

Autumn Statement 2022

Following months of turmoil and weeks of speculation, The Chancellor of the Exchequer Jeremy Hunt presented the government's Autumn Statement on 17 November 2022.

Only a few short months before, the previous Chancellor announced radical tax changes in a 'mini budget' statement. Many of the tax changes were quickly reversed and the Autumn Statement took a very different tone to the 'mini budget'.

Economy and Public Finances

Inflation has continued to rise over recent months and hit 11.1% at the end of October. The Office for Budget Responsibility (OBR) is forecasting average inflation for the current year to be 9.1% and to fall to 7.4% next year.

The Bank of England base rate has increased 7 times in the last 10 months and currently stands at 3%.

Although the UK has not yet seen two quarters of negative growth the OBR is forecasting negative growth in the final quarter of this year and has therefore predicted that we are at the start of a recession. The OBR is forecasting overall growth for the year of 4.2%, negative growth next year of (1.4)% but then rising to 1.2%, 2.6% and 2.7% in the following three years.

The expected borrowing requirement for the current year is £177billion and £140billion next year. This should fall to £69billion by 2027/28.

Total debt currently stands at £2.5Trillion.

Taxation and Spending

The Chancellor stated very early on in his speech that he had three priorities; stability, growth and public services. He set out before the Statement that this would be achieved by a mixture of tax rises and spending cuts.

Business Tax Announcements

The increase in the corporation tax rate from 19% to 25% in April 2023 will come in as originally planned for companies with taxable profits of over £250,000. Companies with taxable profits below £50,000 will continue to suffer corporation tax at 19%, with profits falling between £50,000 and £250,000 being taxed at a marginal rate.

The previously temporary £1million Annual Investment Allowance that was due to end on 31 March 2023 has now become a permanent allowance. It was set to reduce to £200,000 from 1 April 2023 but will now remain at £1million.

The temporary super-deduction allowance of 130% for businesses investing in qualifying new plant and machinery will end on 31 March 2023, as previously announced when it was introduced.

The 100% first year capital allowance for electric vehicle charge points has been extended to 31 March 2025 for corporation tax and 5 April 2025 for income tax.

The VAT registration and deregistration thresholds will be frozen at their current levels of £85,000 and £83,000 respectively until 2026.

For small and medium sized businesses, the additional deduction for Research and Development will decrease from 130% to 86% and the tax credit rate will decrease from 14.5% to 10% for expenditure incurred on or after 1 April 2023. At the same time, the Research and Development Expenditure Credit (RDEC) will increase from 13% to 20%.

The level at which employers start to pay secondary Class 1 National Insurance for employees will be set at £9,100 from April 2023 until April 2028. The employment allowance, which reduces secondary Class 1 National Insurance liabilities, will remain at £5,000.

The chargeable amounts for the Annual Tax on Enveloped Dwellings (ATED) for 2023/24 will be uplifted by the September CPI figure of 10.1%.

Personal Tax Announcements

The current income tax personal allowance, higher rate threshold and National Insurance thresholds were already frozen until April 2026 and will now remain frozen until April 2028.

The rates of Class 2 and Class 3 National Insurance for 2023/24 have been set at £3.45 and £17.45 per week respectively.

The current inheritance tax nil-rate band of £325,000 and residence nil-rate band of £175,000 were already frozen until April 2026 and this has also been extended to April 2028.

The income tax additional rate threshold will be lowered from £150,000 to £125,140 from 6 April 2023.

The dividend allowance of £2,000 will reduce to £1,000 from 6 April 2023 and to £500 from 6 April 2024.

The capital gains tax annual exemption of £12,300 will reduce to £6,000 from 6 April 2023 and then to £3,000 from 6 April 2024.

Property Tax Announcements

On 23 September 2022, in the 'mini-budget', the Stamp Duty Land Tax (SDLT) threshold on the purchase of residential property in England and Northern Ireland was increased from £125,000 to £250,000.

On the same date, the residential SDLT threshold for first time buyers increased from £300,000 to £425,000. The maximum value of a property on which first time buyer relief can be claimed increased from £500,000 to £625,000.

These are now temporary reductions and will remain in place until 31 March 2025.

What Else.....

A further £79 million is to be invested in HM Revenue & Customs over the next five years to help tackle more cases of serious tax fraud and address tax compliance risks among wealthy taxpayers.

The energy profit levy will increase from 25% to 35% from 1 January 2023 and will run to 31 March 2028 and a new temporary Electricity Generator Levy of 45% will be introduced from the start of next year and will be applied to 'extraordinary returns' exceeding £10million on low-carbon UK electricity generation.