

Revel Chartered Certified Accountants



AUTUMN STATEMENT 2022

DECEMBER 2022

**BUILD AND EXPAND
YOUR BUSINESS
WITH THE
FINANCIAL
ADVANTAGE OF OUR
SUPPORT**



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Our overall message

Two key points:

1. There's lots of modelling for us to do to capture the key changes and keep your income as tax efficient as possible; and
2. There's lots of planning for you to do before the end of the current 22/23 tax year to use those allowances before the key changes come in (hopefully with your IFA if you have one).

On the personal tax side, the personal allowance, basic rate and higher income tax threshold freezes until 2028 take a hard swipe at income growth. Croner Accountancy Daily reported this week that "The government's deep freeze on income tax thresholds will see some workers' tax bills rise by the equivalent of a 3.5% hike in the headline rate of tax".

An average £33,000 earner will see an equivalent 2% increase to a base rate of 22%.

Croner Accountancy Daily report that someone with an income of £50,000 will pay just under £59,000 in income tax over the six years of the threshold freeze, being £9,000 higher than it would have been if tax thresholds had been uprated with inflation during that time. This is the equivalent of raising the basic rate of income tax to 23.5%.

Meanwhile, a higher earner with £75,000 of earnings will be hit by the equivalent of both the basic rate and higher rates of tax increasing by three percentage points each, to 23% and 43% respectively.

Other tax changes we must factor into our calculations include the lowering of the additional rate threshold from £150,000 to £125,140, the Capital Gains Annual exemption reduction from £12,300 to £6,000 from April 2023 and to £3,000 from April 2024, and finally, the personal tax dividend allowance reducing from £2,000 to £1,000 from April 2023, and to £500 from April 2024.

Lastly, not forgetting the Chancellor's confirmation that the main rate of corporation tax for companies with profits in excess of £50,000 will be 25% (for the financial year 2023). Whilst companies with profits below £50,000 will still be taxed at 19%, there will be marginal tapered relief for those companies with profits between £50,000- £250,000 resulting in an effective tax rate of 26.5% for profits in that band. This does not include all the other amendments that may be relevant scattered across Mr Hunt's new tax landscape.

So, in conclusion, lots for us to do, and lots of planning for you.

The Chancellor's overall message

"The Autumn Statement 2022 comes at a time of significant economic challenge for the UK and global economy. Putin's illegal war in Ukraine has contributed to a surge in energy prices, driving high inflation across the world. Central banks are raising interest rates to get inflation under control, which has pushed up the cost of borrowing for families, businesses and governments.

Growth is slowing and the International Monetary Fund (IMF) expects a third of the global economy to fall into recession this year or next."

Against this backdrop, and the fact that the UK is now officially in recession, Mr Hunt brought in the following two fiscal rules.

- **Rule 1:** *That the UK's national debt must fall as a share of GDP by the fifth year of a rolling five-year period; and*
- **Rule 2:** *That public sector borrowing in the same year must be below 3% of GDP.*

The Office of Budget Responsibility (OBR) are forecasting both rules should be met in 2026-27, that the recession should last just over a year, with the economy returning to pre-pandemic levels at the end of 2024. This, however, is just one opinion.

Whether the OBR's forecasts are right, and the Chancellor's plan works, remains to be seen.

The Tax changes

Rates and allowances

Income tax rates: England, Wales & Northern Ireland (non-dividend income)	2023/24	2022/23
0% starting rate (for savings only)	Up to £5,000	Up to £5,000
20% basic rate tax	£12,571-£50,270	£12,571-£50,270
40% higher rate tax	£50,271-£125,140	£50,271-£150,000
45% additional rate tax	Above £125,140	Above £150,000

Scottish rates of income tax (non-dividend income)		
Scottish taxpayers pay the same tax as the rest of the UK on dividends and savings interest		
19% starting rate	£12,571-£14,732	£12,571-£14,732
20% basic rate tax	£14,733-£25,688	£14,733-£25,688
21% intermediate rate tax	£25,689-£43,662	£25,689-£43,662
41% higher rate tax	£43,663-£150,000	£43,663-£150,000
46% top rate	Above £150,000	Above £150,000

The announcements on income tax do not automatically affect rates in Scotland. The Scottish government, which has responsibility for setting bands and rates of income tax in Scotland, will set out its plans for income tax (and other devolved taxes, including the property tax Land & Buildings Transactions Tax) in its draft budget, expected to be published on 15 December 2022.

The Welsh government retains limited powers in relation to Income tax rates and may choose to change these in their budget on 13 December.

Income tax

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The income tax additional rate threshold will reduce from £150,000 to £125,140 from April 2023. Reducing these thresholds will cost an additional £1,243 for an additional rate taxpayer earning £150,000.

Personal tax thresholds – ie personal allowance, basic and higher rate thresholds for income tax – are maintained until April 2028 at a current level of £12,570 and £50,270.

Basic rate of income tax will be maintained at 20%. This was previously announced to be reduced to 19%, which will not go ahead from 2023.

Other income tax allowances

Married Couple's Allowance and Blind Person's Allowance will be uplifted by 10.1%, from 6 April 2023.

National insurance

The national insurance thresholds for all classes will be maintained until April 2028 at the current level. The government will fix the level at which employers start to pay Class 1 Secondary NICs for their employees (the Secondary Threshold) at £9,100 from April 2023 until April 2028.

The employment allowance is set to the current level of £5,000.

The temporary 1.25% increase from 6 April 2022 in national insurance rates has been abandoned from 6 November 2022. The Health and Social Care Levy is no longer going ahead. The introduction of a separate Health and Social Care Levy tax in April 2023 has been cancelled too.

Changes

From 6 April 2022:

Employed

- The Employee Primary Threshold increases from £9,568 to £9,880, and from 6 July 2022 increases to £12,570 p.a.
- The Employer's Secondary Threshold increases from £8,840 to £9,100.
- The Upper Earnings Limit, Upper Secondary Threshold and Apprentice Upper Secondary Threshold are unchanged and remain aligned with the higher rate threshold at £50,270.
- The Veterans' Upper Secondary Threshold is introduced at £50,270.
- The Freeport Upper Secondary Threshold is introduced at £25,000.

Self-employed:

- The Class 2 NICs small profits limit increases from £6,515 to £6,725
- The Class 4 threshold increases from £9,568 to £9,880, and from 6 July 2022 increases to £12,570
- The Class 4 Upper Profits Limit remains at £50,270.

See [Rates & thresholds](#) below

NICs rate increases and decreases 2022-23

From 6 April 2022 to 5 November 2022:

- An extra 1.25% is added to rates of Employee (Class 1), Employer (Class 1, 1A and 1B) and self-employed (Class 4) NICs for 2022-23.
- Increased 2022-23 rates are:
 - Class 1 (Primary): 13.25% and 3.25%.
 - Class 1 (Secondary), 1A and 1B: 15.05%.
 - Class 4: 10.25% and 3.25%.
- From April 2023 onwards the Levy will also apply to those above State Pension age who are still in employment.
- The flat rate of Class 2 NICs increases from £3.05 to £3.15 per week.

The 1.25% increase was reversed on 22 September 2022, and will be adjusted via payrolls from November 2022.

From 6 November 2022:

- The 1.25% increase in NICs rates which has applied since 6 April 2022 is reversed.
- Employee rates will return to 12% and 2%, with an employer's rate of 13.8%.
- Annualised hybrid rates will apply to directors (primary: 12.73% and 2.73%; secondary: 14.53%) and for Class 1A and 1B NICs (both 14.53%).
- The self-employed rates will return to 9% and 2%, with hybrid 9.73% and 2.73% rates applying to 2022-23.
- The Health and Social Care Levy, due to be implemented in April 2023, is abolished.

National Insurance 2023-24

Proposed from April 2023

- The Class 1 lower earnings limit remains at the 2022-23 level of £6,396 per annum (£123 per week).
- The Class 2 small profits threshold remains at the 2022-23 level of £6,725.
- Class 2 and Class 3 NICs rates will increase by the September 2022 CPI's figure of 10.1%.
 - The Class 2 rate will be £3.45 per week, and the Class 3 rate will be £17.45 per week.

- The other NICs thresholds, including the £9,100 secondary threshold will be fixed at their current levels until April 2028.
- The Employers' NICs allowance is unchanged.

Rates and Thresholds

Employers & employees (not contracted out) rates 2022-23

LEL= Lower Earnings Limit

PT = Primary Threshold

ST= Secondary Threshold

UEL = Upper Earnings Limit

Employee rate	Band	Earnings per week/month/year	Employer rate	Weekly earnings
0%	LEL	Up to: £123 per week £533 per month £6,396 per year	0%	
0%	LEL-PT	6 April 2022 to 5 July 2022: £123 to £190 6 July 2022 to 5 April 2023: £123 to £242	N/A	
6 April to 5 November: 13.25% 6 November to 5 April: 12%	PT-UEL	6 April 2022 to 5 July 2022: £190 to £967 per week £823 to £4,189 per month £9,880 to £50,270 per year 6 July 2022 to 5 April 2023: £242 to £967 per week £1,048 to £4,189 per month £12,570 to £50,270 per year	N/A	

N/A	ST	£175 to £967	6 April to 5 November: 15.05% 6 November to 5 April: 13.8%	Above £175
6 April to 5 November: 3.25% 6 November to 5 April: 2%	UEL	£967 per week £4,189 per month £50,270 per year	6 April to 5 November: 15.05% 6 November to 5 April: 13.8%	Above £967

Self-employed rates 2022-23

	2022-23		2021-22	
Type	Profits	Rate	Profits	Rate
Class 2 Flat rate	£6,725+	£3.15 per week	£6,515+	£3.05 per week
Class 4	Up to £11,908	0%	Up to £9,568	0%
Class 4	£11,908 to £50,270	9.73%	£9,568 to £50,270	9%
Class 4	Above £50,270	2.73%	Above £50,270	2%

National Living Wage

The government will increase the National Living Wage (NLW) and National Minimum Wage (NMW) from 1 April 2023 as follows:

- the rate for 23 year olds and over to £10.42 an hour
- the rate for 21-22 year olds to £10.18 an hour
- the rate for 18-20 year olds to £7.49 an hour
- the rate for 16-17 year olds to £5.28 an hour and
- the apprentice rate to £5.28 an hour

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Dividend allowance

Dividend allowance is reduced from £2,000 to £1,000 from April 2023 and to £500 from April 2024. The threshold of £2,000 has been in place since April 2018.

The government has also confirmed that, from April 2023, the increased rates of taxation on dividend income will remain as follows:

- the dividend ordinary rate - 8.75%
- the dividend upper rate - 33.75%
- the dividend additional rate - 39.35%.

As corporation tax due on directors' overdrawn loan accounts is paid at the dividend upper rate, this will also remain at 33.75%.

This is of course all in contrast to the roll back of the Health and Social Care Levy applied to NI uplifts.

Inheritance tax

Inheritance tax nil-rate band and residence nil-rate band – thresholds are maintained at the current level until April 2028.

The inheritance tax nil rate bands are already set at current levels until April 2026 and will stay fixed at these levels for a further two years until April 2028. The nil-rate band will continue at £325,000, while the residence nil-rate band will continue at £175,000, and the residence nil-rate band taper will continue to start at £2m.

Qualifying estates can continue to pass on up to £500,000 and the qualifying estate of a surviving spouse or civil partner can continue to pass on up to £1m without an inheritance tax liability.

Although these thresholds seem high, with houses prices as high as they have been over recent years (with only marginal drops of late and forecasted), many may now unwittingly fall into the IHT trap. Please do get in touch if you have any IHT concerns.

Capital gains tax: reduce the annual exempt amount

The annual exemption amount for capital gains tax for individuals will reduce, from £12,300 to £6,000 from April 2023, then £3,000 from April 2024.

The rates of CGT will remain unchanged under current proposals.

SDLT

Stamp Duty Land Tax (SDLT) cuts for England and Northern Ireland will remain in place until 31 March 2025. On 23 September 2022, the government increased the nil-rate threshold of SDLT from £125,000 to £250,000 for all purchasers of residential property in England and Northern Ireland and increased the nil-rate threshold paid by first-time buyers from £300,000 to £425,000.

The maximum purchase price for which First Time Buyers' Relief can be claimed was increased from £500,000 to £625,000. This will now be a temporary SDLT reduction which will remain in place only until 31 March 2025.

Corporation tax

From April 2023, the planned increase in the corporation tax rate to 25% for companies with over £250,000 in profits will go ahead. Small companies with profits up to £50,000 will continue to pay corporation tax at 19%.

Companies with profits between £50,000 and £250,000 will pay tax at the main rate reduced by a marginal relief providing a gradual increase in the overall/average corporation tax rate. In real terms this means a 26.5% corporation tax rate for profits between £50,000 and £250,000.

S455 CTA 2010 tax

From April 2022

- Dividend tax rates increase by an extra 1.25% in The Finance Act 2022.
- The S.455 rate for the Corporation Tax charge for unpaid loans to participators also increased from April 2022, from 32.5% to 33.75%.

Seed Enterprise Investment Scheme (SEIS)

From April 2023

- Companies will be able to raise up to £250,000 of SEIS investment. The current limit is £150,000.
- The gross asset limit will be increased from £200,000 to £350,000, and the trading time limit from two to three years.
- The individual annual investor limit of £100,000 will be doubled to £200,000.

Annual Investment Allowances and Super-deduction

Annual Investment Allowance has been confirmed at a permanent rate of £1 million from 1 April 2023.

Super-deduction

From 1 April 2021

- Between 1 April 2021 and 31 March 2023 qualifying expenditure incurred by companies on new main rate assets will receive a 130% first-year allowance.
- Qualifying expenditure incurred by companies on new assets qualifying for special rate relief will benefit from a 50% first-year allowance between 1 April 2021 and 31 March 2023.
- Following an amendment to the Finance Bill as originally drafted Finance Act 2021 allows investment in background plant & machinery in leased buildings to qualify for the new super-deduction.
 - This ensures that the general exclusions at s46 CAA 2001 do not prohibit lessors from qualifying for the enhanced allowance or the special rate allowance (50%).

Although the super-deduction is coming to an end on 31 March 2023, with the rise in corporation tax rates from April 2023, companies with profits more than £50,000 are likely to be better off delaying purchasing items until after 1 April 2023 and using AIA rather than super-deduction available prior to this date. If you are planning any purchases, please do speak to us.

Research & Development

For expenditure incurred on or after 1 April 2023, Research and Development (R&D) tax reliefs will be changed as follows:

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

Taxable benefits

From April 2022:

- Van benefit and Fuel benefit charges to increase in line with the September 2021 Consumer Price Index.
- Income Tax (Earnings and Pensions) Act 2003 (ITEPA 2003) will be revised to update the official vehicle approval documentation recognised for determining the level of a vehicle's CO2 emissions. This will include the new certificates of conformity to be introduced in 2022. The definition of a UK approval certificate will also be amended.

Proposed from April 2023:

- Car and van fuel benefit charges and van benefit charges will increase in line with CPI.
- Rates are set for company car tax until April 2028:

- Percentages for electric and ultra-low emission cars emitting less than 75g of CO₂ per kilometre will increase by 1% in 2025-26, 2026-27 and 2027-28.
 - This will bring rates to a maximum of 5% for electric cars and 21% for ultra-low-emission cars.
- Rates for all other vehicle bands will be increased by 1% for 2025-26 up to a maximum percentage of 37%.
 - Rates will then be fixed for 2026-27 and 2027-28.

Reversal of Off-Payroll Working reforms

In his mini-budget on 23 September 2022, then Chancellor Kwasi Kwarteng announced a complete reversal of the Off-Payroll Working reforms. This was reversed on 17 October 2022 by the new Chancellor Jeremy Hunt.

VAT

The VAT registration and deregistration thresholds at £85,000 will not change for a further period of two years from 1 April 2024.

Annual Tax on Enveloped Dwellings

The annual chargeable amounts for the ATED will be uplifted by the September CPI figure of 10.1% for the 2023-24 ATED charging period.

Online Sales Tax (OST)

The government has clearly stated that it has decided not to introduce an OST, an idea put forward by certain stakeholders in the context of business rates reform. The government's decision reflects concerns raised about an OST's complexity and the risk of creating unintended distortion or unfair outcomes between different business models.

This does bring a degree of certainty in future planning for many online retailers and – along with the rates reforms announced – clarity for those with fixed retail premises.

Business Rates

The Chancellor confirmed that the planned revaluation for England will proceed in April 2023. At revaluation, property values used to calculate non-domestic rates are updated to reflect the property market (in this case to reflect values as at 1 April 2021). Current values have been in effect since April 2017, and are based on market values as at April 2015.

The Chancellor also confirmed that a transitional rates relief scheme, which phases in changes associated with new values, will be in place for 3 years following the revaluation.

The business rates multiplier will be frozen in 2023-24, while relief for 230,000 businesses in retail, hospitality and leisure sectors was also increased from 50% to 75% next year;

Revaluations are also expected to take effect in April 2023 in Scotland and Wales however poundage rates and any other decisions relating to revaluation and non-domestic rates are expected to be announced by the Welsh and Scottish Governments in their respective budgets, expected in mid-December

A variety of other non-domestic rates relief may be available, with those announced discussed below, but businesses will need to check with their local council here:

<https://www.gov.uk/apply-for-business-rate-relief>

Business Rates - Multiplier Freeze

The business rates multipliers will be frozen in 2023-24 at 49.9 pence and 51.2 pence, preventing them from increasing to 52.9 pence and 54.2 pence. This is a tax cut worth £9.3 billion over the next five years. This will support all ratepayers, large and small, and mean bills are 6% lower than without the freeze, before any reliefs are applied.

Business Rates - Transitional Relief Scheme

Upwards Transitional Relief will support properties by capping bill increases caused by changes in rateable values at the 2023 revaluation. This £1.6 billion of support will be funded by the Exchequer rather than by limiting bill decreases, as at previous revaluations. The 'upward caps' will be 5%, 15% and 30%, respectively, for small, medium, and large properties in 2023-24, and will be applied before any other reliefs or supplements. This delivers significant reform to the business rates system and responds to a key stakeholder ask. The 300,000 properties with falls in rateable values will see the full benefit of that reduction in their new business rates bill from April 2023. Over the life of the 3-year list the scheme will support around 700,000 ratepayers.

Business Rates - Retail, Hospitality and Leisure Relief (RHL)

Support for eligible retail, hospitality, and leisure businesses is being extended and increased from 50% to 75% business rates relief up to £110,000 per business in 2023-24. Around 230,000 RHL properties will be eligible to receive this increased support worth £2.1 billion.

Business Rates - Supporting Small Business Scheme (SSBS)

Bill increases for the smallest businesses losing eligibility or seeing reductions in SBRR or Rural Rate Relief (RRR) will be capped at £600 per year from 1 April 2023. This is support worth over £500 million over the next 3 years and will protect over 80,000 small businesses who are losing some or all eligibility for relief. This means no small business losing eligibility for SBRR or RRR will see a bill increase of more than £50 per month in 2023-24.

Business Rates - Improvement Relief

At Autumn Budget 2021 the government announced a new improvement relief to ensure ratepayers do not see an increase in their rates for 12 months as a result of making qualifying improvements to a property they occupy. This will now be introduced from April 2024. This relief will be available until 2028, at which point the government will review the measure.

Access to finance – eligibility for start-up loans

As previously announced, the business secretary has widened eligibility of the start-up loans scheme to businesses trading for up to three years as follows:

- [start-up loans](#) of up to £25,000 are now available to start-ups that have been trading for up to three years, up from two years
- new 'second loans' available for businesses that have been trading for up to five years

Recovery loan scheme

The [Recovery Loan Scheme](#), launched in April 2021 to help businesses recovering from the pandemic, has been extended to 2024. Details of the scheme and eligibility criteria can be found on the British Business Bank website [FAQs](#).

Government grants to install electric vehicle charge points

You can potentially claim 100% of the costs of installing an electric vehicle charging point as a capital allowance. The government will legislate in Spring Finance Bill 2023 to extend the 100% First Year Allowance for electric vehicle charge points to 31 March 2025 for corporation tax purposes and 5 April 2025 for income tax purposes.

Scotland and Wales

More detailed information about the impact on devolved budgets will be expected when the Welsh and Scottish governments announce their budgets, expected to be on 13 and 15 December, respectively.