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# Autumn Statement 2022

Stability at last?

Nick Latimer

24<sup>th</sup> November 2022



# Welcome

## Agenda

- Recap of the response and market reaction
- Tax measures & announcements
- What's coming up and further reading

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Nick is a Tax Partner within the Cheltenham office of Crowe UK, and advises business owners, entrepreneurs and families on appropriate ways to structure their affairs to make the most of tax allowances and reliefs.

He specialises in income tax planning, capital gains tax planning, family businesses, inheritance tax, and trusts, as well as advising internationally mobile individuals who may or may not be domiciled in the UK.

# **Recap of response and market reaction**

# The run up – reassuring the markets post Truss/Kwarteng



— Autumn Statement Will Deliver 'Shock' To Middle England, Says IFS  
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# Papers – Fiscal Drag hurts all!



# Market Reaction – FTSE and GBP:USD FX

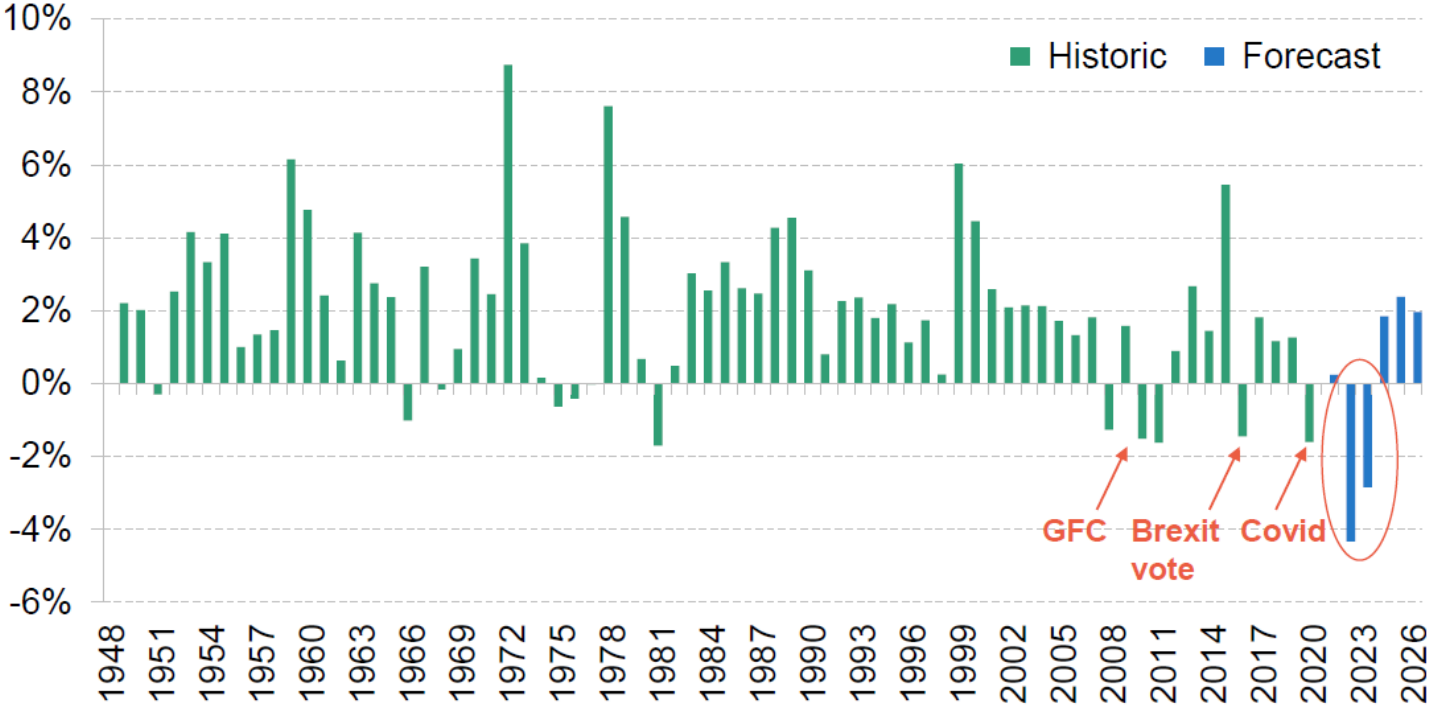


Mini Budget 23<sup>rd</sup> September – FTSE 7,019, USD 1.13  
Liz Truss resigned 20<sup>th</sup> October – FTSE 6,944, USD 1.12  
Autumn Statement 17<sup>th</sup> November - FTSE 7,347, USD 1.19  
23<sup>rd</sup> November – FTSE 7,465, USD 1.21

# IFS view – worst 2 years on record ahead

## Real household disposable income set to fall by 7% over next 2 years IFS

Year-on-year growth in real household disposable income (per capita)



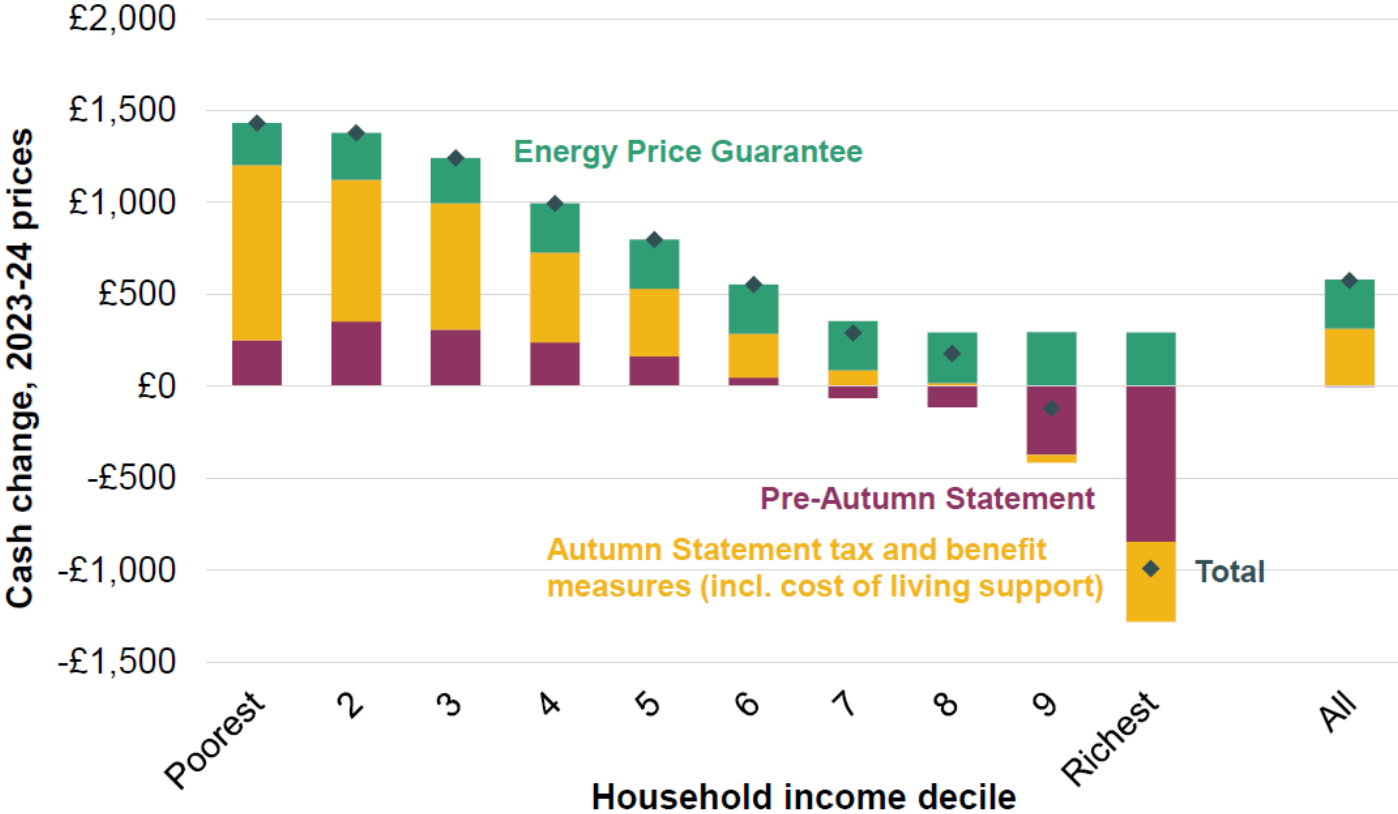
Source: IFS calculations based on ONS UK Economic Accounts (historical RHDl and population statistics), OBR EFO November 2022 (forecast per-capita RHDl)

Notes: Years refer to financial years

# IFS view – tax hit on higher households

## Distributional analysis 2023–24 IFS

Cash change in 2023–24 from tax and policy measures implemented since Nov 2021



Notes: Assumes rise in employer NICs is borne by employees.

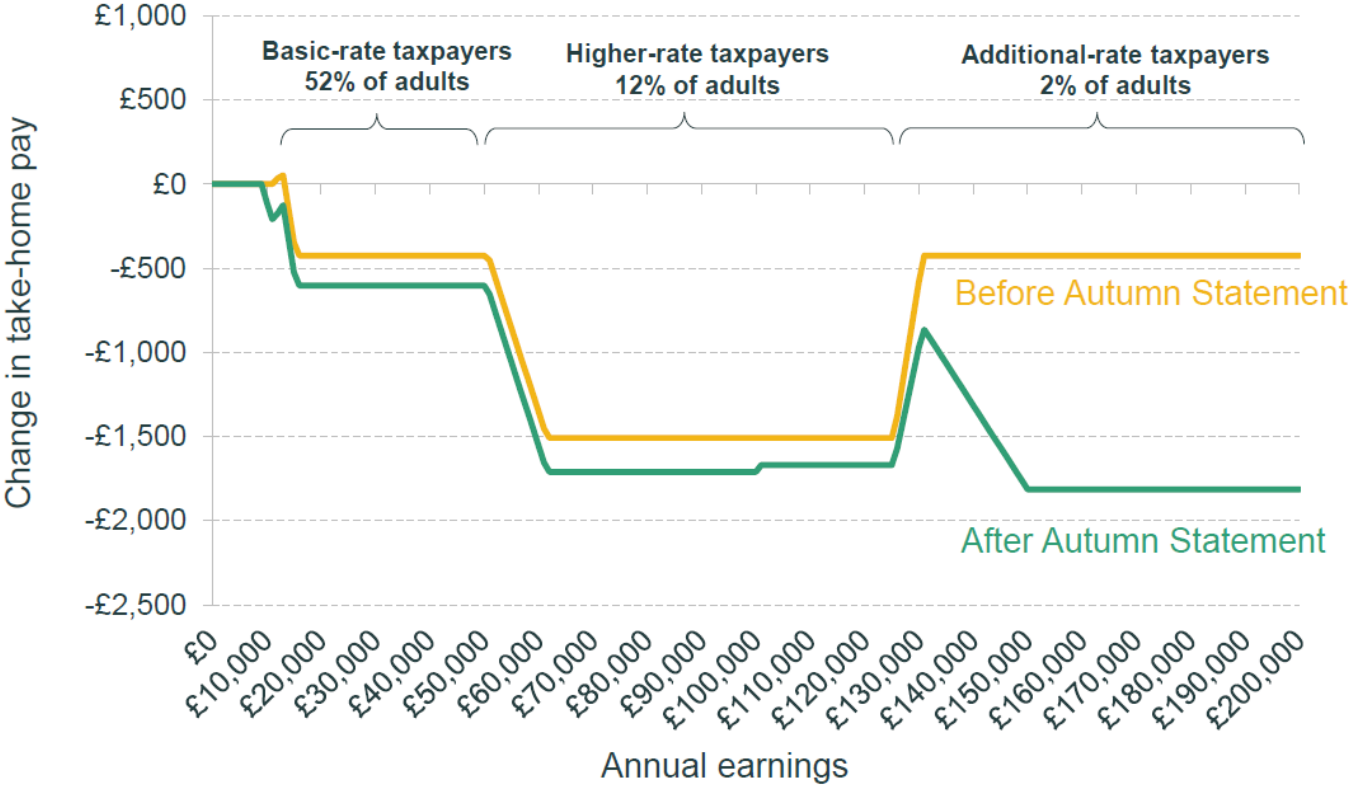


# IFS view – everyone pays more over time (27-28 impact)

## Tax rises for everyone



Impact of income tax & NICs changes introduced since 2021-22 on take-home pay in 2027-28

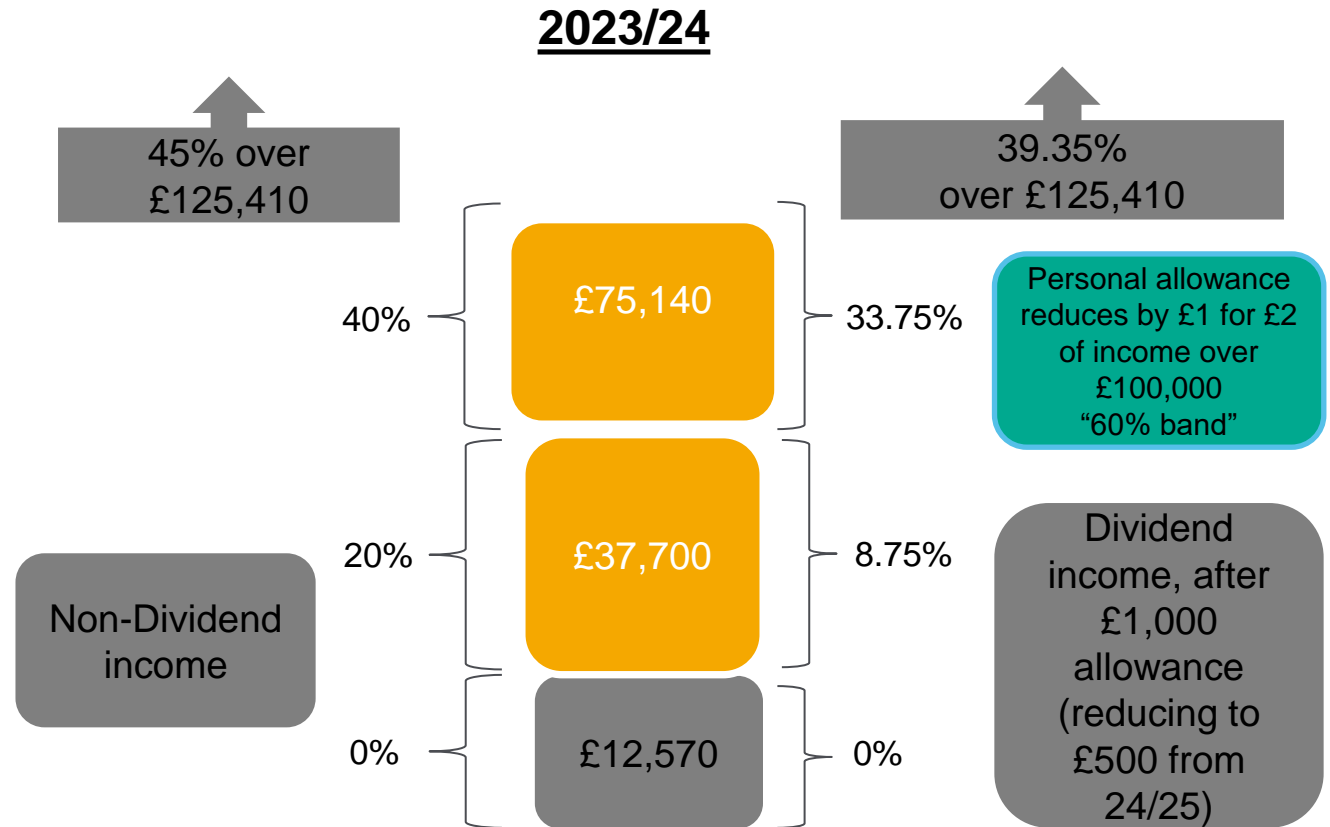


Note: Amounts in 2027-28 prices. Expected number of taxpayers in 2027-28 shown. Assumes full incidence of employer NICs rise on employees.

# **Tax Measures & Announcements**

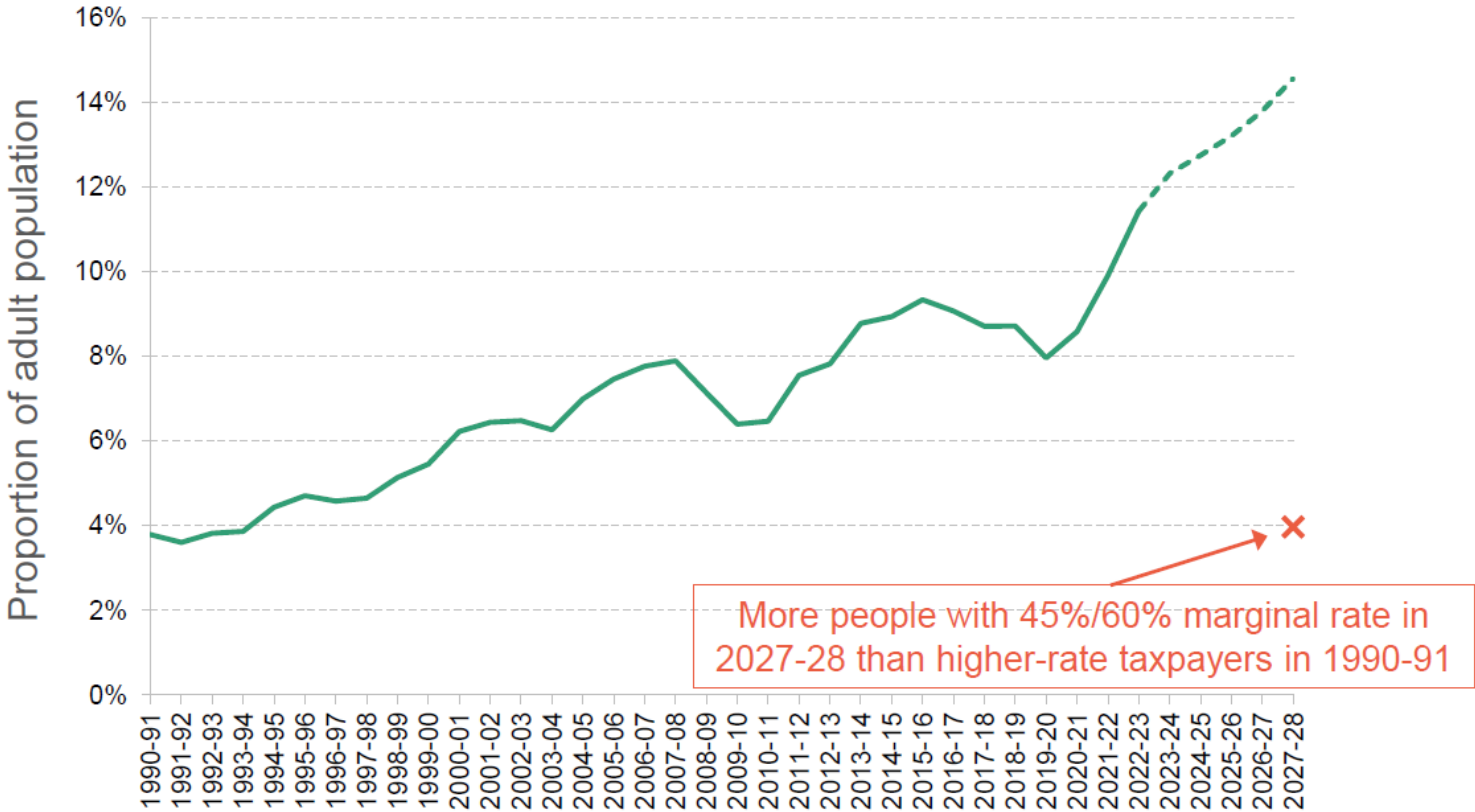
# Income tax rates – 2023/24, 2024/25, 2025/26

- Income tax and employee NIC thresholds frozen to April 2028
- Employer NIC threshold frozen to April 2028 (secondary fixed at £9,100)
- Additional rate threshold reduced from £150,000 to £125,410 from 6 April 2023
  - Max impact  $£24,590 \times 5\% = \mathbf{£1,230}$
- £125,410 is the level after the “£60% band” where PA abated
- Dividend exemption
  - Reduced from £2k to £1k from 6/4/23
  - Reduced from £1k to £500 from 6/4/24
  - Max impact  $39.35\% \times £1.5k = \mathbf{£590}$
- Planning with pensions/gift aid/losses?



# IFS – impact of fiscal drag and new measures

## No. of higher- and additional-rate taxpayers IFS



More people with 45%/60% marginal rate in 2027-28 than higher-rate taxpayers in 1990-91

# Corporation Tax rates and capital allowances

## Capital allowances

- Changes
  - 100% FYA for EV charging points extended to 31/3/25 for CT (as with EVs), 5/4/25 for IT
  - £1m AIA extended **indefinitely**
- No changes (available to 31 March 23)
  - 130% super deduction on P&M
  - 50% FYA for qualifying special rate assets

## Corporation tax rates – no changes

	FY 2021	FY 2022	FY 2023	FY 2024
Main Rate	19%	19%	19%	25%
Marginal band*	19%	19%	19%	26.5%
Lower rate	19%	19%	19%	19%

\*Profits between £50-250k, split between associates

# Impact - cash extraction rates to 2023/24

- %'s in table is the total amount of tax paid in the band shown when extracting £100 of pre tax profit from your business
- Rent/interest still most efficient form of cash extraction
- Dividend route more expensive than salary in the higher rate/additional rate bands from 2023/24
- Consider remuneration strategy review before the new tax year

<b>Corporation tax rate 19% 2021/22</b>	<b>Self employed /partner %</b>	<b>Salary %</b>	<b>Dividend %</b>	<b>Rent/Interest %</b>
Basic rate band	29.00	40.25	25.08	20.00
Higher rate	42.00	49.03	45.33	40.00
Additional rate	47.00	53.43	49.86	45.00

<b>Corporation tax rate 19% , NIC/Divi rates up 1.25% 2022/23</b>	<b>Self employed /partner %</b>	<b>Salary %</b>	<b>Dividend %</b>	<b>Rent/Interest %</b>
Basic rate band	30.25	41.98	26.09	20.00
Higher rate	43.25	50.67	46.34	40.00
Additional rate	48.25	55.02	50.87	45.00

<b>Corporation tax rate 25%, NIC rate down 1.25% 2023/24</b>	<b>Self employed /partner %</b>	<b>Salary %</b>	<b>Dividend %</b>	<b>Rent/Interest %</b>
Basic rate band	29.00	39.37	31.56	20.00
Higher rate	42.00	49.03	50.31	40.00
Additional rate	47.00	53.43	54.51	45.00

# R&D changes

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- SME tax credit relief = 230% relief **REDUCED** to 186% from 1 April 2023
- Where increases/ creates loss => 14.5% refund **REDUCED** to 10%
- Impact for loss making companies (£100k spend)
  - Currently £230,000 @ 14.5% = £33,350 refund
  - To become £186,000 @ 10% = £18,600 refund
- Way for HMRC to reduce impact of “abuse” of system  
(note refund also limited to £20,000 + 300% of PAYE and NICs for AP)

# Benefits in kind for company cars

- Rates to increase out from 6 April 2025 to 5 April 2028:
  - Electric vehicles up by 1% a year to 5%
  - Ultra low emission vehicles by 1% a year to a maximum of 21%
  - All other vehicles by 1% in 2025/26 only (maximum of 37% remains)
- Still possible to salary sacrifice for low emission vehicles

**2022/23**

CO2 g/km	EV Range (miles)	% of list price
Zero	n/a	<b>2%</b>
1-50g	>130 miles	<b>2%</b>
	70-129	<b>5%</b>
	40-69	<b>8%</b>
	30-39	<b>12%</b>
	< 30 miles	<b>14%</b>
51-54g	n/a	15%
Then each 5g		+1%
Maximum at 165g+		<b>37%</b>



# Venture Capital Schemes and CSOP increased limits

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- Measures previously announced and confirmed
- Seed Enterprise Investment Scheme (SEIS)
  - An increase in the company lifetime limit from £150,000 to £250,000
  - An increase in the company qualifying trade age limit from 2 to 3 years
  - An increase in the company gross asset limit from £200,000 to £350,000
  - An increase in the individual investor limits (for both Income Tax and Capital Gains Tax separately) from £100,000 to £200,000.
- Company Share Ownership Plan (CSOP)
  - Employee option limit increased from £30,000 to £60,000

# Reminder - Tax incentivised investments

	SEIS	EIS	VCT
Investment	£10,000	£10,000	£10,000
Income tax relief	(£5,000) 50% 3 years	(£3,000) 30% 3 years	(£3,000) 30% 5 years
Net cost	£5,000	£7,000	£7,000
Capital gains relief	£1,400 Exempt (10,000 @ 50% @ 28%)	£2,800 Deferral (10,000 @ 28%)	-
Net cost	£3,600	£4,200	£7,000
Tax relief for losses	Yes	Yes	No
CGT exemption on sale	Yes (after 3 years)	Yes (after 3 years)	Yes
Dividends taxable?	Yes	Yes	No
IHT free on death	Yes, after 2 years	Yes, after 2 years	No

Carry Back Option

# Capital Gains Taxes - Rates and Exemptions

	Current rate	Resi rate
Basic Rate	10%	18%
Higher Rate	20%	28%

- NO CHANGES in main rates
- Annual Exemption currently £12,300 2022/23 (use it or lose it) reducing:
  - To £6,000 from 6<sup>th</sup> April 2023
  - To £3,000 from 6<sup>th</sup> April 2024 - maximum impact: £9,300 @ 28% = **£2,604**
- Separation and divorce
  - no gain/no loss provisions extended to three years after year of separation, and indefinitely for assets transferred as part of divorce agreement
  - Extension of main residence relief to former matrimonial home in most cases
- Anti avoidance to prevent remittance basis claims in cases where share for share treatment has applied

# Stamp Duty Land Tax

- Truss/Kwartang relaxation of residential SDLT retained to 31 March 2025
- Extension of 0% bands to £250,000 (worth £2,500), and to £425,000 for first time buyers for properties up to £625k (worth £11,250)

Residential rates	
< £125,000	0%
£125,000 - £250,000	2%
£250,000 - £925,000	5%
£925,000 - £1.5million	10%
> £1.5m	12%
Additional residential rates	
< £125,000	3%
£125,000 - £250,000	5%
£250,000 - £925,000	8%
£925,000 - £1.5million	13%
> £1,5m	15%



From  
23/9/22 to  
31/3/25



Residential rates	
< £250,000	0%
£250,000 - £925,000	5%
£925,000 - £1.5million	10%
> £1.5m	12%
Additional residential rates	
< £250,000	3%
£250,000 - £925,000	8%
£925,000 - £1.5million	13%
> £1,5m	15%

# VAT and duties

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- VAT £85k registration limit frozen to 31 March 2026
- Vehicle excise duty for electric and internal combustion engines to be equalised from April 2025
- Climate change levy to be “rebalanced” in 2024/25 by increasing rates on natural gas and solid fuels, while freezing those on electricity and LPG.
- Alcohol duty - the new, reformed alcohol duty regime will now be implemented in August 2023. In the meantime there has been no decision on whether duties will be frozen or will rise.
- Council tax - the cap on council tax increases will be increased from 3% to 5% per year.

# Windfall and energy taxes

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- Energy profits levy increasing from 25% to 35% from 1 January 2023 for oil and gas companies (takes total headline rate to 75%)
- Reduced oil and gas investment allowance from 80% to 29% from 1/1/23 (unless for decarbonisation expenditure)
- Electrical generator levy of 45% for companies generating energy from renewable/biomass/nuclear sources:
  - £10m allowance
  - Receipts in excess of £75/MWh
  - From 1 January 2023 to 31 March 2028

# Other large company announcements

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- Multinationals will be required to keep additional transfer pricing documentation in line with OECD guidelines from 1 April 23
- Diverted profits tax rate to be increased from 25% to 31% from 1 April 23
- OECD pillar 2 (+750m Euro groups) - UK HQd companies min consolidated tax rate of 15%, and UK operations min 15% for accounting periods starting on or after 31 Dec 23

## Other news?

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- IHT nil rate band threshold of £325,000 to be fixed to 6 April 2028 (no change since 2009!)
- Office of tax simplification to be closed 😞





# Further reading and whats coming up


# Crowe website for more commentary and events

- Some links here to our website:

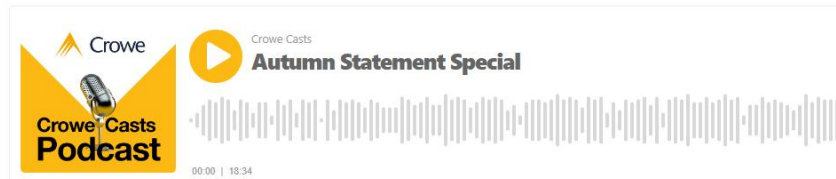
## Autumn Statement 2022



### Crowe Cast


17/11/2022 

In the special episode of Crowe Casts our Partners, Jane Mackay (Head of Tax) Laurence Field (Corporate and International Tax Partner), Rebecca Durrant (National Head of Private Clients) and Robert Janering (Corporate VAT Partner), discuss the impact the Chancellor's statement is likely to have on business and individuals.



## Tax planning opportunities for individuals

Nicky Owen, Partner, Professional Practices

23/11/2022 

### Are you and your family taking advantage of tax planning opportunities?

It is not as difficult as you may at first think. There are simple things you can do initially and then your plans and strategies can evolve.

With 2023 fast approaching and the tax year end, 5 April on the horizon, now is a good time to stop and work out what actions are required to make use of the relevant tax planning opportunities that are of interest to you and your wider family.



More on the autumn statement [here](#) (29 Nov 22 webinar at 11am)

And join our IHT planning webinar [here](#) (11 Jan 23 webinar at 11.30am)

**Any questions /  
thoughts?**



# Thank You

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