

2022 Mini Budget

An Update on the Statement from the Chancellor



INTRODUCTION

Chancellor Kwasi Kwarteng's mini budget seems like a major give away.

However, corporation tax, annual investment allowance, diverted profits tax, national insurance rates and dividend rates will remain the same as they were in April 2022 before the cost of living crisis began.

It does mean that people who are wealthier will pay significantly less tax from 6 April 2023. However, the reduction in the income tax rate to 19% will have less of an impact for working class and middle class workers than an increase in the personal allowance in line with inflation would have achieved.

The reduction in stamp duty land tax will help those who can afford to move house or buy a house.

Liz Truss's Government is not ashamed of the mini budget benefiting the wealthier members of our society as it is clearly implementing a trickle-down economics policy on a scale last seen in the Thatcher era.

The current cost of living crisis has developed because energy prices have increased dramatically, highlighting how energy impacts on the price of all goods and services. The important question is whether this mini budget help the businesses and people in Northern Ireland to survive this crisis and even thrive. Where is the investment in Green energy that could make the UK an industry leader, energy self- sufficient, buildings more energy efficient and cheaper energy for all?

The reduction in national insurance may help businesses by enabling them to increase wages to retain staff who are struggling to pay their energy bills, increased food bills and/or mortgage payments.

The government's plans to help cut energy bills for businesses was outlined ahead of this mini budget and is clearly focused on gas and electricity users. Northern Ireland businesses and households predominantly use oil and so far the support for households using oil is £400 which is available to all households and a possible additional £100. The support for businesses is yet to be released.

As we continue to emerge from the Covid 19 pandemic, our NHS, social care services and schools are struggling with higher costs and staff shortages and it is hoped that Liz Truss's government has more announcements that will help to improve these services.

We are left wondering if the alcohol duties are being kept the same to enable us to drown our sorrows.

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STAMP DUTY LAND TAX

With effect from 23 September 2022, the level at which people pay Stamp Duty Land Tax on property purchases will double from £125,000 to £250,000, with immediate effect.

The government reckons this move will encourage an additional 200,000 people each year to be able to buy a home without paying Stamp Duty.

Changes were also introduced for first time buyers. The level at which first time buyers start paying stamp duty will increase from £300,000 to £425,000. The Chancellor also increased the value of the property on which the relief can be claimed to £625,000, up £125,000 from its previous level of £500,000.

The government estimates that these measures will facilitate its top priority of growth by boosting the property market which in turn will help businesses expand to fuel the wider economy's growth. However, this measure will have less of an impact in rural areas like Northern Ireland where first time buyer properties were already well within the limits than in the South East of England.



BUSINESS TAXES

Corporate Tax

The previous planned increase in corporation tax to 25% from April 2023 has now been cancelled and the rate will remain at 19% for all companies irrespective of their profit levels.

This will be welcome news for businesses especially as it is the lowest rate in the G20. However, there is still a differential with the current rate in the Republic of Ireland.

Capital Allowances

The Annual Investment Allowance, which provides 100% tax relief to businesses on investments in qualifying plant and machinery, has been at a temporary level of £1m for a number of years and was due to decrease to £200,000 in March 2023. It is now being kept at £1m permanently.

This will be a welcome announcement for businesses and will provide certainty on the relief available to them.

Diverted Profits Tax

This was due to increase to 31% from 25% from April 2023. However, it will now be retained at 25%.

Investment Schemes

The government are extending the Enterprise Investment Scheme and Venture Capital Trusts beyond 2025.

The limits under the Seed Enterprise Investment Scheme will be increased from April 2023. Companies will be able to raise up to £250,000, an increase of £100,000. The gross asset limit will also increase to £350,000 and the age limit to 3 years.

The maximum amount which an individual can invest into the scheme will increase from £100,000 to £200,000.

With Company Share Option Plans companies can currently issue up to £30,000 of options to employees. This limit is increasing to £60,000. Further changes will also be made to align the rules of the scheme with the rules in the Enterprise Management Incentive Scheme and to widen access to the plan for growth companies.

The changes to the CSOP will be a boost for businesses looking for ways to retain key staff.

Off Payroll Working

Off payroll working rules, also known as IR35, are being revised. The reforms implemented in 2017 and 2021 will be repealed from April 2023. Workers providing their services via an intermediary will take responsibility for determining their employment status.

The Chancellor mentioned simplifying the rules, but does this mean he intends to introduce changes to the long standing IR35 legislation introduced in April 2000? More details may follow this announcement. The off payroll working legislation is complicated and hopefully the reforms will make it easier to be compliant with the revised legislation.

NATIONAL INSURANCE

The Health & Social Care Levy which was introduced as a 1.25% increase in National Insurance Contributions is being cancelled. National Insurance rates will be reduced from 6 November 2022 to remove the 1.25% increase for the rest of the 2022/23 tax year. The Levy which was due to come into force as a separate tax in April 2023 will not come into force.

INCOME TAX

The planned cut in the basic rate of income tax from 20% to 19% has been accelerated to April 2023, one year earlier than planned.

The higher rate of income tax of 45% which applies to incomes in excess of £150,000 has been abolished. From April 2023 there will be one single higher rate of income tax of 40% for all income over £50,270.

The rates for dividends will also be reduced to the 2021/22 rates of 7.5% and 32.5%. The dividend additional rate of 38.1% will also be abolished. The dividend higher rate will be reduced from 33.75% to 32.5% with effect from April 2023.

This is a welcome announcement for individuals and businesses alike which will see more money in their pockets. However, the decrease in the basic rate of income tax will also have an impact on the rate of gift aid that charities can reclaim.

DUTIES

Alcohol duty has been frozen for another year from February 2023. The government will publish its response to a consultation on its plans to modernise alcohol duties. The reforms will be implemented from August 2023.

There is no mention of a decrease in fuel duties which is disappointing for motorists.

VAT

A new digital VAT-free shopping scheme is being introduced for non-UK visitors to Great Britain to enable them to obtain a VAT refund on goods bought in the high street, airports and other departure points and exported from the UK in their personal baggage. This will include modernising the scheme currently operating in Northern Ireland.



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	£30,400
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 from 6 Jul 22 - 5 Nov 22		
Earnings up to £242	0%	0%
Earnings between £242 and £967	12%	13.25%
Earnings over £967	2%	3.25%
Employee rates from 6 Nov 22 – 5 Apr 23		
Earnings up to £242	0%	0%
Earnings between £242 and £967	12%	12%
Earnings over £967	2%	2%
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	19%	20%
On taxable income up to	£0-£37,700	£0-£37,700
Higher rate	40%	40%
On taxable income between	Over £37,701	£37,701-£150,000
Additional Rate	N/A	45%
On taxable income over	N/A	£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	£2,000	£2,000
Basic rate	7.5%	8.75%
On taxable income between	£2,001 - £37,700	£2,001 - £37,700
Higher rate	32.5%	33.75%
On taxable income between	Over £37,701	£37,701-£150,000
Additional Rate	N/A	39.35%
On taxable income over	N/A	£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	£15.85	£15.85
Class 4: Self Employed Person - 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

	FY23 to 31/03/2023	FY22 to 31/03/2022
Rate applicable to all companies	19%	19%
Annual Investment Allowance (AIA)	£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	£12,300	£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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