging points will be extended to 31 March 2025 for corporation tax and 5 April 2025 for income tax.

Tax conditionality: licensing in Scotland & Northern Ireland

The requirement to make the renewal of certain licences in Scotland and Northern Ireland conditional on applicants completing checks to confirm they are appropriately registered for tax will now come into force for licence renewals from October 2023 rather than April 2023.

Investment zones

The government will refocus the investment zones programme to create a limited number of high potential clusters, working with local stakeholders, to be announced in the coming months. Existing expressions of interest will not be taken forward.

Tariff suspensions

Tariffs on over 100 imported goods will be removed for two years to help reduce costs for UK producers.

BUSINESS TAXES

EU regulations

By the end of next year, the government will decide and announce changes to EU regulations in the UK's growth industries: digital technology, life sciences, green industries, financial services and advanced manufacturing.

Solvency II

In its consultation response the government said it would introduce a "simpler, clearer and much more tailored regime". The required risk margin would be reduced significantly, with a 65% cut for long term life insurance business.

Bank corporation tax (CT) surcharge

The proposed changes to the bank CT surcharge will go ahead, following the decision to proceed with the CT main rate increase to 25% from April 2023. This means that banks will be charged an additional 3% on their profits above £100 million.

Diverted profits tax

The rate of diverted profits tax (on profits diverted out of the UK) will increase from 25% to 31% from April 2023, maintaining a six percentage points differential above CT.

Transfer pricing

Large multinational businesses operating in the UK will have to keep and retain transfer pricing documentation in a prescribed and standardised format set out by the OECD. This will help HMRC identify risks and conduct transfer pricing investigations more efficiently.

Windfall taxes

The energy profits levy will rise from 25% to 35% from 1 January 2023. The investment allowance will be reduced to 29% for all investment expenditure other than on decarbonisation. A temporary electricity generator levy of 45% will be charged on 'extraordinary returns' from low-carbon UK electricity generation.

SEPTEMBER'S 'MINI-BUDGET' MEASURES

Many of the proposals that emerged in Kwasi Kwarteng's 'mini-Budget' on 23 September 2022 have been reversed. However, some remain. The more notable surviving changes are:

National insurance contributions

The 1.25 percentage points increases to all 2022/23 class 1 and class 4 NIC rates initially introduced by Rishi Sunak as Chancellor were scrapped with effect from 6 November 2022. The revised rates are shown on pages 12-13.

The 1.25% health and social care levy, which was due to replace the NIC increase from 2023/24, was also abandoned.

Stamp duties

From 23 September 2022, SDLT rates for residential property were revised, increasing the 0% band threshold from £125,000 to £250,000.

The government also increased relief for first-time buyers, raising the 0% band threshold from £300,000 to £425,000 and the maximum value of property on which they can claim the relief from £500,000 to £625,000. These changes only affect England and Northern Ireland.

The Welsh government has revised some of its land transaction tax (LTT) residential rates. From 10 October 2022, the starting threshold for paying main residential rates of LTT increased from £180,000 to £225,000. The first tax band will cover transactions from £225,000 to £400,000 and be taxed at 6%. The tax rates and bands for properties over £400,000 and for additional residential and all corporate residential properties are unchanged.

The Scottish Government has announced that it will set out its plans for land and buildings transaction tax (LBTT) in its Budget on 15 December.

Annual investment allowance

The current £1 million level of the annual investment allowance was made permanent.

Company share option plan (CSOP)

From April 2023, qualifying companies will be able to issue up to £60,000 of CSOP options to employees, doubling the current limit. The 'worth having' restriction on share classes within the CSOP will be eased, better aligning the scheme rules with the rules in the enterprise management incentive (EMI) scheme and widening access to CSOP for growth companies.

SEPTEMBER'S 'MINI-BUDGET' MEASURES

Venture capital schemes

From April 2023, companies will be able to raise up to £250,000 of seed enterprise investment scheme (SEIS) investment – a £100,000 increase on the current limit. At the same time: the gross asset limit will be increased to £350,000; the company age limit will be raised from two to three years; and the annual investor limit will double to £200,000.

The SEIS, enterprise investment scheme (EIS) and venture capital trust (VCT) scheme will be extended beyond 2025.

Office of Tax Simplification

The Office of Tax Simplification (OTS) will be abolished, to be replaced with a mandate to the Treasury and HMRC to focus on simplifying the tax code.

NATIONAL INSURANCE CONTRIBUTIONS 2022/23

Class 1

	Employee – Primary	Employer – Secondary*
6/4/22–5/7/22	£190–-£967pw: 13.25% Over £967 pw: 3.25%	Over £175 pw: 15.05%
6/7/22–5/11/22	£242–£967pw: 13.25% Over £967 pw: 3.25%	Over £175 pw: 15.05%
6/11/22–5/4/23	£242–£967pw: 12.00% Over £967 pw: 2.00%	Over £175 pw: 13.80%
	Director – Primary	**Director – Secondary***
2022/23	£11,908–£50,270 pa: 12.73% Over £50,270 pa: 2.73%	Over £9,100 pa: 14.53%

** No employer NICs on the first £967pw for employees generally under 21 years, apprentices under 25 years and veterans in first 12 months of civilian employment. No employer NICs on the first £481pw for employees at freeports in Great Britain in the first three years of employment starting from 6 April 2022.*

NATIONAL INSURANCE CONTRIBUTIONS 2022/23

Employment Allowance		£5000
Per business - not available if sole employee is a director or employer's NICs for 21/22 £100,000 or more.		
Limits and thresholds	**Weekly**	**Annual**
Lower earnings limit	£123	£6,396
Primary threshold	£242†	£12,570**
Primary threshold for company directors	N/A	£11,908
Secondary threshold	£175	£9,100
Upper earnings limit (and upper secondary thresholds for younger/veteran employees)	£967	£50,270
Upper secondary threshold for freeport employees	£481	£25,000
*† £190 pw before 6 July 2022 **£9,880 before 6 July 2022*		
Class 1A Employer On car and fuel benefits and most other taxable benefits provided to employees and directors		14.53%
Class 2 Self-employed Flat rate	£3.15	£163.80
Small profits threshold		£6,725
Lower profits limit		£11,908
Class 4 Self-employed On profits	£11,908 to £50,270:	9.73%
	Over £50,270:	2.73%
Class 3 Voluntary flat rate	£15.85	£824.20

The guide represents our understanding of the law and HM Revenue & Customs practice as at November 17 2022, which are subject to change.

COURTIERS

18 Hart Street, Henley-on-Thames, Oxfordshire RG9 2AU
courtiers.co.uk | 01491 578 368 | enquiries@courtiers.co.uk