



Autumn Statement 2022

What it means for you

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Introduction

The Chancellor Jeremy Hunt's Autumn Statement was delivered in an economic context of a European recession and high inflation in the wake of the pandemic and the war in Ukraine.

It was presented as a difficult and necessary exercise to restore confidence in the UK's financial position. The Chancellor described his strategy as a balanced plan for stability, following two broad principles: asking those with more to contribute more; and avoiding tax rises that most damage growth. He said his aim was to deliver a plan to tackle the cost-of-living crisis and rebuild the economy with stability, growth and public services as the priorities.



Highlights

The main income tax allowances and thresholds, the main national insurance thresholds plus the inheritance tax nil rate bands will stay at their current levels for an extra two years to April 2028.

The threshold for the 45% additional rate of income tax will reduce from £150,000 to £125,140 from April 2023.

The dividend allowance will reduce from £2,000 to £1,000 from April 2023 and be halved again to £500 from April 2024. The capital gains tax annual exempt amount will be cut from £12,300 to £6,000 for 2023/24 and halved to £3,000 from April 2024.

The government's energy price guarantee will be adjusted from April 2023 so that the typical household will pay £3,000 a year.

The state pension, pension credit, universal credit (UC), the benefit cap and certain other benefits will increase by 10.1% in line with CPI inflation to September 2022.

Business rates bills in England will be updated from April 2023 to reflect April 2021 property values and there will be a £13.6 billion package of targeted support for businesses over the next five years.

Research and development tax reliefs will be reformed with respect to expenditure incurred from 1 April 2023.

The windfall profits of oil and gas companies will be subject to further tax increases and a new levy will apply to the 'extraordinary returns' of low-carbon electricity generators.



Economic Update

The economic backdrop to the Autumn Statement was a challenging one, with a combination of over 11% inflation, recession and the need to re-establish the UK's financial credibility.

The question remains, however, whether the UK economy will fulfil the relatively optimistic growth forecasts now implicit in the projections of the Office for Budget Responsibility (OBR).

The new OBR forecast says inflation will be 9.1% in 2022, 7.4% in 2023 and just 0.6% in 2024.

The outlook for economic growth in the short term is much lower. The OBR projected growth is -1.4% in 2023, 1.3% in 2024 and 2.6% in 2025, echoing the Bank of England's recent forecast for a recessionary 2023.

Interest rates have risen faster than the OBR expected in the Spring in response to the double-digit inflation, with rates averaging more than 4% through to the end of 2025/26.



Personal Tax

Income tax

The personal allowance will remain at £12,570 for an extra two tax years until 5 April 2028 and the higher rate threshold will stay at £50,270, the levels that first took effect in 2021/22.

From 2023/24, the 45% additional rate threshold will be reduced from £150,000 (the level set in 2010/11) to £125,140. In Scotland, the higher and top (additional) rate thresholds for non-savings, non-dividend income will be announced in the Scottish Budget on 15 December.

Dividend tax

The dividend allowance will be halved to £1,000 for 2023/24 and halved again in 2024/25 to £500.

National insurance contributions (NICs)

The class 1 primary threshold and class 2 lower profits limit will remain aligned with the personal allowance (£12,570) until April 2028.

The upper earnings limit and class 4 upper profits limit will remain aligned to the higher rate threshold at £50,270 through to April 2028. The lower earnings limit (£6,396) and the small profits threshold (£6,725) will remain unchanged in 2023/24.

For 2023/24, the class 2 rate will be £3.45 a week and the voluntary class 3 rate will be £17.45 a week.

Capital gains tax

In 2023/24, the annual exempt amount for individuals and personal representatives will be reduced to £6,000 and then halved to £3,000 in 2024/25. The annual exempt amount for most trusts will be cut to £3,000 (minimum £600) in 2023/24 and then halved in the following year.

Inheritance tax

The nil rate band for 2026/27 to 2027/28 will remain at £325,000, which was the level first set for 2009/10. The residence nil rate band (RNRB) will likewise stay at £175,000 and the RNRB taper will continue to apply where the value of the deceased's estate is greater than £2 million.

Stamp duty land tax (SDLT)

The SDLT cuts affecting residential property in England and Northern Ireland, which were introduced in the 'mini-Budget' on 23 September 2022, will be reversed from 1 April 2025. Enveloped dwellings (ATED) The annual chargeable amounts for the ATED will be increased by 10.1% for 2023/24.

Company cars and vans

The benefit-in-kind (BIK) appropriate percentages for electric and ultra-low emission cars will increase by one percentage point each year from 2025/26 to 2027/28 up to a maximum appropriate percentage of 5% for electric cars and 21% for ultra-low emission cars.

The BIK rates for all other vehicle bands will be increased by one percentage point for 2025/26 up to a maximum appropriate percentage of 37% and will then be fixed in 2026/27 and 2027/28.

For 2023/24 car and van fuel benefit charges and the van benefit charge will increase in line with CPI.

Electric vehicles

Electric cars and vans will become subject to vehicle excise duty (road tax) from 1 April 2025.

Energy price support

The domestic energy price guarantee (EPG) will increase to £3,000 for one year from 1 April 2023 and equivalent support will continue to be provided in Northern Ireland. However, the parameters of the EPG scheme may be revised.

The support for households that use alternative fuels, such as heating oil, to heat their homes will be doubled to £200 for 2022/23.

Council tax in England

Local authorities with social care responsibility will be given the flexibility to increase council tax bills to 5% (including a 2% social care levy), while others can impose rises of up to 3%.



Business Taxes

Employer NICs

The level at which employers start to pay employer NICs for their employees will remain at the current £9,100 until April 2028. The employment allowance will stay at £5,000.

Value added tax (VAT)

The VAT registration and deregistration thresholds will stay at their current levels of £85,000 and £83,000 respectively for a further two years from 1 April 2024.

Business rates

Business rate bills in England will be updated from 1 April 2023 to reflect property values on 1 April 2021. Transitional relief over the next five years will support businesses as they move to their new bills.

Business rates multipliers will be frozen in 2023/24 at 49.9p and 51.2p, avoiding potential increases to 52.9p and 54.2p.

Support for eligible retail, hospitality and leisure businesses will be extended and increased from 50% to 75% business rates relief up to £110,000 per business in 2023/24.

Increases in the bills will be capped at £600 a year from 1 April 2023 for the smallest businesses that lose eligibility or see reductions in the supporting small business scheme or rural rate relief.

The improvement relief announced in the Autumn Budget 2021 will now be introduced from April 2024 and will be available until 2028.

The relief is aimed at ensuring that ratepayers do not see an increase in their rates for 12 months as a result of making qualifying improvements to a property they occupy.

Online sales tax (OST)

Following consultation, the government has decided not to introduce an OST, an idea put forward as an equivalent to business rates for online businesses.

Energy bill relief scheme (EBRS)

The government's review of the EBRS, which offers support to non-domestic energy consumers currently up to March 2023, will be published by 31 December 2022.

The government recognises that some businesses may need support beyond March 2023, but such support will be significantly lower and targeted.

National living wage (NLW) and national minimum wage (NMW)

The government has accepted the recommendation of the Low Pay Commission to increase the NLW for individuals aged 23 and over by 9.7% to £10.42 an hour from 1 April 2023. NMW rates for younger workers and apprentices will be increased by similar percentages.





September 'Mini-Budget' Measures

Many of the proposals that emerged in Kwasi Kwarteng's 'mini-Budget' on 23 September 2022 have been reversed. However, some remain. The more notable surviving changes are:

National insurance contributions

The 1.25 percentage points increases to all 2022/23 class 1 and class 4 NIC rates initially introduced by Rishi Sunak as Chancellor were scrapped with effect from 6 November 2022. The revised rates are shown in the table at the end of this document.

The 1.25% health and social care levy, which was due to replace the NIC increase from 2023/24, was also abandoned.

Please note, however, that the 1.25% increase on dividends will remain.

Stamp duties

From 23 September 2022, SDLT rates for residential property were revised, increasing the 0% band threshold from £125,000 to £250,000.

The government also increased relief for first-time buyers, raising the 0% band threshold from £300,000 to £425,000 and the maximum value of property on which they can claim the relief from £500,000 to £625,000.

These changes only affect England and Northern Ireland.

The Welsh government has revised some of its land transaction tax (LTT) residential rates. From 10 October 2022, the starting threshold for paying main residential rates of LTT increased from £180,000 to £225,000. The first tax band will cover transactions from £225,000 to £400,000 and be taxed at 6%. The tax rates and bands for properties over £400,000 and for additional residential and all corporate residential properties are unchanged. The Scottish Government has announced that it will set out its plans for land and buildings transaction tax (LBTT) in its Budget on 15 December.

Annual investment allowance

The current £1 million level of the annual investment allowance was made permanent.

Company share option plan (CSOP)

From April 2023, qualifying companies will be able to issue up to £60,000 of CSOP options to employees, doubling the current limit. The 'worth having' restriction on share classes within the CSOP will be eased, better aligning the scheme rules with the rules in the enterprise management incentive (EMI) scheme and widening access to CSOP for growth companies.

Venture capital schemes

From April 2023, companies will be able to raise up to £250,000 of seed enterprise investment scheme (SEIS) investment – a £100,000 increase on the current limit. At the same time: the gross asset limit will be increased to £350,000; the company age limit will be raised from two to three years; and the annual investor limit will double to £200,000.

The SEIS, enterprise investment scheme (EIS) and venture capital trust (VCT) scheme will be extended beyond 2025.

Office of Tax Simplification

The Office of Tax Simplification (OTS) will be abolished, to be replaced with a mandate to the Treasury and HMRC to focus on simplifying the tax code.

National insurance Contributions 2022/23

Class 1

	Employee – Primary	Employer – Secondary*
6/4/22–5/7/22	£190–£967pw: 13.25% Over £967 pw: 3.25%	Over £175 pw: 15.05%
6/7/22–5/11/22	£242–£967pw: 13.25% Over £967 pw: 3.25%	Over £175 pw: 15.05%
6/11/22–5/4/23	£242–£967pw: 12.00% Over £967 pw: 2.00%	Over £175 pw: 13.80%
	Director – Primary	Director – Secondary*
2022/23	£11,908–£50,270 pa: 12.73% Over £50,270 pa: 2.73%	Over £9,100 pa: 14.53%

*No employer NICs on the first £967pw for employees generally under 21 years, apprentices under 25 years and veterans in first 12 months of civilian employment. No employer NICs on the first £481pw for employees at freeports in Great Britain in the first three years of employment starting from 6 April 2022



Employee - Primary		£5000	
Per business - not available if sole employee is a director or employer's NICs for 21/22 £100,000 or more			
Limits and thresholds		Weekly	Annual
Lower earnings limit		£123	£6,396
Primary threshold		£242†	£12,570**
Primary threshold for company directors		N/A	£11,908
Secondary threshold		£175	£9,100
Upper earnings limit (and upper secondary thresholds for younger/veteran employees)		£967	£50,270
Upper secondary threshold for freeport employees		£481	£25,000
† £190 pw before 6 July 2022 **£9,880 before 6 July 2022			
Class 1A Employer On car and fuel benefits and most other taxable benefits provided to employees and directors			14.53% pa
Class 2 Self-employed	Flat Rate	£3.15pw	£163.80 pa
	Small profits threshold		£6,725
	Lower profits limit		£11,908
Class 4 Self-employed	on profits	£11,908 to £50,270:	9.73% pa
		Over £50,270:	2.73% pa
Class 3 Voluntary flat rate	Voluntary flat rate	£15.85pw	£824.20 pa

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theprogenygroup.com | [@theprogenygroup](https://www.instagram.com/theprogenygroup) | +44 344 225 0660

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