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Autumn Statement 2022

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Stability, Growth, Public Services

The message from the Chancellor, Jeremy Hunt, in the days before he rose to the despatch box in the House of Commons to deliver the Autumn Statement was clear; he would be outlining billions of pounds of tax rises and spending cuts.

These spending cuts and tax rises, he said, would affect everybody and were necessary to re-establish the markets' trust in the future health of the public finances.

What was less clear was exactly who the announcements would affect the most and how they would be impacted, but what is now apparent is that whilst all working families will incur higher tax costs, the brunt will be borne by the largest businesses and highest earners.

Of course, the challenges for the Chancellor extended well beyond winning the trust of the markets in relation to his stewardship of the public finances. He will also have been thinking about inflation, the cost-of-living crisis, interest rates and promoting economic growth, not to mention the political optics.

These are competing but intricately related pressures; action to address the cost of living carries with it the risk of further inflation; action to reassure the markets brings the twin dangers of not addressing the cost-of-living crisis or promoting economic growth. Different economic considerations do not exist in a vacuum.

Further underscoring the scale of the challenge, just a day earlier, the Office for National Statistics announced that inflation had reached a 41-year high of 11.1 per cent.

This followed warnings from the Bank of England's Monetary Policy Committee, as it increased interest rates to three per cent in early November, that the UK faces a "prolonged" recession.

The only real questions concerned the detail of what the Chancellor would do. We now have the detail, so most importantly now is whether this will work to help the economy come out of recession quickly and for growth to help dampen the impact of the tax changes announced for the coming years.

Conclusion

The economy is a complex and dynamic system, and there are limits to what can be known about how it will respond to any particular intervention – it is the sum of the ever-changing actions of millions of individuals.

What is more, the Chancellor only has his hands on some of the levers of economic influence, not all of them, and moving one of the levers he controls can stop him from moving another.

Mr Hunt will be hoping he has pulled the right levers by the right amount and that the factors out of his control move in the direction he wants them to.

For individuals, businesses and business owners, the impact of the changes is likely to vary considerably and a renewed focus on careful tax planning and efficiency reviews is likely to be needed more than ever. If you have any questions on how these changes impact you, or how to make the most of available reliefs, rates and allowances, please contact us for advice.

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Personal Tax

	2021/22	2022/2023	6/4/2023 to 5/4/2026
Personal allowance	£12,570	£12,570	£12,570
Tax bands and rates			
Basic rate band (20%)	£0 - £37,700	£0 - £37,700	£0 - £37,700
Higher rate band (40%)	£37,701 - £150,000	£37,701 - £150,000	£37,701 - £125,140
Additional rate band (45%)	Over £150,000	Over £150,000	Over £125,140

Income Tax Rates

The government had previously announced that there would be a cut in the basic rate of income tax, from 20% to 19%, from April 2024. This was to be accelerated so that it took effect from April 2023. However, whilst the government aims to proceed with the cut in due course, this will only take place when economic conditions allow, and a change is affordable. The basic rate of income tax will therefore remain at 20% for the foreseeable future.

At the Mini Budget on 23 September 2022 the government announced a plan to abolish the 45% additional rate of income tax from April 2023. However, it was confirmed on 3 October 2022 that the government would not proceed with this plan.

Instead, the Chancellor announced that from 6 April 2023, the point at which individuals pay the additional rate will be lowered from £150,000 to £125,140, which is in line with the threshold at which the personal allowance is entirely withdrawn for high earners.

The additional rate for non-savings and non-dividend income will apply to taxpayers in England, Wales, and Northern Ireland. The additional rate for savings and dividend income will apply to the whole of the UK.

Comment:
The reduction in this threshold, combined with the current level of inflation, will bring many more taxpayers into the additional rate tax band which makes it clear that high earners are going to be bearing a substantial share of the tax rises announced by the Chancellor.

Income Tax Allowances

The income tax personal allowance and higher rate threshold were already fixed at their current levels until April 2026, but the Chancellor has announced that these levels will now be maintained for an additional two years until April 2028.

Comment:
This prolonged freezing of allowances and rate bands will bring many more people into the tax net over time and will see increasing numbers breaching the higher rate and additional rate thresholds.

The reduction in the personal allowance for those with 'adjusted net income' over £100,000 remains. The reduction is £1 for every £2 of income above £100,000 and so there is no personal allowance where adjusted net income exceeds £125,140.

The government has confirmed that it will uprate the married couple's allowance and blind person's allowance by inflation for 2023/24.

Dividends and Savings

Dividends

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

- the dividend ordinary rate for basic rate taxpayers – 8.75%
- the dividend upper rate for higher rate taxpayers – 33.75%
- the dividend additional rate for additional rate taxpayers – 39.35%.

To determine which tax band dividend income falls into, dividends are treated as the last slice of income to be taxed.

Currently, individuals pay no tax on the first £2,000 of dividend income they receive during the tax year, but the Chancellor announced that this Dividend Allowance will be reduced from £2,000 to £1,000 from April 2023 and further reduced to £500 from April 2024.

Comment:
The reduction in the dividend allowance will increase the number of people who could need to complete annual tax returns. ISAs continue to offer a tax exemption for dividend income and so taxpayers may consider holding their shares through ISAs instead. Alternatively, spousal transfers could assist in bringing dividend levels within the lower allowances.

Dividend income tax band	Rates 21/22	Rates 22/23	Rates 23/24	Rates 24/25
Dividend allowance	£2,000	£2,000	£1,000	£500
Basic rate band	7.5%	8.75%	8.75%	8.75%
Higher rate band	32.5%	33.75%	33.75%	33.75%
Additional rate band	38.1%	39.35%	39.35%	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%.

Savings

Savings income is income such as bank and building society interest.

In a similar way to dividend income there is a tax-free Savings Allowance which is dependent on the individual's marginal rate of income tax. Broadly, individuals taxed at up to the basic rate of tax have an allowance of £1,000. For higher rate taxpayers the allowance is £500. No allowance is due to additional rate taxpayers.

Comment:
The reduction in the additional rate threshold will mean that many taxpayers lose the benefit of the savings allowance as they move into the additional rate tax band.

Some individuals qualify for a 0% starting rate of tax on savings income up to £5,000. However, the rate is not available if taxable non-savings income exceeds £5,000.

Pensions

Whilst there were no new announcements in the Autumn Statement, we have included a summary of relevant points.

Increase to the normal minimum pension age

The current earliest age at which most pension savers can access their pension savings without incurring a tax charge is age 55. From April 2028 this earliest age will rise to 57.

Pensions Annual Allowances

Although there are no limits to how much an individual can save or accrue in a registered pension scheme, there is an overall limit on the amount of contributions (including those made by your employer) on which tax relief can be claimed. This is known as the annual allowance.

The standard annual allowance is currently £40,000. However, for those with earnings in excess of £240,000, or in cases where you have already flexibly accessed your pension pot, the annual allowance is tapered down to as little as £4,000 if full taper applies.

An individual's unused annual allowance from the three previous tax years can be carried forward and added to the annual allowance of the current year. However, if the individual's pension savings for the tax year exceed their available annual allowance, including brought forward amounts, a tax charge is applied to the excess.

Pensions Lifetime Allowance

The lifetime limit sets the maximum figure for tax-relieved savings that an individual can build up over their lifetime.

The standard Lifetime Allowance is fixed at £1,073,100 until 2025/26.

Capital Gains Tax (CGT)

Whilst there were no changes to the rates of capital gains tax, the government announced that the capital gains tax annual exempt amount will be reduced from £12,300 to £6,000 from April 2023 and further reduced to £3,000 from April 2024.

This will also have an impact on capital gains arising within a trust. Trustees are entitled to an annual exemption equivalent to half of the general exemption and so there will be corresponding deductions in the annual exemption available to Trustees.

Comment:
It was an immense relief for many not to see increases in the rates of CGT, however, the reduction in the annual exemption will result in many more people needing to report disposals to HMRC.

Even where the resulting gain is below the reduced annual exempt amount, and so there is no tax payable, there is a further reporting requirement if the total proceeds (from all disposals within a tax year) exceed 4 x the annual exemption.

Type of Gain	Tax rate to extent available Basic Rate Band	Tax rate over Basic Rate Band
Eligible for BADR, or Investors Relief	10%	10%
Residential property (except for any element that qualifies for Private Residence Relief)	18%	28%
Other gains (e.g. Shares)	10%	20%

- Business Asset Disposal Relief (BADR). This is targeted at directors and employees who own at least 5% of the ordinary share capital in the company, provided other minimum criteria are also met. It can also apply to owners of unincorporated businesses.
- Investors' Relief. The main beneficiaries of this relief are investors in unquoted trading companies who have newly-subscribed shares but are not employees.

Current lifetime limits are £1 million for BADR and £10 million for Investors' Relief.

CGT Reporting for disposals of UK land and property

New reporting and payment on account obligations for chargeable gains made by UK residents disposing of UK residential property were introduced in April 2020 – the deadline to report and pay the CGT is now 60 days after the date of completion.

Non-UK residents are subject to similar deadlines in respect of disposals of all types of UK land and property, regardless of whether there is a chargeable gain.

Share Exchanges

The only other CGT related announcement in the Autumn Statement affects individuals who hold more than 5% of the shares in a UK close company who exchange those shares for an equivalent holding in a non-UK company on or after 17 November 2022.

Legislation will be introduced which treats the newly acquired shares as if they were UK assets.

Comment:
This new legislation will mostly impact UK resident non-domiciled individuals as they will no longer be able to keep income and gains associated with the new shareholdings outside of the UK tax net by claiming to be taxed on the remittance basis. The government's aim here is clearly to retain the value built up within a UK business within the scope of UK tax.

Stamp Duty Land Tax (SDLT)

A number of changes were made to the Stamp Duty Land Tax (SDLT) regime earlier this year and these remain. Generally, the changes increased the amount that a purchaser can pay for residential property before they become liable for SDLT.

The residential nil rate tax threshold increased from £125,000 to £250,000.

The nil rate threshold for First Time Buyers' Relief increased from £300,000 to £425,000 and the maximum amount that an individual can pay while remaining eligible for First Time Buyers' Relief increased to £625,000.

The changes apply to transactions with effective dates on and after 23 September 2022 in England and Northern Ireland. These changes do not apply to Scotland or Wales which operate their own land transactions taxes.

There were no changes in relation to purchases of non-residential property.

Residential Band £	Rate %	Non-residential Band £	Rate %
0 - 250,000	0	0 - 150,000	0
250,001 - 925,000	5	150,001 - 250,000	2
925,001 - 1,500,000	10	Over 250,000	5
Over 1,500,000	12		

Residential rates may be increased by 3% where further residential properties are acquired and by a further 2% for purchasers who are non-UK resident.

Comment:
The Chancellor has now announced that these changes will be a temporary measure only. The SDLT cut will remain in place until 31 March 2025 to support the housing market.

Inheritance Tax (IHT)

The inheritance tax nil-rate bands are already set at current levels until April 2026 and will now stay fixed at these levels for a further two years until April 2028. The nil-rate band will continue at £325,000 (at the same level it has been since 2009), the residence nil-rate band will continue at £175,000.

A taper reduces the amount of the RNRB by £1 for every £2 that the 'net' value of the death estate is more than £2 million. Net value is after deducting permitted liabilities but before exemptions and reliefs. This taper will also be maintained at the current level.

Tax Year	Standard nil rate band	Additional main residence nil rate band	Total nil rate band (singles)	Total combined nil rate band for spouses and civil partners
2020/21 – 2025/26	£325,000	£175,000	£500,000	£1,000,000

Comment:
The continued freezing of inheritance tax NIL rate bands will mean that more and more estates will become liable to IHT as property prices rise.

With IHT rates remaining at 40%, planning to reduce your IHT liability now, is more important than ever.

National Insurance Contributions (NICs)

National Insurance Changes	2021/22	2022/23 (Pre 6/11/22)	2022/23 (Post 6/11/22)	2023/24
Employees				
Main rate	12%	13.25%	12%	12%
Additional rate	2%	3.25%	2%	2%
Employers				
Class 1	13.80%	15.05%	13.80%	13.80%
Class 1A	13.80%	14.53%	14.53%	13.80%
Class 1B	13.80%	14.53%	14.53%	13.80%
Self-employed				
Class 2	£3.05 per week	£3.15 per week		£3.45 per week
Class 4 main rate	9%	9.73%	9.73%	9%
Class 4 additional rate	2%	2.73%	2.73%	2%
Voluntary				
Class 3	£15.40 per week	£15.85 per week		£17.45 per week

In September 2021 the government published its proposals for new investment in health and social care in England. The proposals were intended to lead to a permanent increase in spending not only in England but also by the devolved governments. To fund the investment the government introduced a UK-wide 1.25% Health and Social Care Levy based on the National Insurance contributions (NICs) system but ringfenced for health and social care.

The Health and Social Care Levy Act provided for a temporary 1.25% increase to both the main and additional rates of Class 1, Class 1A, Class 1B and Class 4 NICs for 2022/23. From April 2023 onwards, the NIC rates were intended to revert back to 2021/22 levels and be replaced by a new 1.25% Health and Social Care Levy.

However, as previously announced, the government:

- reversed the temporary increase in NICs on 6 November 2022 and
- cancelled the Health and Social Care Levy completely.

Comment:
According to the government, not proceeding with the Levy will reduce tax for 920,000 businesses by nearly £10,000 on average next year.

For SMEs, the government predicts that the savings will be around £4,200 on average for small businesses and £21,700 for medium sized firms from 2023/24.

In addition, it will help almost 28 million people across the UK save £330 on average in 2023/24, with an additional saving of around £135 on average this year.

National Insurance Contributions (NICs)

More detail for employees and employers

The changes took effect for payments of earnings made on or after 6 November 2022, and so there were increased rates of Class 1 NICs for the period 6 April to 6 November 2022, before they returned to their previous levels.

The effect on Class 1A (payable by employers on taxable benefits in kind) and Class 1B (payable by employers on PAYE Settlement Agreements) NICs has meant that there will be a 'blended' rate of 14.53% for 2022/23.

More detail for the self-employed

Following the principle detailed above for Class 1A and Class 1B, the changes to Class 4 NICs will again be averaged across 2022/23, giving blended rates of 9.73% and 2.73%, before returning to the usual 9% and 2% for 2023/24.

The government will however uprate the Class 2 and Class 3 NICs rates for 2023/24 to £3.45 per week and £17.45 respectively.

NICs thresholds

From July 2022, the NICs primary threshold and lower profits limit were increased to align with the personal allowance and will be maintained at this level from April 2023 until April 2028. The Class 2 lower profits threshold will also be fixed from April 2023 until April 2028 to align with the lower profits limit. They will again be £12,570 and £50,270 as appropriate.

In addition, the government will fix the lower earnings limit and the small profits threshold at 2022/23 levels in 2023/24, namely £6,396 and £6,725 per annum respectively.

Finally, the government will fix the level at which employers start to pay Class 1 NICs for their employees at £9,100 from April 2023 until April 2028.

Comment:
The government states: 'It is fair that businesses play their part in reducing the UK's debt. The Employment Allowance means that 40% of businesses do not pay NICs and will be unaffected by this change, and the largest employers contribute the most.

The decision to freeze the point at which employers start to pay National Insurance between now and April 2028 is one of the biggest revenue raising measures in the entire Autumn Statement and is expected to cost businesses up to £5bn. Coupled with some of the other measures which increase the cost of employing staff this could clearly have an adverse impact on employment rates over the next few years.

Employment Taxes

National Living Wage and National Minimum Wage Uprating

The government will increase the National Living Wage (NLW) and National Minimum Wage 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.

Comment:
This represents an increase of over £1,600 to the annual earnings of a full-time worker on the NLW and is expected to benefit over two million low paid workers.

It will, however, pose a very significant challenge to many employers in retail, hospitality, care providers and those other sectors of the economy with large numbers of lower-paid workers and at 9.7% represents the biggest single annual increase in the Minimum Wage since its inception in 1999. It remains a manifesto commitment to reduce the age at which workers become entitled to the full National Living Wage to those workers aged 21 and over, so we can expect to see this measure introduced next year.

Company Vehicles

The government will set the rates for the taxation of company car benefits until April 2028 to provide long term certainty for taxpayers and industry.

- The relevant percentages for electric and ultra-low emissions vehicles (with CO2 emissions of less than 75 g/km) will increase by 1% per year for each of the three years from April 2025, up to a maximum of 5% for electric cars and 21% for ultra-low emission cars in 2027/28.
- Rates for all other vehicle bands will be increased by 1% for 2025/26 (up to a maximum of 37%) and then the rates will be fixed until 2027/28.

From 6 April 2023 car and van fuel benefits and the van benefit charge will increase in line with inflation.

In addition, from April 2025 electric cars, vans and motorcycles will begin to pay Vehicle Excise Duty in the same way as petrol and diesel vehicles. According to the government, this will ensure that all road users begin to pay a fair tax contribution as the take up of electric vehicles continues to accelerate.

Comment:
The changes in taxation of electric vehicles remain relatively modest and these still represent an attractive option for many, but as take up of electric vehicles increased it was perhaps inevitable that so would the associated tax charges.

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.

Off-payroll Working

In the mini-Budget previously brought forward by the then-Chancellor the Government announced that they intended to scrap the off-payroll rules introduced to the public sector in 2017 and the private sector in 2021. That change was subsequently withdrawn and the Autumn Statement contained no further developments in this area. Businesses, agencies and contractors should continue to apply the off-payroll rules as previously implemented.

The off-payroll working rules apply where an individual (the worker) provides their services through an intermediary (typically a personal service company) to another person or entity (the client). The client is required to make a determination of a worker's status considering if, had the worker been engaged directly, the relationship would have been one of deemed employment and therefore within the scope of the IR35 provisions, or not. Documentary evidence supporting the reasons behind the decision will need to be kept.

End users must then communicate that determination and issue a Status Declaration Statement ("SDS") to both the intermediary organisation which the end user has a contractual relationship with and the worker.

In addition, the fee-payer (usually the organisation paying the worker's personal service company) will need to make deductions for income tax and NICs and pay any employer NICs that are considered payable under the status determination.

The worker has the right to appeal against any decision made by the end user and, should HMRC consider that a business did not exercise reasonable care in reaching its decision, it could be held liable for any PAYE and National Insurance on the payments made.

Clients need to consider the rules for every worker that is engaged or provided through an intermediary, including agencies and umbrella companies.

The legislation uses an existing statutory definition within the Companies Act of a 'small company' to exempt small businesses from the new rules. A small company is one which meets two of these criteria:

- a turnover of £10.2 million or less
- having £5.1 million on the balance sheet or less
- having 50 or fewer employees.

If the business receiving the work of the individual is not a company, it is only the turnover test that will apply. Different conditions apply for sole traders, partnerships and connected companies. If a parent company in a group is large or medium sized then the rules will automatically apply to all of its subsidiaries, regardless of their individual size.

Business and Corporate Taxes

Corporation Tax Rates

It had been previously announced that the expected increase in the rate of corporation tax for many companies from April 2023 to 25% would not go ahead. However the government announced on 14 October 2022 that this increase would proceed and this has been confirmed as the case now.

This means that, from April 2023, the rate will increase to 25% for companies with profits over £250,000. The 19% rate will become a small profits rate payable by companies with profits of £50,000 or less. Companies with profits between £50,001 and £250,000 will pay tax at the main rate reduced by a marginal relief, providing a gradual increase in the effective corporation tax rate.

	2023	2022	2021
Main Rate		19%	19%
Companies with profits under £50,000 Small profits rate	19%	19%	19%
Companies with profits over £250,000 *(see note)* Main rate	25%	19%	19%
Companies with profits between £50,000 and £250,000 *(see note)*	19 –24.999% Sliding scale	19%	19%

Note:
Profit limits are split equally across all active companies under common control. e.g. if you control 5 active companies the profits would be £10,000 at the lower end and £50,000 before the main rate applied.

In addition:

- bank corporation tax surcharge changes will proceed, meaning that from April 2023 banks will be charged an additional 3% rate on their profits above £100 million and
- from April 2023 the rate of diverted profits tax will increase from 25% to 31%.

Comment:
This split in corporation tax rates (a main rate and a small-profits rate) is a return to the model pre-April 2015 using a marginal relief to taper the tax rate for companies as their taxable profits increase. This will increase complexity for some companies and make it more vital to undertake some planning for efficiencies for those with multiple numbers of companies and smaller levels of profit.

The definitions of associated company status is also not always so clear and companies controlled and managed by a spouse may also need to be taken into account.

Research and Development

For expenditure on or after 1 April 2023, the Research and Development Expenditure Credit (RDEC) rate will increase from 13% to 20% but the small and medium-sized enterprises (SME) additional deduction will decrease from 130% to 86% and the SME credit rate will decrease from 14.5% to 10%.

Comment:
Research and Development Tax Credits have been well utilised by businesses and provide significant additional tax savings for those companies undertaking qualifying research or development activities.

This government states that 'this reform ensures 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'. The government will consult on the design of a single scheme and consider whether further support is necessary for R&D intensive SMEs. 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, and targeting abuse and improving compliance.

Capital Allowances

The Annual Investment Allowance (AIA) gives a 100% write-off on certain types of plant and machinery up to certain financial limits per 12-month period. The limit has been £1 million for some time but was scheduled to reduce to £200,000 from April 2023. The government has announced that the temporary £1 million level of the AIA will become permanent and the proposed reduction will not occur.

The government will also 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.

Super Deduction

Between 1 April 2021 and 31 March 2023, companies investing in qualifying new plant and machinery are able to benefit from new capital allowances, termed 'super-deductions' or 'first year allowances', as follows:

- a super-deduction of 130% can be claimed on most new plant and machinery investments that ordinarily qualify for the 18% main rate writing down allowances
- a first-year allowance of 50% can be claimed on most new plant and machinery investments that ordinarily qualify for the 6% special rate writing down allowances.

These reliefs are not available for unincorporated businesses.

As there was no mention of the Super Deduction rules, these are likely to end as planned on 31 March 2023. If you have an accounting period other than 31 March 2023, the Super Deduction rate is proportionally reduced for those months after 31 March 2023.

Structures and Buildings

A Structures and Buildings Allowance (SBA) of 3% per annum on a straight line basis was introduced with effect from 29 October 2018 to relieve costs for new structures and buildings used for qualifying purposes. A business must hold an allowance statement containing certain information to be eligible to claim SBA.

Summary of Main Capital Allowances

Type	2021/22 to 23/24
Super deduction (Main Pool/Special Rate Pool/Ring-Fenced Trades)	130% / 50% / 100%
Annual Investment Allowance (AIA) Limit:	100% £1 million
Writing-down allowance (WDA): general pool	18%
WDA: Integral features and Long life assets	6%
First Year Allowance (FYA): Electric car charging points	100%
Structures and Buildings Allowance (SBA)	3% straight line

Comment:
Companies incurring expenditure on plant and machinery should carefully consider the timing of their acquisitions to optimise their cashflow.

Business and Corporate Taxes

Company Share Option Plan

From April 2023, qualifying companies will be able to issue up to £60,000 of Company Share Option Plan (CSOP) options to employees, twice the current £30,000 limit. The 'worth having' restriction on share classes within CSOP will be eased, better aligning the scheme rules with the rules in the Enterprise Management Incentive scheme and widening access to CSOP for growth companies.

Comment:
Many companies find using the Approved Share Option Schemes as a valuable method for retention and incentivization of their team. For those companies who cannot access the Enterprise Management Incentive (EMI) Scheme, the Company Share Option Plan (CSOP) as the only other alternative for an approved Option Schemes. It previously was more limited on values and the class of shares that could be utilised. These changes will make the scheme more attractive to more companies.

Seed Enterprise Investment Scheme

From April 2023, companies will be able to raise up to £250,000 of Seed Enterprise Investment Scheme (SEIS) investment, a two-thirds increase. To enable more companies to use SEIS, the gross asset limit will be increased to £350,000 and the age limit from two to three years. To support these increases, the annual investor limit will be doubled to £200,000.

Comment:
This is a welcome change and many companies still seek to raise funds under the Enterprise Management Incentive Schemes to attract investors. Both the SEIS and the EIS (Enterprise Investment Scheme) offer very valuable tax incentives to investors to acquire shares and provide risk finance to companies. With increasing borrowing costs, many companies seeking to expand or grow may look to utilise such reliefs to attract investors.

Investment Zones

- The original plans have been scaled back, refocusing on a limited number of high potential clusters. The original list of 38 councils expressing an interest will not be taken forward.
- No details yet about locations or incentives proposed.

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.

Annual Tax on Enveloped Dwellings

The Annual Tax on Enveloped Dwellings (ATED) is a tax regime applicable to companies (and partnerships with a corporate partner) that hold residential property valued at £500k and above).

Companies that are within this regime, need to do an annual return, and there is relief in point for many companies such as residential developers or property investors letting to third parties.. However a relief claim does still need to be filed annually. For those not eligible to claim a relief, they are subject to an annual tax charge dependent on the value of the property. These ATED charges increase automatically each year in line with inflation.

The ATED annual charges will rise by 3.1% from 1 April 2022 in line with the September 2021 Consumer Price Index.

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.

Making Tax Digital

Whilst there were no changes announced in the Autumn Statement, we have included a summary of the upcoming changes in relation to the Making Tax Digital (MTD) regime, which requires businesses to maintain their accounting records in a specified digital format and submit extracts from those records quarterly to HMRC.

Sole trader businesses and landlords with a combined turnover of more than £10,000 per annum will enter the MTD regime for income tax purposes from 6 April 2024.

General partnerships will not be required to comply with MTD for income tax until 6 April 2025 and the date other types of partnerships (for example limited liability partnerships) will be required to comply will be confirmed in the future.

HMRC has previously announced that MTD for corporation tax will not be mandated before 2026.

Key dates for MTD

Landlords and sole traders	6 April 2024
General partnerships	6 April 2025
Companies	At least 2026

Accounting periods that are not aligned to tax years

Aligned to the start date for MTD for income tax, changes will be made to simplify the rules under which trading profits made by self-employed individuals and partnerships are allocated to tax years.

The changes mainly affect unincorporated businesses that do not draw up annual accounts to 31 March or 5 April. The transition to the new rules will take place in the 2023/24 tax year and the new rules will come into force from 6 April 2024.

Affected self-employed individuals and partnerships may retain their existing accounting period but the trade profit or loss that they report to HMRC for a tax year will become the profit or loss arising in the tax year itself, regardless of the chosen accounting date. Broadly this will require apportionment of accounting profits into the tax years in which they arise.

Example
A business draws up accounts to 30 June every year. Currently, income tax calculations for 2024/25 would be based on the profits in the business's accounts for the year ended 30 June 2024. The change will mean that the income tax calculations for 2024/25 will be based on 3/12 of the profits for the year ended 30 June 2024 and 9/12 of the profits for the year ended 30 June 2025.

This change will potentially accelerate when business profits are taxed but transitional adjustments in 2023/24 are designed to ease any cashflow impact of the change.

Comment:
An estimated 93% of sole traders and 67% of trading partnerships draw up their accounts to 31 March or 5 April and thus the proposed changes will not affect them.

Those with a different year end might wish to consider changing their accounting year end to align with the tax year, although this, in itself, will have tax implications, particularly for businesses with steadily increasing profits.

VAT

The VAT registration and deregistration thresholds will not change for a further period of two years from 1 April 2024, staying at £85,000 and £83,000 respectively.

The current VAT thresholds are:

VAT threshold	More than £85,000
De-registration threshold	Less than £83,000

Turnover tests are a rolling 12-month basis and it should be noted there is a lower threshold for distance selling into Northern Ireland of £70,000

VAT accounting Scheme Thresholds:

	Threshold to join scheme	Threshold to leave scheme
Flat Rate Scheme	£150,000 or less	More than £230,000
Cash Accounting Scheme	£1.35 million or less	More than £1.6 million
Annual Accounting Scheme	£1.35 million or less	More than £1.6 million

Comment:
According to the government, at £85,000, the UK's VAT registration threshold is more than twice as high as the EU and OECD averages.

Welfare, Work and Pensions

Cost of living payments

The government will provide households on means-tested benefits with an additional £900 cost of living payment in 2023/24. Pensioner households will receive an additional £300 and individuals on disability benefits will receive an additional £150.

Uprating of benefits

The government will increase benefits in line with inflation, including the state pension. The standard minimum income guarantee in pension credit will also increase in line with inflation from April 2023.

Comment:
There had been considerable debate in advance of the Autumn Statement regarding whether the Chancellor would uprate benefits in line with any increase to pensions. The confirmation of this will mean that around 19 million families will see their benefit payments increase from April 2023.

Raising the benefit cap

The benefit cap will be raised in line with inflation, so that more households will see their payments increase as a result of uprating from April 2023. The cap will be raised from £20,000 to £22,020 for families nationally and from £23,000 to £25,323 in Greater London. For single adults it will be raised from £13,400 to £14,753 nationally and from £15,410 to £16,967 in Greater London.

In-work conditionality for Universal Credit claimants

The government will bring forward the nationwide rollout of the In-Work Progression Offer, starting with a phased rollout from September 2023, to support individuals on Universal Credit (UC) and in work to increase their earnings and move off benefits entirely. This will mean that over 600,000 claimants on UC whose household income is typically between the equivalent of 15 and 35 hours a week at the NLW will be required to meet with a dedicated work coach in a Jobcentre Plus to increase their hours or earnings.

Other Matters

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.

As a result of this many businesses will be facing significant increases in business rates.

In light of both of these, the government will be taking a number of steps to help rate payers. A package worth £13.6 billion in total.

- Freezing the business rates multiplier in 2023-24 year to protect businesses from rising inflation.
- An extended and increased relief for retail, hospitality and leisure businesses which increases from 50% to 75% next year, calculated to be worth almost £2.1 billion. The government says this is the most generous in year business rates relief in over 30 years, outside of COVID-19 support.
- Reforming Transitional Relief so for businesses seeing lower bills as a result of the revaluation, the government will make sure they benefit from that decrease in full straight away, by abolishing downwards transitional reliefs caps. This will phase in changes associated with new values, and this will be in place for three years following the revaluation.
- The government also announced a £1.6 billion scheme to cap bill increases for businesses who will see higher bills as a result of the revaluation.
- Protection for small businesses who lose eligibility for either Small Business or Rural Rate Relief due to new property valuations through a more generous Supporting Small Business scheme worth over £500 million.

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 but businesses will need to check with their local council here.

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

These loans provide much-needed support for the UK's innovators and entrepreneurs. Find out more here.

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.

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.

Energy

The Autumn Statement sets out reforms to ensure businesses in the energy sector who are making extraordinary profits contribute more. From 1 January 2023, the Energy Profits Levy will be increased to 35% and extended to the end of March 2028 and a new, temporary 45% Electricity Generator Levy will be applied on the extraordinary returns being made by electricity generators.

The Energy Price Guarantee (EPG) will be maintained through the winter, limiting typical energy bills to £2,500 per year. From April 2023 the EPG will rise to £3,000.

The government is also setting a national ambition to reduce energy consumption by 15% by 2030, delivered through public and private investment, and a range of cost-free and low-cost steps to reduce energy demand.

What to do next?

If you would like to discuss how this statement affects your particular situation please contact your usual WMT partner, a member of the WMT tax team or call 0800 158 5829.

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Anne-Maree Dunn is the lead tax partner at WMT Chartered Accountants and has been part of the team here since 1988. She is a Chartered Accountant and Chartered Tax Adviser and works with a wide variety of owner managed businesses and private individuals on a range of tax and business advisory services.

Anne-Maree's particular areas of specialism are in family business issues, exit strategies for owner managers, property matters, capital gains tax, group re-organisations as well as tax efficient share and reward schemes.

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Since joining the accountancy profession in 2004 Peter has advised businesses on employment tax issues including benefits in kind, PAYE and National Insurance, and more specialised areas such as employment status and termination payments.

He also advises hospitality businesses (where he is a recognised national expert) and the construction industry on specific tax issues affecting these sectors.

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Managing the tax compliance for a portfolio of various client types, Jo spends her days identifying tax planning opportunities that arise out of tax compliance work and advising clients on mitigation opportunities and tax efficient remuneration planning.

A real 'people' person, Jo enjoys the variety of her work and building strong relationships with clients so she can best understand and meet their needs. She spends time liaising with teams internally to ensure a holistic service to clients, not only for their personal taxes but also business taxes and ensuring tax efficiencies are identified, implemented and regularly reviewed.

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