CBW's Autumn Budget Report 2022

A considered opinion on the UK government's Autumn 2022 Statement and how it could affect you.

17 November 2022

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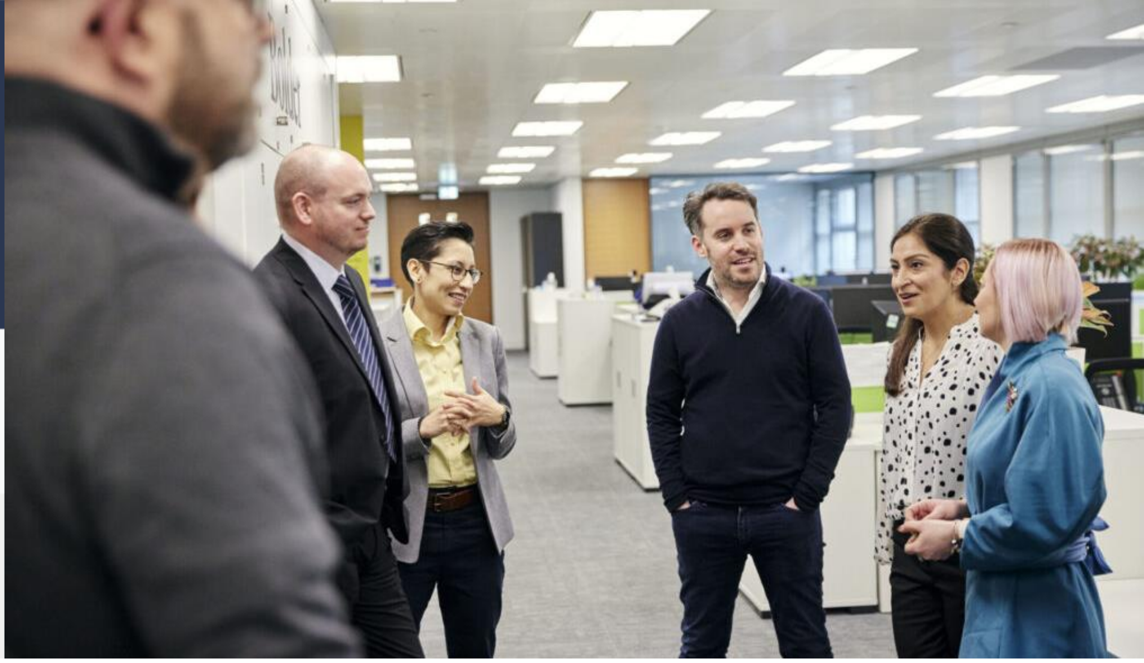


Foreword

This was a weird budget. It seems to have succeeded in reassuring the markets, although it is not wholly clear why. The Chancellor intends to borrow more, at least in the short term, as the net result of his announcement is to actually increase government spending by £43 billion in 2022/23 and a further £30 billion in 2023/24.

Of course, this is because he is spending £70 billion to subsidise energy costs because Putin is refusing to sell us Russian gas. Who would have imagined that when we introduced sanctions to make life difficult for Russia, that he might retaliate? Obviously not the government, which seem not to have imagined that if we refuse to buy from Russia what it wants to sell us, it may not be keen to sell us other things that we want to buy.

The tax increases are mostly modest. Indeed, the anguished press comments about massively increased taxes are actually because Mr Hunt has not increased them at all; he has left tax thresholds unchanged. If income stays unchanged too, that means there is no tax increase. The criticism is that those whose income increases in money terms will suffer a tax increase in money terms because leaving thresholds unchanged creates an extra tax burden in what the press and trade unions call “real” terms.

It is though a naïve budget. Does Mr Hunt seriously believe that he can create a new silicon valley by more regulation on the IT industry? Does he seriously believe that he can generate growth without addressing the supply side which holds back that growth? Kwasi Kwarteng realised that cutting taxes without supply side reforms would not generate growth. His idiocy was in introducing the tax cuts without making the supply side reforms. However, his prescription was right. Accordingly, the problem with Jeremy Hunt’s budget is what is missing. Not cuts in government expenditure (albeit that it will grow more slowly if he is still around after the next election). No reform of planning laws to get houses built near where the job vacancies are. No scrapping of regulations to free up businesses to concentrate on growth (other than a promised leisurely review of EU imposed regulations).

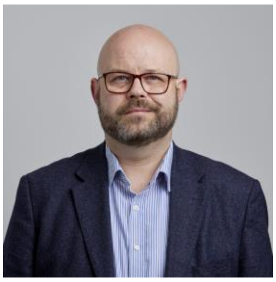
And, of course, the abolition of the NI surcharge and social care levy results in not addressing the increasing problem of unaffordable social care – other than the pusillanimous move of passing the responsibility back to local authorities by permitting them to increase council tax by an extra 2%. Indeed, the permission to local authorities to raise council tax annually by 5% without needing a referendum has already generated a complaint by the mayor of Salford as being uneven and unfair, as it means that deprived areas are unable to raise as much through a council tax increase, as wealthy authorities. Whatever happened to levelling up? Oh, that was the Chancellor before last, Rishi Sunak. I wonder what happened to him?

Key contacts

Thomas Adcock
Partner, Head of Tax
+44 (0)20 7309 3856
thomas.adcock@cbw.co.uk

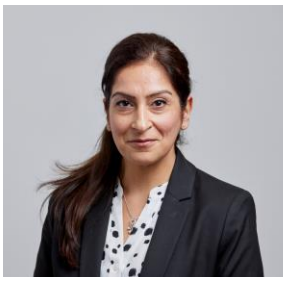
Robert Maas
Consultant, Tax
+44 (0)20 7309 3915
robert.maas@cbw.co.uk

Michaela Lamb
Partner, Tax
+44 (0)20 7309 3851
michaela.lamb@cbw.co.uk



Toby Hermitage
Partner, Tax
+44 (0)20 7309 3972
toby.hermitage@cbw.co.uk

Sandy Cochrane
Partner, Tax
+44 (0)20 7309 3947
sandy.cochrane@cbw.co.uk



Sabina Burke
Director, Tax
+44 (0)20 7309 3977
sabina.burke@cbw.co.uk

Ian MacGillivray
Consultant, Tax
+44 (0)20 7309 3907
ian.macgillivray@cbw.co.uk

Reshma Johar
Consultant, Tax
+44 (0)20 7309 3978
reshma.johar@cbw.co.uk

Joseph Lee
Assistant Manager, Tax
+44 (0)20 7309 3838
joseph.lee@cbw.co.uk

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1. Personal Tax

1 Threshold for the Additional Rate of Tax

As had been widely anticipated, the chancellor announced the decrease of the threshold for paying the additional rate of tax (45%) from the current £150,000 level to £125,140.

This number, rather than a round £125,000 has been set so as to align with the point at which a taxpayer has lost their entire tax-free personal allowance, so rather than going from a marginal tax rate of 40% to 60% then back to 40% before reaching 45% at £150,000, those earning £125,140 or more will pay at a marginal rate of 60% over £100,000, and then 45% as soon as the allowance has been fully tapered. This means anyone earning more than £150,000 will pay £1,243 per annum in additional income tax. Those earning between £125,140 and £150,000 will pay up to that amount.

CBW Tax Reaction

The £24,860 reduction could be looked on as a simplification. It raises only an extra £1,243 of tax so is not a massive tax increase on such high earners. Curiously, although it takes effect as from 6 April 2023, the government say it will raise an extra £80 million in 2022/23, which does seem to call into question the Chancellor's arithmetical expertise

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2 Personal Allowance, Basic Rate and Higher Rate Thresholds

The tax-free personal allowance, basic rate band (20%) and higher rate (40%) tax thresholds have all been frozen until April 2028, an additional two years longer than announced in 2021.

As a result of that, assuming income levels rise with inflation, individuals will find that they are pushed into a higher tax rate bracket more quickly than they may have done in the past. Historically, these thresholds have been increasing steadily over time to keep up with marginal increases in income that have arisen as a result of inflation. In a time when inflation is at its highest, this buffer has been removed so in real terms, more tax will be collected this way and people will take home less of their pay rise.

CBW Tax Reaction

Freezing the income tax thresholds is often described as a stealth tax. If incomes increase, the increase will attract a higher tax rate at an earlier level than would have applied had the thresholds increased in line with inflation. Of course, if your income does not increase, the tax you pay next year will be exactly the same as you pay this year and last year. Accordingly, it is not a real tax increase at all. The civil service though (which is of course heavily unionised) like to describe a nil increase in income as a pay cut because inflation has reduced the purchasing power of the income. But such a notional pay cut does not result in a stealth tax. It is only an actual increase in salary that tips a taxpayer into the 40% or 45% tax band that results in a tax increase.

The Office for Budget Responsibility is predicting a 4.3% fall in household disposal income for 2022/23 and a 2.8% fall in the following year. If they are right, freezing the allowances will have no short-term affect.

1. Personal Taxes

3

Reduction in Dividend Allowances and 1.25% rate increase

The dividend allowance, introduced in 2016 to make up for the loss of the former 10% tax credit available on dividends, will be halved in April 2023 to £1,000, and halved again in April 2024 to £500. In addition, unlike NIC rates, the additional 1.25% tax rate increase has not been reversed. As a result of the reduction in allowances, additional tax of up to £338 will be payable by a higher rate taxpayer in 2023/24, and £506 in 2024/5. Basic rate taxpayers will pay up to £87.50 more tax in 2023/24 and £131 from 2023/14.

CBW Tax Reaction

The allowance was originally introduced to ensure that basic rate tax payers with a small amount of dividend income were not brought into the self assessment regime unnecessarily, when that tax credit was abolished. Now it seems that the government has decided that £2,000 is too generous and potentially more tax payers with tiny amounts of tax to pay could be dragged into the self assessment tax regime. Unless they have a better idea of collecting this that they have not told us about yet? The retention of the additional 1.25% uplift will also be a disappointment for some.

4

Seed Enterprise Investment Scheme (SEIS)

The lifetime amount that an individual can invest in SEIS investments is doubled from 6 April 2023 to £200,000.

The range of companies that qualify for SEIS relief is also broadened. A company will be able to raise funds under SEIS if its assets are up to £350,000 (instead of the current £200,000) and if it started less than three years ago (instead of the current two). The company will be able to raise an aggregate amount of £250,000 under the scheme, a significant increase on the current £150,000 limit.

CBW Tax Reaction

This is obviously to advance the Chancellor's UK Silicon Valley dream. It is a generous relief insofar as it allows the investor to reduce his tax bill by 50% of his investment. However, in general SEIS companies are high risk, low reward investments. To qualify, there must be a significant risk of loss of the investment. In theory, the reward for this risk is that the investor gets into a potential highly profitable investment on the ground floor. In practice, though, seed capital takes a business only to the stage that entices larger investors to risk greater sums. Before the company can realise its potential it usually needs to raise money in the venture capital market, and venture capitalists tend to want the seed capital investors bought out at a low value before they inject their funds. The relief is useful to friends of the entrepreneur who would have backed him without the relief and also to those who view their investment largely as a social good.

5

Tax Exemption for Certain Compensation Payments

Compensation paid under the Infected Blood Interim Compensation Payment Scheme and the Post Office compensation scheme for Overturned Historic Convictions are both exempted from tax.

CBW Tax Reaction

It is clearly welcome that victims of Government mistakes should not be taxed on the less than generous compensation that they are paid.

2. Employee Tax

1
National Insurance Rates from 6 April 2023

2
National Insurance contributions Secondary Threshold from 6 April 2023

3
Company Car Tax Rates

4
Van Benefit Charge and Car & Van Fuel Benefit Charges

2. Employee Tax

1

National Insurance Rates from 6 April 2023

The government will maintain the Lower Earnings Limit (LEL) and the Small Profits Threshold (SPT) at 2022/23 levels for 2023/24 and will hold them at that level until 2027/28.

The LEL remains at £6,396 per annum (£123 per week) and the SPT (for the self-employed) remains at £6,725 per annum.

The government will use the September CPI figure of 10.1% to uprate the Class 2 (self employed) and Class 3 (voluntary) NICs rates for 2023/24. The Class 2 rate will be £3.45 per week, and the Class 3 rate will be £17.45 per week. The government will legislate for these measures in affirmative secondary legislation in early 2023.

2

National Insurance contributions Secondary Threshold from 6 April 2023

The government will maintain the level at which employers start to pay Class 1 Secondary NICs, i.e. the employers contribution, (the Secondary Threshold) at £9,100 from April 2023 until April 2028. The government will legislate for this measure in affirmative secondary legislation in early 2023.

CBW Tax Reaction

The 1.25% surcharge for 2022/23 onwards announced by Rishi Sunak in his 2021 budget has been scrapped with effect from 6 November 2022. So has the Social Care Levy which was intended to replace the surcharge from 2023/24 and to impose the 1.25% on dividend income. Accordingly, the rates remain at their 2021/22 levels from 6 November.

3

Company Car Tax Rates

The Chancellor, in Autumn Finance Bill 2022, is setting rates for Company Car Tax until April 2028 to provide long term certainty for taxpayers and industry. Rates will continue to incentivise the take up of electric vehicles.

CBW Tax Reaction

All this really means is that the starting rate will increase by one percentage point each year for 2023/24, 2024/25 and 2025/26 (as previously announced) and now also for 2026/27 and 2027/28. This increase will be reflected in each of the higher rate bands, but subject to the overriding cap of 37% of the cost of the car. This means that the cap will be reached as follows: 2023/24 155g/km, 2024/25 150g/km, 2025/26 145g/km, 2026/27 140g/km and 2027/28 135g/km. The threshold for diesel cars is 5g/km lower in all cases.

Appropriate percentages of list prices 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.

CBW Tax Reaction

The charge for electric cars and hybrid cars with a CO2 emission level of under 75gkm is currently 2%. This level will remain until 2024/25 after which it will increase by one percentage point each year, i.e. it will increase by 50% to 3% for 2025/26 and increase by a third to 4% for 2026/27 and then increases by 25% to 4% for 2027/28.

2. Employee Tax

4

Van Benefit Charge and Car & Van Fuel Benefit Charges

For 2023 / 24, car and van fuel benefit charges and van benefit charge will increase in line with CPI. The government will legislate by way of regulations in December 2022.

3. Corporation Tax

1. Corporation Tax Rate
2. Research & Development
3. Pillar 2 Framework
4. Windfall Taxes
5. Transfer Pricing
6. IFRS 17 transitional rules

3. Corporation Tax

1

Corporation Tax Rate

As previously announced, the increase in the main rate of corporation tax to 25% is to go ahead from 1 April 2023.

From that date a new small profits rate of 19% will apply to smaller companies with profits of £50,000 or less. Where a company's profits fall between £50,000 and £250,000, marginal relief will be available such that the company's effective tax rate will be between 19% and 25%.

The £50,000 and £250,000 figures will be reduced proportionately for short accounting periods and for the number of 'associated' companies.

CBW Tax Reaction

The Chancellor has not indicated whether these rates will remain in place up to 2027/28. It seems probable that that is the intention.

2

Research & Development

SME relief

The rate of uplift for SME related R&D has been reduced from 130% to 86%.

The R&D tax credit has been reduced from 14.5% to 10%.

When coupled with the increase in the rate of corporation tax from 19% to 25%, this provides relief for profitable SMEs at a rate of 21.5% (against the previous rate of 24.7%).

But for loss making SMEs the reduction is much starker, with the new rate being 18.6% against a previous rate of 33.3%; a reduction in the value of the relief of 44%.

The news for large companies is significantly better, with the increase in the rate of RDEC from 13% to 20%, meaning that the incentive for large established (and often international) companies has grown.

Where RDEC is taxable the net result of this is an increase to 15% from 10.53%.

CBW Tax Reaction

Whilst the Chancellor lauded the UK's ability to innovate, it would appear that he also believes that this innovation should be immediately self-funding. Where many new start-ups rely on the R&D Tax Credits for ongoing funding during their initial development phase, these are now going to be faced with a serious funding deficit which make significantly obstruct some of these innovators.

HMRC has admitted that SME R&D Credits were being paid out rather willy nilly during the Covid years, resulting in fairly widespread fraud. It would appear that being asleep at the wheel during this period will result in tangible consequences for genuine innovators whilst HMRC are not held to account for its failings.

The closing of the gap between the levels of relief under the SME scheme and the RDEC scheme also suggests that there is likely to be a single scheme covering R&D for companies of all sizes introduced in the future. Something that would not have been possible pre-Brexit, due to the EU Notified State Aid provisions.

As announced in the 2021 budget, data licencing and cloud computing expenditure will qualify for R&D relief from 1 April 2023, but the expenditure on overseas sub-contractors and on non-UK payroll externally provided workers will cease to qualify, except where it can be shown that the research on which such workers are engaged cannot be carried out in the UK.

3. Corporation Tax

3

Pillar 2 Framework

Following consultation, the government has announced that it will be legislating to implement the globally agreed G20-OECD Inclusive Framework Pillar 2 framework in the UK. Pillar 2 will establish a global minimum corporation tax regime and is expected to apply to both public and privately held multinational groups with consolidated revenue over €750m.

For accounting periods beginning on or after 31 December 2023 the government will:

- Introduce an Income Inclusion Rule (IIR) which will require large UK headquartered multinational groups to pay a top-up tax where their foreign operations have an effective tax rate of less than 15%.
- Introduce a supplementary Qualified Domestic Minimum Top-up (QDMTT) tax rule which will require large groups, including those operating exclusively in the UK, to pay a top-up tax where their UK operations have an effective tax rate of less than 15%.

Both the IIR and QDMTT will be legislated for in the Spring Finance Bill 2023.

CBW Tax Reaction

These 15% minimum rates have been criticised because they can negate the effect of loss relief and R&D relief, as they look only at whether the effective tax rate is at least 15% irrespective of the reason for that low rate. This is not a result of the UK's implementation of Pillar 2. The OECD seem to accept that it is an effect of the international agreement.

The Pillar 2 changes are expected to raise £2.3 billion a year by 2027/28, which is the tax that the OECD thinks the UK is losing to tax havens.

4

Windfall Taxes

The Autumn Statement announced that businesses making extraordinary profits due to external factors will contribute more. This includes those in the oil and gas sector.

The government is therefore extending the energy profits levy to the end of March 2028 and increasing its rate from 25% to 35% from 1 January 2023.

Oil and Gas companies are already taxed differently to other companies as they pay 30% corporation tax and a 10% supplementary charge, therefore with the increase in the levy, this will result in an overall 75% tax charge on their profits.

There will also be a new temporary 45% levy on windfall profits from low carbon electricity generation. This will start from 1 January 2023.

5

Transfer Pricing

Transfer Pricing Documentation (TPD).

Large multinational businesses operating in the UK, with an accounting period commencing on or after 1 April 2023, will now be required to keep and retain TPD in a prescribed and standardised format.

Specific guidance is set out in the OECD's Transfer Pricing Guidelines. This requires a Master File which explains the group's business and structure and a Local File for each Country in which it operates explaining the local environment.

The new TPD requirements will provide businesses certainty on the right information they need to maintain to enable HMRC to effectively identify risks and conduct transfer pricing investigations more efficiently.

Legislation is to be passed in the Spring Finance Bill 2023.

HMRC will continue to consult on a Summary Audit Trail (SAT), which is a questionnaire that businesses would be required to complete, that covers the main steps undertaken in preparing the Local File.

3. Corporation Tax

6

IFRS 17 Transitional Rules

IFRS 17 is a new accounting standard that changes the way insurance contracts are accounted for. As a result, insurance companies will face a one-year transitional profit or loss. An insurance company will be able to elect to spread the tax on that increase over 10 years.

4. Business Tax

1
Annual Investment Allowance (AIA)

2
Off-payroll working

3
First year allowance for Electric Vehicle Charge points

4. Business Tax

1 Annual Investment Allowance (AIA)

The £1 million lifetime limit, which was due to expire on 31 March 2023, will be made permanent.

2 Off payroll working

The Chancellor, Jeremy Hunt, reversed the repeal his previous Chancellor (Kwasi Kwarteng) had announced. No changes will be made to the off payroll/ IR35 working reforms. Where the end user is a public body or a medium or large business, it will still have to decide whether an engagement through a worker's personal service company is akin to an employment and, if it is, someone will need to deduct tax and NI from the payment due to the personal service company.

CBW Tax Reaction

This has come as a welcome relief to industry who had worked hard to implement the changes introduced by the legislation into their processes and policies who were more than a touch miffed by the rules being withdrawn. It will also be welcomed by HMRC who are all in favour of pushing as much compliance onto taxpayers, particularly if it creates an audit trail which will trigger penalties if not followed correctly.

3 First year allowance for Electric Vehicle Charge points

The 100% first year allowance for electric vehicle charge points will be extended to 31 March 2025 for corporation tax and 5 April 2025 for income tax purposes

5. Capital Gains Tax

1
Annual Exemption

2
Rate of Tax

3
Preventing avoidance through share exchange

4
No gain/no loss transfers on separation and divorce

5. Capital Gains Tax

1

Annual Exemption

The tax-free annual exemption will be reduced to £6,000 from 6 April 2023. For trusts, the tax-free annual exemption is halved to £3,000 (subject to multiple trust rules applying).

A further reduction of the exemption to £3,000 will take place in April 2024. For trusts, we assume this means a reduction of the tax-free annual exemption being halved to £1,500 (subject to multiple trust rules applying).

CBW Tax Reaction

The reduction in the CGT annual exemption will not raise a lot of tax (£25 million for 2023/24) but will have a greater impact on some taxpayers. A lot of overseas trusts contain "stockpiled gains" which the family has been remitting to the UK by utilising the annual exemptions of as many beneficiaries as possible. We will now need to rethink that strategy.

A £1,500 nil rate band for a trust – actually where a settlor has created more than one trust the £1,500 is divided between them subject to a minimum allowance per trust which becomes £150. Expect a lot more trusts having to do tax returns with very little extra tax actually being collected. Little or no thought appears to have been given by Mr Hunt to the already stretched resources of HMRC.

There is also a cryptic comment in the budget papers that, "The measure also fixes the CGT proceeds reporting limit as £50,000 for 2023/24 onwards". Currently, the tax return requires you to include a CGT page to the tax return if you sold or disposed of chargeable assets worth more than £49,200. Increasing this to £50,000 will not have much effect if gains over £3,000 have to be declared in any event.

2

Rate of Tax

The main rates of CGT remains at 20% for 2022/23 (with a higher 28% rate applying to gains on residential property and carried interest).

3

Preventing avoidance through share exchange

Where shares in a UK close company are exchanged after 16 November 2022 on a tax-free share exchange for shares in a non-UK company, a shareholder who held more than 5% of the UK company has to pay tax on dividends from the non-UK company, and on capital gains on disposing of shares in the non-UK company, in the same way as they would if the shares were in a UK company.

CBW Tax Reaction

This is an odd provision. A UK shareholder pays tax on worldwide income and gains, so treating the overseas company as if it were a UK company achieves nothing. It may be aimed at non-doms who have lived here for 15 years or less and use the remittance basis of taxation. It will tax such people on unremitted dividends and gains from the overseas company. Apparently in a full year, the Chancellor expects this small charge to raise £200 million.

4 No gain/no loss transfers on separation and divorce

Currently transfers of assets between separating spouses need to take place during the tax year in which the couple cease to live together. This has created a lot of problems, not the least of which is that, where a couple have a temporary separation in an attempt to save the marriage, the date they cease to live together is often not readily ascertainable.

From 6 April 2023, the no gain/no loss treatment on separation will apply to transfers of assets between the spouses for three years after the separation. Where the assets are transferred as part of a formal divorce agreement, the no gain/no loss treatment will apply even if that agreement entered into is more than three years after the separation.

CBW Tax Reaction

This is a welcome relaxation. It is not clear whether the three years is three years from separation or three tax years. We suspect it is the tax year of separation and the two following tax years.

From 2022/23 onwards, there will also be a new rule for individuals who have maintained a financial interest in their former family home following separation.

6. Value Added Tax

1
Registration Limit

2
VAT-free shopping

6. Value Added Tax

1 Registration Limit

The registration threshold remains at the current level of £85,000 for two years to 31 March 2024.

The deregistration threshold similarly remains at £83,000 until 31 March 2026.

2 VAT free shopping

The introduction of a new VAT-free shopping scheme for non-UK visitors to Great Britain, which was announced by Chancellor Kwarteng in September 2022, has been reversed by Chancellor Jeremy Hunt and will not now take place.

7. Stamp Duty Land Tax & ATED

1
SDLT

2
ATED

7. Stamp Duty Land Tax & ATED

1

SDLT

In September 2022, ex-Chancellor Kwasi Kwarteng announced with immediate effect the increased threshold for when SDLT becomes payable from £125,000 to £250,000. In addition, the threshold for first time buyers will be increased to £425,000 on properties valued at less than £625,000. These changes will continue until 31 March 2025 after which the rates will reset back to their former levels.

The current nil rate band (3% band for second residences) is £250,000, which increases to £425,000 for first-time buyers. After 31 March 2025, the nil rate reduces to £125,000 with the next £125,000 of value being taxed at 2% (or 5% for second residences). For first-time buyers, the nil rate reduces to £300,000 with the next £200,000 of value being taxed at 5%.

CBW Tax Reaction

This is virtually the only surviving measure from Kwasi Kwarteng's mini-budget and probably survived because it came into force immediately it was announced.

2

ATED

ATED, which is the charge payable by companies that own residential property which is used or available to be used by a shareholder or someone connected with a shareholder, will rise in line with inflation i.e. 10.1%.

It is also important to note that a new valuation (to 1 April 2023) will be required for 2023/24 ATED returns. That value will then apply for the next five years.

CBW Tax Reaction

This is a massive increase on a tax that is unavoidable by those caught by it unless they want to pay significant sums in tax to unwind the company. On a £500,000 the tax becomes £4,200 rising to £269,500 pa (from £244,750) to one worth over £20 million.

8. Inheritance Tax

1

Inheritance tax nil-rate band and residence nil-rate band

8. Inheritance Tax

1 Inheritance tax nil-rate band and residence nil-rate band

As previously announced, both the IHT Nil Rate Band (£325,000) and the Residence Nil Rate Band (£175,000) will remain fixed until 5 April 2026. Tapering of the RNRB will continue to start at £2 million.

CBW Tax Reaction

Freezing the IHT nil rate and residence additional nil rate bands is another stealth tax. In this case, it is a fairly nasty one as it will bring a lot more estates into the scope of IHT. Whether HMRC will be able to cope with the extra work seems questionable. The Land Registry statistics for September show that the average price of a property in the UK was £294,559. However, this is masked by regional difference. The average price in Greater London was £544,113, which is well above the £325,000 frozen threshold. The average prices in the East of England (£362,197), the South East (£403,515) and the South West (£336,583) were all above £325,000.

On the other hand, the Office for Budget Responsibility forecasts that house prices will fall 9% between now and the end of 2024, so perhaps the freeze will actually have no short-term effect – although the OBR does see house prices rising after 2024.

9. Miscellaneous Taxes

1. Vehicle Excise Duty
2. Business Rates
3. Relief for retail, hospitality and leisure sectors
4. Relief for qualifying improvements
5. Alcohol Duties
6. Import Tariffs
7. The office of Tax Simplification (OTS)
8. Online Sales Tax (OST)

9. Miscellaneous Taxes

1 Vehicle Excise Duty

The government is introducing Vehicle Excise Duty on electric cars, vans and motorcycles from April 2025.

CBW Tax Reaction

The Government are maintaining their target of banning the sale of petrol and diesel cars from 2030. As more drivers adopt electric vehicles, they are slowly removing the tax benefits so that they do not miss out on the future tax take from them. Of course the big issue for government is replacing the £45billion of revenue generated from the sale of petrol and diesel. We wait with baited breath for their ideas!

2 Business Rates

Overall package

From 1 April 2023, business rate bills in England will be updated to reflect changes in property values since the last revaluation in 2017. As previously announced, future valuations will be at three-year intervals.

Multiplier Freeze

The business rates multiplier in England will be frozen in 2023-24 at 48.9 pence and 51.2 pence (48.9p for small businesses), cancelling the planned rise to 54.2 pence and 52.9 pence.

Transitional Relief Scheme

Upwards Transitional Relief will support properties by capping bill increases caused by changes in rateable values at the 2023 revaluation. The 'upward caps' will be 5%, 15% and 30%, respectively, for small, medium, and large properties in 2023-24, and will be applied before any other reliefs or supplements. The caps for 2024/25 will be 10%, 25% and 40% and those for 2025/26 25%, 40% and 55%.

CBW Tax Reaction

Unlike in previous years, the reduction in rateable values will not be phased in. Those affected will get the full benefit immediately.

With three year revaluations, many have questioned the need for transitional relief, so this is a generous help to businesses.

3 Relief for retail, hospitality and leisure sectors

There will also be a 75% discount for 2023/24 only to businesses in the retail, hospitality and leisure sectors, up to a cap of £110,000 per business.

CBW Tax Reaction

This is to protect the high street and pubs and restaurants while they recover after the pandemic. The government say that a small proportion in these sectors will not face an increase of more than £150 for the year to 31 March 2024.

9. Miscellaneous Taxes

4 Relief for qualifying improvements

The previously announced proposal under which property improvements are ignored for the first 12 months in arriving at rateable value and which was due to apply from 1 April 2023, has been deferred for a year. It will now apply only from 1 April 2024. The end date for this relief remains at 31 March 2028.

CBW Tax Reaction

This is a petty measure. It is predicted to raise only £145 million and is unfair to those who have already planned improvements in reliance on the 2021 proposals.

5 Alcohol Duties

Alcohol duties will no longer be frozen until 31 January 2024 (as previously announced by Kwasi Kwarteng). The duty rates will now be increasing from 1 February 2023.

The changes to the structure of the alcohol duties announced at the 2021 budget are being deferred for 18 months and will now not come into effect until 1 August 2023.

CBW Tax Reaction

The tax forgone by this delay is fairly small so it is disappointing that this rationalisation of the alcohol duties is being postponed.

6 Import Tariffs

There will be a package of tariff suspensions for two years. The details and starting dates are yet to be announced.

7 The office of Tax Simplification (OTS)

The OTS, which was abolished by Kwasi Kwarteng in his mini-budget, has confirmed that it has not been reprieved by Jeremy Hunt.

CBW Tax Reaction

We have never been great fans of the OTS which seemed to see most routes to simplification as abolishing reliefs. However, it was never really allowed its head. The government told it which bits of the tax system to look at, and it often appeared that the real role of the OTS was to review the "too difficult politically" areas the government was reluctant to take, so allowing the government to hide behind the OTS recommendation.

Nevertheless, Mr Kwarteng's replacement system of asking HMRC to be on the lookout for simplifications seems akin to putting the fox in charge of the hen house. It is unlikely to achieve the sought for objective!

9. Miscellaneous Taxes

8

Online Sales Tax (OST)

Following consultation, the government has decided not to introduce this.

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. A response to the OST consultation will be published shortly.

10. New Tax Rates at a Glance

Income Tax	Proposed 2023/24	2022/23
Basic Rate	20%*	20%*
- on income up to	37,700	37,700
Higher Rate	40%	40%
- on income up to	125,140	150,000
Additional Rate on excess	45%	45%

*The starting rate of 0%, for savings income only, had a limit of £5,000 in 2022/23 and this will continue in 2022/23. If an individual's taxable non-savings income is above this, that rate will not apply.

	Proposed 2023/24	2022/23
Dividend Allowance	1,000	2,000
Tax rate on dividends above the Dividend Allowance		
•Basic Rate Taxpayer	8.75%	7.5%
•Higher Rate Taxpayer	33.75%	33.75%
•Additional rate Taxpayer	39.35%	39.35%
	£	£
Personal allowance (born after 5 April 1938)	12,570**	12,570**
Personal Savings Allowance		
•Basic Rate Taxpayer	1,000	1,000
•Higher Rate Taxpayer	500	500
•Additional rate Taxpayer	-	-
Married couple's allowance (born before 6 April 1938)		
Maximum	10,375	9,415
Minimum	4,010	3,640
Married couple's allowance is reduced by half of the excess of income over £31,400 (£31,400 in 2022/23).		
Blind person's relief	2,870	2600
Marriage Allowance	1,260***	1,260***
Maximum Enterprise Investment Relief	1,000,000****	1,000,000****

** This allowance reduces where the income is above £100,000 – by £1 for every £2 of income above the £100,000 limit. This reduction applies irrespective of age.
*** This transferable allowance is available to married couples and civil partners born after 5 April 1935. A non-taxpayer or a basic rate taxpayer can transfer up to this amount of their personal allowance to their spouse or civil partner. The recipient must be a basic rate taxpayer. The relief is given at 20%.
**** £2m if amounts over £1m are invested in knowledge-intensive companies.

Corporation Tax	2023/24	2022/23
Main rate	25%	19%

Capital Gains Tax	£	£
Annual Exemption for individuals	6,000	12,300

Value Added Tax		
VAT Registration Threshold	85,000	85,000

Inheritance Tax		
Rate	40%*****	40%*****
Nil Rate Band	325,000	325,000
Residence Nil Rate Band	175,000	175,000

***** 36% where 10% or more of the deceased person's net estate is left to charity

Maximum Personal Pension Contribution	40,000	40,000

CBW

DFK INTERNATIONAL

Member of DFK International

Carter Backer Winter LLP
66 Prescot Street
London E1 8NN

Tel: +44 (0)20 7309 3800
Fax: +44 (0)20 7309 3801
cbw.co.uk
info@cbw.co.uk