

'Smoke and Mirrors'

Autumn Budget 2023: Summary and Key Announcements

Jeremy Hunt delivered his Autumn Statement for Growth on 22 November 2023 which largely focused on building a stronger and more resilient economy.

The Chancellor's announcement covered three major themes; boosting business investment, getting more people back into work and cutting taxes. Some of the key announcements are summarised below together with a reminder of other recent changes and our top tips for making sure that you are fully prepared for any changes that may affect you or your business:

Income Tax

- All income tax rates including dividend rates remain the same.
- The personal allowance and income tax thresholds remain frozen at their current rates until April 2028.
- From 6 April 2023 the threshold at which income tax is chargeable at 45% was reduced from £150,000 to £125,140. No change has been made to this threshold.
- From 6 April 2023 the dividend allowance reduced to £1,000. It will reduce again to £500 from 6 April 2024.

TOP TIP: Given the increase in corporation tax rates and reduction in dividend thresholds, the tax savings available to company owners are starting to reduce. Company owners should consider their remuneration structure and benefits to ensure tax efficiency is maintained.

National Living Wage (NLW)

- The NLW will increase by 9.8% to £11.44 per hour from 1 April 2024.
- The NLW age threshold will also be lowered from 23 to 21 years old from the same date.

National Insurance (NIC)

- All NIC thresholds remain frozen at their current rates until April 2028.
- The main rate of employee Class 1 NIC will reduce from 12% to 10% with effect from 6 January 2024.
- Class 2 NIC payable by self-employed individuals will be abolished from 6 April 2024.
- Self-employed individuals pay Class 2 NIC to access contributory benefits such as the State Pension. Following abolition, the self-employed will continue to be able to access these benefits through the provision of a National Insurance credit.
- The main rate of Class 4 NIC payable by self-employed individuals will reduce from 9% to 8% from 6 April 2024.

TOP TIP: If you are an employee, consider contributing the reduction in NIC to your pension to boost your retirement fund.

Savings and Investments

- ISA limits, including Junior ISA's, Lifetime ISA's and Child Trust Fund limits, have been frozen at their current level for the 24/25 tax year.
- A number of changes are due to be made to allow multiple subscriptions to ISA's (up to the threshold) and to allow partial transfers between providers from April 2024.

Pensions

- The pension Triple Lock will be maintained with the basic State Pension, new State Pension and Pension Credit to rise by 8.5% from April 2024.
- The pension Annual Allowance remains at £60,000. This increased from £40,000 from 6 April 2023.
- The adjusted income threshold for the tapered Annual Allowance also remains at £260,000 which increased from £240,000 from 6 April 2023.
- Removal of the Lifetime Allowance and associated charges will be formally legislated and will take effect from 6 April 2024 as previously announced.

TOP TIP: Company owners may consider increasing the annual contributions made for directors to utilise the increased annual allowance. Given the increase in corporation tax rates, claiming all reliefs available will be vital to ensure tax efficiency.

Capital Gains Tax

- As planned, the capital gains tax annual exemption will reduce from £6,000 to £3,000 from April 2024. The annual exemption available to trusts will also reduce from £3,000 to £1,500.

TOP TIP: If you are planning to sell an asset you may wish to do so before the end of the 23/24 tax year to utilise the current annual exemption.

Inheritance Tax

- Current thresholds are frozen until April 2028 and no changes have been made to the rates of IHT.

Making Tax Digital for Income Tax Self-Assessment (MTD)

- The gross income threshold for MTD remains at £30,000 but further simplifications to the regime have been announced including an improvement of the design of the quarterly updates and the removal of end of period statements.

Business Rates

- The current 75% relief for eligible Retail, Hospitality and Leisure properties will be extended for a further year until April 2025.
- The small business multiplier in England will also be frozen at its current rate for a fourth consecutive year.

Business Investment

- The freeport and investment zones programmes will be extended from 5 to 10 years. These locations benefit from certain reliefs from Stamp Duty Land Tax and are able to obtain enhanced capital allowances.
- The Annual Investment Allowance will remain at £1m per annum.
- The full expensing relief rules which provide companies with 100% tax relief on qualifying expenditure will now be made permanent. These rules were originally designed to be effective from 1 April 2023 to 1 April 2026.
- The 50% first year allowance for special rate assets will also be made permanent.
- The Enterprise Investment Scheme and Venture Capital Trust reliefs were due to expire after 5 April 2025. New legislation will be introduced to extend the lifetime of these reliefs to 2035.

TOP TIP: The Enterprise Investment Scheme is a great option for small, start-up businesses to obtain funding and offers significant tax benefits to investors. Ensure you consider this option when planning for long-term growth.

Research, Development and Creative Industries Reliefs

- With effect for accounting periods starting on or after 1 April 2024 the existing RDEC and SME Research and Development tax relief schemes will be merged.
- A number of changes will apply to the new regime from April 2024 including a reduction in the notional tax rate applied to loss making tax credit claimants.
- Businesses in the high-end TV industry will benefit from an extension to relief for animated TV and animation films.

TOP TIP: There have been several significant changes to the R&D regime over the last couple of years. Ensure you are fully up to date with your obligations if you intend to make a claim, particularly the advance notifications and additional information forms that you may need to submit to HMRC.

Corporation Tax and VAT

- Corporation tax rates and VAT registration and deregistration thresholds remain unchanged.

Annual Tax on Enveloped Dwellings (ATED)

- ATED annual charges will be increased by 6.7% from 1 April 2024 in line with the September 2023 Consumer Price Index (CPI).

