

## TAX NEWS

Welcome to our tax newsletter. This special edition is being published to focus on the tax measures announced by the Chancellor in his Autumn Statement. Please contact us if you wish to discuss any matters in this newsletter further.

### TAX INCREASES AND PUBLIC SPENDING CUTS

*Content accurate as of 18.11.22*

The new Chancellor Jeremy Hunt had warned the public and the financial markets that his Autumn Statement would include “eye-watering” cuts in public spending and tax rises for those with the ‘broadest shoulders’. Unlike the ill-fated Fiscal Event of 23 September, the Government “rolled the pitch” this time with several leaks prior to the event. Mr Hunt wants to avoid the austerity that followed the 2008 financial crash and is focused on measures that will keep the period of recession as short as possible.

Many pensioners and those on means-tested benefits will be relieved that their 2023/24 payments will be uprated in line with the 10.1% inflation in the year to September 2022. There will also be further support for those struggling with energy bills. But this continued support needs to be paid for and the tax increases and spending cuts will not be popular.

### FREEZING INCOME TAX BANDS

It had already been announced that the income tax personal allowance (£12,570) and higher (40%) rate threshold (£50,270\*) would be frozen until 5 April 2026, instead of increasing each year in line with inflation.

The Chancellor has now announced that these freezes will continue until 5 April 2028.

As earnings increase, this will result in more higher rate taxpayers and is often referred to as ‘fiscal drag’ because it will raise more tax without actually increasing income tax rates.

### MORE TO PAY 45% INCOME TAX

The income level at which point the ‘additional’ 45% rate of income tax starts to apply will be reduced from £150,000 to £125,140\* from 6 April 2023.

The new £125,140 threshold ties in with the £12,570 personal allowance being gradually withdrawn for those with income in excess of £100,000. For these individuals, once their income exceeds £125,140, they will no longer be entitled to a personal allowance and, from April 2023, will move straight into 45% income tax.

*\*It should be noted that, for Scottish taxpayers, income tax rates and thresholds are, for certain income types, separately set by the Scottish government.*

### ALL QUIET ON PENSIONS

In good news, we did not see measures to further restrict tax relief for pension contributions.

Please do talk to us about how your pension contribution strategy could help to lessen the impact of the above income tax changes.

### NIC BANDS FROZEN

Employers will be relieved that there are no more changes to NIC rates and bandings or therefore consequential payroll software changes!

Like the main income tax bandings, NIC thresholds are now also frozen until 5 April 2028. This means that employers’ NIC will continue to apply at 13.8% to earnings in excess of £9,100 a year (£175 per week) and employees and the self-employed will continue to pay 12% and 9% respectively on earnings/profits between £12,570 and £50,270 and 2% thereafter.

Despite rumours to the contrary, the 1.25 percentage point increase to NIC rates that has just been removed from 6 November 2022, will not be making a return from 6 April 2023.

### DIVIDEND INCOME – REDUCED 0% BAND

For all individuals, the first £2,000 of dividend income is taxed at 0%.

The government have now decided that this ‘dividend allowance’ of £2,000 will be reduced to £1,000 in the 2023/24 tax year and then again to just £500 in the 2024/25 tax year.

It should be remembered that the income tax rates applied to dividend income outside of the allowance have only recently been increased to 8.75%, 33.75% and 39.35% (for dividend income falling into basic rate, higher rate and additional rate bands respectively).

Combined, these measures will mean that those reliant on dividend income will pay more tax.

If you are a director/shareholder, please contact us to discuss the best strategy for extracting profits from your company from 6 April 2023.

### CGT ANNUAL EXEMPTION CUT

Many were predicting that the rates of Capital Gains Tax (CGT) paid by individuals would increase, possibly to align with the rates of income tax.

Instead, the Chancellor has announced that the current £12,300 annual tax-free CGT exemption (or allowance) will be reduced to just £6,000 in 2023/24 and only £3,000 in 2024/25.

This change will mean that those disposing of investments such as shares, second homes and buy-to-let properties will pay more tax.

If you are planning any capital disposals, please contact us to discuss the best strategy for timing of sale.

## VAT REGISTRATION LIMITS UNCHANGED

The VAT registration threshold continues to be frozen at £85,000, instead of increasing each year in line with inflation. This will remain the case until March 2026.

## CARS, VANS AND TAXATION!

For those provided with an electronic or ultra-low emission company car (emitting less than 75g of CO<sub>2</sub> per kilometre), there will be annual increases in the benefit-in-kind percentages, and therefore the taxes paid by both employees and employers, from the 2025/26 tax year.

For all other company car users, there will be a 1 percentage point increase (up to a maximum of 37%) in the calculation of the benefit-in-kind in 2025/26 before being fixed for the following two tax years.

The fixed multipliers used to calculate benefits-in-kind on employer provided vans, van fuel (for private journeys in company vans) and car fuel (for private journeys in company cars) will increase in line with the Consumer

Price Index (CPI) from 6 April 2023.

The government have also announced that they will introduce Vehicle Excise Duty on electric cars, vans and motorcycles from April 2025.

## R&D 'REBALANCING'

The Chancellor has again expressed concerns about the alleged abuse of Research & Development (R&D) tax reliefs.

Alongside plans to merge two existing schemes in future, he announced that, from 1 April 2023:

- The Research and Development Expenditure Credit (RDEC) available to non-SME companies would be **increased** from 13% to 20%.
- For SME companies, the additional R&D tax relief deduction will be **reduced** from 130% to 86%.
- For loss-making SME companies, the payable credit will be **reduced** from 14.5% to 10%.

## A MINI U-TURN ON SDLT

One of the few changes announced on 23 September that has not been reversed concerns Stamp Duty Land Tax (SDLT) in England and Northern Ireland. The starting threshold was increased from £125,000 to £250,000 (and, for First Time Buyers, from £300,000 to £425,000) from 23 September 2022.

However, it has now been announced that these are to be temporary changes and, from 1 April 2025, the thresholds will return to their original rates.

## AND REMEMBER...

As previously announced and as we head into 2023;

- The £1million Annual Investment Allowance - giving 100% tax relief to businesses investing in qualifying plant and machinery - is now permanent.
- The Government is increasing the generosity and availability of certain Venture Capital Schemes, including the Seed Enterprise Investment Scheme for start-up companies.

And finally, in all matters, we are here to help you. Please do get in touch about any of the Autumn Statement measures or otherwise.

## DIARY OF MAIN TAX EVENTS DECEMBER 2022 / JANUARY 2023

Date	What's Due
1/12/22	Corporation tax for year to 28/02/2022 unless quarterly instalments apply.
19/12/22	PAYE & NIC deductions, and CIS return and tax, for month to 5/12/22 (due 22/12 if you pay electronically).
30/12/22	Deadline for filing 2021/22 tax return online in order to request that HMRC collect outstanding tax via the 2022/23 PAYE code.
1/1/23	Corporation tax for year to 31/03/2022 unless quarterly instalments apply.
19/1/23	PAYE & NIC deductions, and CIS return and tax, for month to 5/1/23 (due 22/1 if you pay electronically).
31/1/23	Deadline for filing 2021/22 self-assessment tax return online and paying your outstanding tax for 2021/22 and first payment on account of 2022/23 tax.

*Content accurate as of 18.11.22*

**Please contact a member of our team if you would like to discuss any of the issues raised.**

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