

2022 Autumn Statement

An Update on the Statement from the Chancellor



INTRODUCTION

The Chancellor's Autumn Statement sets out how the government plans to balance its books.

The message is that the key priorities are stability, growth and public services.

The positive messages are that state benefits and the National Minimum Wage will increase from April 2023 and the energy support will be extended for another year at an increased annual threshold of £3,000 from April 2023.

Many people will also be glad that windfall taxes on energy companies and electricity generators will increase and extend to March 2028.

However, the same people will not be so happy that despite the Chancellor highlighting his commitment to meeting climate change targets, the same energy companies can avoid or reduce their windfall taxes by investing in further oil exploration. So, the UK government are now incentivising oil companies to extract oil for resale which then helps to warm our planet!

The Chancellor stated that it was only fair that those on higher incomes or making higher profits should pay the most and that businesses should also pay their fair share. However, the announced freezing of various allowances and thresholds are stealth taxes which always disproportionately impact on people who are on lower incomes than those on higher incomes. This will have a knock-on effect for small businesses that will come under more pressure to give their workers' pay increases.

Small businesses and lower and medium earners are impacted the most by the cost of living increases which are predominantly due to increased energy costs. It is hard to see how this budget is fair as it seems once again that it is these taxpayers who will bear more of the tax burden than the wealthy and the oil companies.

Under the Barnett formula it looks like Northern Ireland will get a further £650m. The big questions are who will decide how it is spent and will it be spent? Hopefully, it will not take as long as the £400 Energy Bill Support payment which has so far resembled the folk tale The Emperor's New Clothes – we are told the support is there, but no-one can see it.

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PERSONAL TAXES & RELATED TOPICS

Personal Tax Rates and Allowances

The income tax Personal Allowance (£12,570) will remain unchanged for a further two tax years, until 2028.

The threshold for the income tax additional rate of 45% will reduce from £150,000 to £125,140 from 6 April 2023.

The reduction in this threshold for those earning £150,000 or more will result in them paying approximately an additional £1,240 in personal tax per year.

Decrease in Dividend tax free Allowance

The current tax-free Dividend Allowance will be cut from £2,000 to £1,000 from 6 April 2023 and then cut further to £500, from 6 April 2024.

Capital Gains Tax (CGT) Annual Exemption

The CGT Annual Exemption, which is currently £12,300 per taxpayer, will be reduced to £6,000 from 6 April 2023 with a further reduction to £3,000 planned from 6 April 2024.

Capital Gain Tax Share Exchange

One measure included in the statement to address tax avoidance are changes to the share-for-share exchange provisions to treat non-UK companies as UK companies where certain conditions are met.

Currently a UK resident individual who is non-domiciled in the UK, claiming the remittance basis of taxation can use the share-for-share exchange provisions to change their corporate structure and insert a non-UK holding company to avoid UK tax on unremitted income and gains arising from that UK business.

The proposed provisions which will take effect from 17th November 2022 will prevent this.



Married Couples' Allowance and Blind Persons Allowance

Married Couple's Allowance and Blind Person's Allowance are set to increase in line with September's inflation rate of 10.1% from 6 April 2023.

National Living Wage (NLW) and National Minimum Wage (NMW)

Recommendations by the Low Pay Commission were accepted in full by the government and the NLW and NMW rates which will apply from 1 April 2023 are as follows:

- For individuals over 23 NLW will increase from £9.50 to £10.42 per hour
- For 21-22 year olds NMW will increase from £9.18 to £10.18 per hour
- For 18-20 year olds NMW will increase from £6.83 to £7.49 per hour
- For 16-17 year olds NMW will increase from £4.81 to £5.28 per hour
- The apprentice rate NMW will increase from £4.81 to £5.28 per hour

These increases are expected to benefit more than two million of the lowest paid employees. However, many will still struggle as inflation and the cost of living continues to put pressure on household incomes. Similarly, increased wage bills may cause concern for employers which are facing soaring business expenses. This could lead to tough decisions and the need for organisational change.

National Insurance Contributions (NIC) & Employment Allowance

The NIC Secondary threshold of £9,100 for employers NIC and the Employment Allowance of £5,000 will be frozen until April 2028.

According to Jeremy Hunt, the Employment Allowance will protect 40% of businesses from paying any NIC. However, employers who were previously covered by the Employment Allowance could be exposed to a Secondary Class 1 NIC liability due to future increased NLW and NMW rates.

Cost of Living – State Pension & Pension Credit

From April 2023 the state pension will be increased by the 10.1% September inflation rate, in line with the Triple Lock commitment.

This means that a pensioner in receipt of the full rate state pension in the 2022/23 tax year at £185.15 per week will get a pension of £203.85 per week from April 2023. This would be an annual pension of £10,600.

In addition, to ensure that pensioners on low income are protected from inflation and do not lose entitlement to means tested pension credit, the standard minimum income guarantee will also increase in line with inflation, from April 2023.

BUSINESS TAXES & TAX INCENTIVES

Research & Development ("R&D")

As part of the ongoing review of R&D reliefs, the government is reforming the reliefs to ensure taxpayers' money is spent as effectively as possible by rebalancing rates. The government remains committed to supporting R&D, and the amount of support provided to innovative businesses through R&D tax reliefs is forecast to increase.

From 1 April 2023 Research & Development Expenditure Credit (RDEC) rate will increase from 13% to 20%. Small & Medium Enterprise (SME) additional deduction will decrease from 130% to 86%. SME tax credit rate will decrease from 14.5% to 10%.

Given the changes to corporation tax rates in April 2023 the impact of the above changes are as follows:

- The tax benefit to large companies claiming RDEC, or SMEs receiving grant funding also claiming RDEC will see the net benefit increasing from 10.53% to 15%.
- Profit making SMEs will see the relief dropping from 24.7% to 21.5% on every £1 of qualifying expenditure; and
- Loss making SMEs who surrender their losses for the tax credit previously receiving a 33.3% benefit will now only receive 18.6% benefit.

This reform is aimed at ensuring that taxpayer support is as effective as possible, improves the competitiveness of the RDEC scheme, and is a step towards a simplified, single RDEC-like scheme for all.

As previously announced at Autumn Budget 2021, the R&D tax reliefs will be reformed by expanding qualifying expenditure to include data and cloud costs, refocusing support towards innovation in the UK, targeting abuse and improving compliance.

The government will consult on the design of a single scheme, and ahead of next year's Budget will work with industry to understand whether further support is necessary for R&D intensive SMEs, without significant change to the overall cost envelope for supporting R&D.

Government spending on R&D plays a crucial role in stimulating private sector investment. Public spending on R&D will increase to £20 billion a year by 2024-25, a cash increase of around a third compared to 2021-22. This is the largest increase in R&D spend ever over a Spending Review period.

The direction of travel from the government is clearly to reduce the differential between the SME and RDEC schemes in a bid to unify R&D reliefs under one scheme. This will simplify the R&D regime and aid their efforts to remove fraud from the system. The main impact of today's announcements will be on start-up and early-stage loss making companies who are the hardest hit.

Annual Investment Allowance

The Budget was almost silent in terms of capital allowances. Previous announcements confirmed that the annual investment allowance which provides 100% tax relief on the first £1m of qualifying expenditure, will continue permanently post March 2023. The 130% 'super-deduction' for expenditure is still set to finish on 31 March 2023.

First Year Allowance for Electric Vehicle Charge Points

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.



CAR, VAN AND FUEL BENEFIT CHARGES

Tax Rates

The rates for Company Car Tax are being set until April 2028 to provide long term visibility. Rates will continue to incentivise the take up of electric vehicles:

- appropriate percentages for electric and ultra-low emission cars emitting less than 75g of CO₂ per kilometre will increase by 1 percentage point in 2025-26; a further 1% in 2026-27 and a further 1% in 2027-28 up to a maximum appropriate percentage of 5% for electric cars and 21% for ultra-low emission cars; and
- rates for all other vehicles bands will be increased by 1% for 2025-26 up to a maximum appropriate percentage of 37% and will then be fixed in 2026-27 and 2027-28.

Van Benefit Charge and Car & Van Fuel Benefit Charges

From 6 April 2023, car and van fuel benefit charges and the van benefit charge will increase in line with the Consumer Price Index.

OTHER TAXES

Diverted Profits Tax

From April 2023, the rate of Diverted Profits Tax will increase from 25% to 31%, in order to retain a 6 percentage points differential above the main rate of corporation tax, and therefore ensure that it remains an effective deterrent against diverting profits out of the UK.

Stamp Duty Land Tax ("SDLT")

The SDLT threshold increases made in September will remain in place, but today's statement confirmed they will end on 31 March 2025.

In September 2022, the government announced an increase in the nil rate of SDLT from £125,000 to £250,000 for all residential properties; and increased the nil-rate threshold paid by first time buyers from £300,000 to £425,000 (subject to a maximum purchase price of £625,000).

Annual Tax on Enveloped Dwellings (ATED)

The annual chargeable amounts for the ATED will be uplifted in line with inflation by 10.1% for the 2023-24 ATED charging period.

Windfall taxes

The existing 'energy profits levy' on oil and gas companies is to increase from 25% to 35% from 1 January 2023 to March 2028.

In addition, the government is introducing an Electricity Generator Levy, a temporary 45% tax that will be levied on extraordinary returns from low carbon UK electricity generators i.e. in-scope generation at an output price above £75/Mh. The levy will be limited to generators with in-scope generation output in excess of 100GWh across a period and will only then apply to extraordinary returns exceeding £10 million per year for the Group. The tax will apply to extraordinary returns arising from 1 January 2023.

VAT Registration and Deregistration Threshold

The VAT registration threshold of £85,000 and deregistration threshold of £83,000 will not change for an additional 2 years, from 1 April 2024.



Vehicle Excise Duty (VED) Rates

From April 2025, VED will apply on electric cars, vans and motorcycles in the same way as petrol and diesel vehicles, as follows:

- new zero emission cars registered on or after 1 April 2025 will be liable to pay the lowest first year rate of VED (which applies to vehicles with CO₂ emissions 1 to 50g/km) currently £10 a year. From the second year of registration onwards, they will move to the standard rate, currently £165 a year;
- zero emission cars first registered between 1 April 2017 and 31 March 2025 will also pay the standard rate;
- the Expensive Car Supplement exemption for electric vehicles is due to end in 2025. New zero emission cars registered on or after 1 April 2025 will therefore be liable for the Expensive Car Supplement. The Expensive Car Supplement currently applies to cars with a list price exceeding £40,000 for 5 years;
- zero and low emission cars first registered between 1 March 2001 and 30 March 2017 currently in Band A will move to the Band B rate, currently £20 a year;
- zero emission vans will move to the rate for petrol and diesel light goods vehicles, currently £290 a year for most vans;
- zero emission motorcycles and tricycles will move to the rate for the smallest engine size, currently £22 a year; and
- rates for Alternative Fuel Vehicles and hybrids will also be equalised.

RATES & ALLOWANCES TABLE

Personal Taxation

	2023/2024	2022/2023
Personal Allowance (Note 1)	£12,570	£12,570
Personal Savings Allowance		
Basic rate taxpayers	£1,000	£1,000
Higher rate taxpayers	£500	£500
Additional rate taxpayers	N/A	£0
Property Trading Allowance (Note 2)	£1,000	£1,000
Marriage Allowance (10% Relief) (Note 3)	£1,260	£1,260
Married Couples Allowance (10% Relief)		
Elder spouse born before 6 April 1935	£9,415	£9,145
Age allowance income limit (born before 6 April 1948)	£31,400	£31,400
Minimum allowance where income exceeds limit	£3,640	£3,640
Blind Person's Allowance	£2,600	£2,600
Rent a room relief	£7,500	£7,500

Note 1 – Personal allowance will be removed by £1 for every £2 of income over £100,000 until it is completely removed.

Note 2 – Up to £1,000 allowances are available for each type of income. Restrictions apply.

Note 3 – Marriage allowance is only available where one spouse does not pay tax and can transfer this allowance to their spouse who pays tax at the basic rate.

National Insurance Contributions

Class 1: Employed Earners - Weekly Earnings	2023/2024	2022/2023
Employee rates		
Earnings up to £242	0%	0%
Earnings between £242 and £967	12%	13.25%
Earnings over £967	2%	3.25%
Employer		
Earnings up to £175	0%	0%
Earnings between £175 and £967 (under-21s)	0%	0%
Earnings between £175 and £967 (apprentices under 25)	0%	0%
Earnings over £175 (all other employees)	13.8%	15.05%
From 6 April 2022, the employment allowance will increase to £5,000 per employer		

Income Tax

	2023/2024	2022/2023
Savings rate (Note 4)	0%	0%
On taxable income up to	£5,000	£5,000
Basic rate	20%	20%
On taxable income up to	£0-£37,700	£0-£37,700
Higher rate	40%	40%
On taxable income between	£37,701-£125,140	£37,701-£150,000
Additional Rate	45%	45%
On taxable income over	£125,140	£150,000

Note 4 - The 0% savings rate is only available where an individual's taxable non-savings income is below this limit: a 0% tax rate applies to savings income up to the limit.

Dividends

	2023/2024	2022/2023
Dividend Allowance	0%	0%
On taxable income up to	£1,000	£2,000
Basic rate	7.5%	8.75%
On taxable income between	£1,001 - £37,700	£2,001 - £37,700
Higher rate	32.5%	33.75%
On taxable income between	£37,701-£125,139	£37,701-£150,000
Additional Rate	38.1%	39.35%
On taxable income over	Over £125,140	£150,000

National Insurance Contributions cont.

Class 2: Self Employed Persons	2023/2024	2022/2023
Weekly contribution rate	£3.15	£3.15
Small profits limit	£6,725	£6,725
Class 3: Voluntary Contributions		
Weekly contribution rate	£17.45	£15.85
Class 4: Self Employed Persons - Annual Profits		
Profits up to £12,570* (£11,908 in 2022/2023)	0%	0%
Profits between £12,570 and £50,270 (£11,908 in 2022/2023)	9%	10.25%
Profits over £50,270	2%	3.25%

* The self-employed pay NICs on an annual basis, and at the end of the tax year.

Corporation Tax

Rate applicable if:	From 1 April 2023	Up to 31 March 2023
Profits less than £50,000	19%	19%
Profits from £50,001-£250,000	25% (reduced by marginal rate)	19%
Profits over £250,000	25%	19%
Annual Investment Allowance	£1,000,000	£1,000,000

Inheritance Tax

	2023/2024	2022/2023
Nil Rate Band	£325,000	£325,000
Additional Residence Nil Rate Band (Restrictions apply)	£175,000	£175,000
Lifetime rate	20%	20%
Death Rate (Note 5)	40%	40%
Note 5 - A lower rate of 36% will be charged where at least 10% of the estate has been left to a charity.		

Capital Gains Tax

	2023/2024	2022/2023
Annual Allowance	£6,000	£12,300
Standard Rate	10%	10%
Standard Rate (residential property)	18%	18%
Higher Rate	20%	20%
Higher Rate (residential property)	28%	28%
Business Asset Disposal Relief effective rate	10%	10%
Business Asset Disposal Relief lifetime limit of gains	£1,000,000	£1,000,000
Investors' Relief effective rate	10%	10%
Investors' Relief lifetime limit of gains	£10,000,000	£10,000,000

VAT

	2023/2024	2022/2023
Lower Rate	5%	5%
Standard Rate	20%	20%
Registration threshold	£85,000	£85,000
Deregistration threshold	£83,000	£83,000

Pensions

	2022/2023	2021/2022
Annual allowance (Note 6)	£40,000	£40,000
Lifetime allowance	£1,073,100	£1,073,100
Money Purchase Annual Allowance	£4,000	£4,000
Note 6 - Annual allowance restricted to minimum of £4k for individuals earning over £200k		

Stamp Duty Land Tax (SDLT)

The rates below apply to acquisitions of chargeable interests in land in England and Northern Ireland including leases:

Purchase of Residential Property	First property rate	Additional property rate
0 – £250,000	0%	3%
£250,001 – £925,000	5%	8%
£925,001- £1,500,000	10%	13%
Over £1,500,000	12%	15%
Purchase by first-time buyers		
0 – £425,000	0%	
£425,001 – £625,000	5%	
>£625,000	Normal rates	
Purchase of Non-residential Property		
0 – £150,000	0%	
£150,001 – £250,000	2%	
Over £250,000	5%	
Lease of Non-residential Property		
- on the Net Present value of Lease payments		
0 – £150,000	0%	
£150,001 – £5,000,000	1%	
Over £5,000,000	2%	
- on lease premiums		
0 – £150,000	0%	
£150,001 – £250,000	2%	
Over £250,000	5%	

Rates apply to the portion of consideration within each band. From 1 April 2021, an extra 2% surcharge is applied to purchasers of residential property in England and Northern Ireland who are non-resident in the UK. This surcharge applies to purchases by UK Resident companies controlled by non-resident shareholders.

Stamp Duty

Transfer of Shares & Marketable Securities 0.5%

Income Tax Reliefs and Incentives

	2023/2024 limit	Income Tax Relief	2022/2023 limit	Income Tax Relief
Enterprise Investment Scheme (EIS)				
- standard	£1,000,000	30%	£1,000,000	30%
- additional for investments in knowledge-intensive companies only	£1,000,000	30%	£1,000,000	30%
Seed Enterprise Investment Scheme (SEIS)	£200,000	50%	£100,000	50%
Venture Capital Trust (VCT)	£200,000	30%	£200,000	30%
Individual Savings Account (ISA) *	£20,000		£20,000	
Junior ISA (per child)	£9,000		£9,000	
Lifetime ISA	£4,000		£4,000	
*The ISA allowance can be split between any combination of cash ISA, stocks and shares ISA, or finance ISA.				

Taxable Car and Fuel Benefits

The taxable car benefit for 2023/2024 is calculated as a percentage of the car's list price based on carbon dioxide (CO2) emissions as follows:

Cars registered before 6 April 2020	Petrol and Diesel (if RDE2 compliant)	Diesel (if not RDE2 compliant)	Cars registered on or after 6 April 2020	Petrol and Diesel (if RDE2 compliant)	Diesel (if not RDE2 compliant)
Cars emitting below 50g / km of CO2:			Cars emitting below 50g / km of CO2:		
- Electric range of >130 miles	2%	N/A	- Electric range of >130 miles	2%	N/A
- Electric range of 70-129 miles	5%	N/A	- Electric range of 70-129 miles	5%	N/A
- Electric range of 40-69 miles	8%	N/A	- Electric range of 40-69 miles	8%	N/A
- Electric range of 30-39 miles	12%	N/A	- Electric range of 30-39 miles	12%	N/A
- Electric range of <30 miles	14%	N/A	- Electric range of <30 miles	14%	N/A
Cars emitting >50 /km of CO2	15%	19%	Cars emitting >50 /km of CO2	15%	19%
For each additional 5g / km of CO2	1%	1%	For each additional 5g / km of CO2	1%	1%
Maximum benefit where CO2 at least 170g / km	37%	37%	Maximum benefit where CO2 at least 170g / km	37%	37%

Fuel benefit for cars is calculated by applying the relevant car CO2 emissions percentage to £25,300.

As of 6 April 2022, the private use of vans attracts a scale charge of £3,600 pa.

Taxable fuel benefit for private use of a company van is £688 for 2023/2024.

The appropriate percentage for purely electric cars for the purposes of company car tax is 1%.

Approved Mileage Rates for Employees Use of Own Vehicles for Business Travel

Cars/Vans	
-First 10,000 Business Miles Per Annum	45p
-Excess over 10,000 Miles	25p
-Each Passenger Making Same Trip	5p
Motor Cycles	24p
Bicycles	20p

Advisory Fuel Rates for Employees Use of Company Cars for Business Travel

Engine Size	Petrol	Diesel	LPG	Electric
1,400cc or less	15p		9p	5p
1,600cc or less		14p		5p
1,400cc - 2,000cc	18p		11p	5p
1,601cc to 2,000cc		17p		5p
Over 2,00cc	27p	22p	17p	5p



We have made every effort to ensure the information provided in this document is accurate, but we cannot accept responsibility for the consequences of any action you take in reliance on its contents. If you have any matters which you would like to discuss further, one of our staff will be pleased to help you.

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