

Tighten your belts

## The Autumn Statement 2022: Key Announcements

**Following a period of uncertainty and several changes within the UK Government, the new Chancellor, Jeremy Hunt, delivered his Autumn Statement in November 2022. Several new changes were announced within this statement but some of the changes announced by Mr Hunt's predecessors also remained.**

We summarise the key announcements and changes below:

### Personal Tax

- The Government had originally planned to reduce the basic rate of income tax from 20% to 19% from April 2023. This will no longer happen.
- The personal allowance (£12,570), basic rate band (£37,700) and higher rate band (£50,270) will be frozen until April 2028.
- From 6th April 2023 the additional rate tax threshold will reduce from £150,000 to £125,140. Those with income in excess of £125,140 will pay income tax at 45% from April 2023.
- As a result of the abolition of the Health and Social Care Levy dividend rates were expected to revert to those in place before April 2022. It has been confirmed that they will remain at the higher levels announced earlier in the year.
- Basic rate tax payers can expect to pay 8.75% on dividend income with higher and additional rate taxpayers subject to rates of 33.75% and 39.35% respectively. This change became effective in April 2022.
- In addition to the change in tax rates the dividend tax-free allowance will also be reduced from the current level of £2,000. From 6 April 2023 the allowance will reduce to £1,000 and from 6 April 2024 it will reduce to £500.

### National Insurance

- The National Insurance rise implemented in April 2022 was reversed with effect from 6 November 2022.
- Employees/Employers - The Upper Earnings Limit, Secondary and Primary Thresholds will all be frozen at their current levels until April 2028. The employer allowance increased to £5,000 from April 2022 and this remains unaffected.
- Self Employed - From 6 April 2023 the Class 4 NIC lower profits threshold will increase to £12,570 and will remain at this level until April 2028. The upper profits limit will remain frozen at £50,270 and the Class 2 NIC contribution rate will increase to £3.45 per week from April 2023.

### Capital Gains Tax (CGT)

- All CGT rates remain the same but there will be changes to the annual exemption.
- The annual exemption is currently £12,300 but from 6 April 2023 this will reduce to £6,000 and from 6 April 2024 a further reduction to £3,000 is planned.
- The annual exemption applicable to trusts will be £3,000 from 6 April 2023 and £1,500 from 6 April 2024.

**TOP TIP:** If you are a shareholder of a limited company it will be worth reviewing the way in which income is extracted as the changes to dividend taxation and upcoming changes to corporation tax rates may have an impact on your strategy.

**TOP TIP:** CGT disclosure thresholds are linked to the rate of annual exemption so we could expect more taxpayers to fall into self-assessment if gains are crystallised. Ensure disclosure requirements are reviewed whenever a gain is made.

## Stamp Duty Land Tax (SDLT)

- Changes announced in September 2022 in the first fiscal statement will remain – the nil rate threshold has increased to £250,000 and first time buyer thresholds have also changed.
- It has been confirmed that these increases are now considered to be temporary and will only remain in place until 31 March 2025.
- Other changes to the R&D regime are due to come into effect from April 2023. Our recent article provides more detail on these changes: [monahans.co.uk/articles/randd-changes](https://monahans.co.uk/articles/randd-changes).
- Changes planned to the Seed Enterprise Investment Scheme and the operation of the Company Share Ownership Plan remain.

## VAT

- It has been announced that current thresholds for registration and deregistration (£85,000 and £83,000 respectively) will be frozen until 31 March 2026.

## Corporation Tax

- Although previously scrapped in the first fiscal statement the planned increase in corporation tax rates from 1 April 2023 has now been reinstated.
- The corporation tax rate will remain at 19% until 31 March 2023.
- From 1 April 2023 companies with profits below £50,000 will continue to pay corporation tax at 19% but companies with profits in excess of £250,000 will pay corporation tax at 25%. A marginal rate will apply to companies with profits between £50,000 and £250,000.
- The rate of tax applicable to overdrawn loan accounts increased in April 2022 to 33.75%. Despite the abolition of the Health and Social Care Levy this rate is expected to remain in place.
- The Annual Investment Allowance limit of £1m has been made permanent and the 100% First Year Allowance available on the installation of electric vehicle charge points has been extended to 31 March 2025. The super-deduction is still expected to end on 31 March 2023.
- Significant changes to both R&D regimes will apply to qualifying expenditure incurred on or after 1 April 2023.
- SME Regime – The additional deduction available under this regime will decrease from 130% to 86% and the payable tax credit rate will decrease from 14.5% to 10%.
- Large Company RDEC Regime – The RDEC rate will increase from 13% to 20%.

**TOP TIP:** Although the R&D rates are decreasing for small to medium sized businesses it is absolutely still worthwhile exploring a claim if you believe you may qualify. The regime remains one of the most beneficial within the UK tax system.

## Off Payroll Working Rules

- Rules introduced in 2017 and 2021 for public and private sector organisations were due to be repealed from April 2023.
- This change had already been reversed prior to the Autumn Statement and there are no further plans for any further adjustments. All current rules remain.

**TOP TIP:** Employment status remains an important topic and the IR35 rules will continue to apply to contracts. Consider your working arrangements and review your contracts to ensure you are fully aware of your position.

## Inheritance Tax

- The nil rate band (£325,000) and residence nil rate band (£175,000) will be frozen until April 2028. There have been no changes to any tax rates.

## Employment Benefits

- Company car benefit rates will remain fixed until April 2025. Rates applicable to electric and ultra-low emission cars emitting less than 75g/km of CO<sub>2</sub> will increase by 1% per annum up to a maximum percentage of 5% for electric cars and 21% for ultra-low emission cars by 2028.
- Rates for all other company car bands will also increase by 1% from April 2025 up to a maximum of 37% by April 2028.

**TOP TIP:** The incentive to provide electric and ultra-low emission cars to employees remains, particularly with the extension of the electric vehicle charge point allowances. Ensure that you are considering all of the options available when providing vehicle benefits.