

Autumn  
Statement  
**2022**



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# Autumn Statement 2022

## Personal changes

A few changes for individuals had already been confirmed ahead of the Autumn Statement, either as part of Kwasi Kwarteng's mini-budget or its aftermath:

- **Basic-rate income tax remains at 20% “indefinitely”.** While Rishi Sunak originally announced the rate would drop to 19% from April 2024 during his previous role as Chancellor, and Kwarteng brought this change forward to 2023, Jeremy Hunt has since announced the measure will be dropped altogether. The Government says it will save around £6bn a year by doing so.
- **National Insurance increase has been scrapped.** The National Insurance rise of 1.25 percentage points, which took effect in April this year, was reversed as part of the mini-budget. This change has been kept in effect, along with the cancellation of the April 2023 health and social care levy.
- **Dividend tax rates will remain unchanged.** These also increased by 1.25 percentage points alongside National Insurance this April, and Hunt has confirmed they will remain at their increased levels from April 2023.

## Additional-rate income tax

One of the biggest announcements made by the Chancellor was the lowering of the additional-rate tax threshold from £150,000 a year to £125,140 as of 6 April 2023.

The additional-rate threshold will be applied to anyone earning more than £125,140 a year in England, Wales and Northern Ireland. The Government will legislate this change in the Autumn Finance Bill 2022.

It's predicted the change to the additional-rate threshold will mean 250,000 more taxpayers will now find themselves paying 45%.

This announcement is in stark contrast to Hunt's predecessor's plans to scrap the additional tax rate altogether.

## **AUTUMN STATEMENT 2022**

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### **Income tax thresholds**

The personal allowance threshold will remain frozen for a further two years, continuing until 2028, along with the higher-rate threshold and the National Insurance contributions (NICs) thresholds.

Some are referring to this as a 'stealth tax' – where wage increases over time will cause people to find themselves caught in higher tax bands, potentially negating pay rises.

### **National Insurance**

In July 2022, NICs thresholds were increased to be brought in line with the income tax personal allowance, and fixed until April 2026. The Chancellor today announced that this freeze will be maintained for an additional two years, until April 2028.

### **Capital gains tax**

In the statement, the Chancellor announced a cut to the capital gains tax (CGT) allowance, also known as the annual exempt amount, over the next two years.

The original allowance of £12,300 will be cut to £6,000 for the tax year 2023/24 and will then be halved again to £3,000 in 2024/25.

The Government's aim is to raise an extra £40m by 2027 by reducing the allowance rates for CGT.

### **Inheritance tax**

The inheritance tax nil-rate is currently set at £325,000 until April 2026 and will remain at this rate for a further two years until April 2028.

The residence nil-rate band will continue at £175,000, and the residence nil-rate band taper will still start at £2 million.

The threshold freeze is seen by some as a way to increase inheritance tax bills without directly changing the rate. Due to the increase in house prices, more and more people will face higher inheritance tax bills when dealing with an estate.

## **AUTUMN STATEMENT 2022**

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Data published by HMRC in October showed a £400m increase in inheritance tax income when compared to the same time the previous year. These measures will be legislated by the Government in the Autumn Finance Bill.

### **Dividend allowance**

The Chancellor announced that the dividend tax threshold will be reduced from £2,000 to £1,000 from April 2023 and then again to £500 the following year.

Along with the changes to CGT, the Chancellor says that these changes will raise over £1.2bn a year from 2025.

### **Pension triple lock upheld**

Ending weeks of speculation about whether or not the so-called ‘triple lock’ protection would be upheld, the Chancellor confirmed that pensions – like benefits – would rise in line with September’s inflation rate of 10.1%.

The triple lock refers to a manifesto pledge that state pensions would rise in line with whichever is highest of the following: the average wage increase, the previous September’s inflation figure, or 2.5%.

Acknowledging that the cost-of-living crisis is hurting all pensioners, Hunt announced that in April 2023, an £870 increase will represent the “biggest ever cash increase in the state pension”. The standard minimum income guarantee in pension credit will also increase in line with inflation from April 2023 (rather than in line with average earnings growth).

From April 2023, the full state pension will be:

- £203.85 per week (up from £185.15) for those who reached state pension age after April 2016
- £156.20 per week (up from £141.85) for those who reached state pension age before April 2016.

A review of the state pension age is currently being carried out, which considers whether the existing timetable remains appropriate. This will be published in early 2023.

## AUTUMN STATEMENT 2022

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### Vehicle excise duty

Electric vehicles will no longer be exempt from vehicle excise duty from April 2025. Vehicle excise duty is a tax on all vehicles using public roads in the UK, and applies differently based on the vehicle's CO2 emissions.

### Stamp duty cuts remain until 2025

One of a few measures to remain initially unchanged from the mini-budget was the decision to raise the threshold at which Stamp Duty Land Tax is paid (in England and Northern Ireland) from £125,000 to £250,000.

For first-time buyers, the threshold increased from £300,000 to £425,000. Now, because the OBR expects housing activity to slow over the next two years, these cuts will only remain in place until 31st March 2025 – after which, Hunt will “sunset the measure”.

### Business changes

Changes for businesses were also confirmed following Kwarteng's September mini-budget:

- **Corporation tax rises to 25% from 1 April 2023.** This increase will go ahead, despite previous plans to scrap it. The full 25% rate will apply to profits of £250,000 and over, while companies with profits up to £50,000 will continue to pay at 19%. Profits between these two figures will be subject to a tapered rate.
- **IR35 reforms to stay.** Planned changes to IR35 will no longer be repealed, reportedly saving some £2bn in tax. The reforms, which were rolled out in 2017 for the public sector and 2021 for the private sector, saw changes to the way tax status is determined for off-payroll workers, including contractors.
- **Bankers' bonus cap abolished.** One of the mini-budget measures left untouched by Hunt was the decision to lift the cap on bankers' bonuses, which currently stands at 100% of a banker's annual salary, or 200% depending on shareholder approval. The Prudential Regulation Authority (PRA) is set to consult on plans later this year.

## AUTUMN STATEMENT 2022

---

- **Alcohol duty freeze cancelled.** The £600 million alcohol duty freeze that the Truss administration had planned on introducing on 1 February 2023 has been cancelled.
- **VAT-free shopping scheme cancelled.** The shopping scheme, which was originally proposed to remove VAT for tourists on UK products, has been scrapped.

### **Employment allowance**

The employment allowance will remain at its current level of £5,000, having increased to that amount in April 2022.

This offers eligible employers relief on their Class 1 NICs.

### **Business rates**

The Chancellor announced a number of measures relating to business rates in England. Business rates are devolved in Northern Ireland so these measures do not apply in Northern Ireland unless similar measures are subsequently announced by the NI Assembly.

### **Windfall tax**

In response to recent increases to energy prices, Hunt announced that the current energy profits levy will be extended until March 2028, as well as increasing its rate from 25% to 35% from 1 January 2023.

A new, temporary levy will also be introduced for electricity generators. This will apply at 45% on excess returns, also from 1 January 2023 to 31 March 2028.

### **Annual investment allowance**

One thing not mentioned directly in the Chancellor's speech, but included in the accompanying documents, is the decision to permanently set the Annual Investment Allowance (AIA) at £1m for businesses.

In September, Kwarteng announced that the AIA would remain at £1m rather than being decreased to £200,000 a year after 31 March 2023.

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## **AUTUMN STATEMENT 2022**

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Now, Hunt has reinforced this change and will continue to keep the allowance at £1m from April next year.

### **R&D relief**

Changes to the rates of the two Research & Development (R&D) relief schemes were announced.

The additional deduction for SME R&D relief will decrease from 130% to 86%, and the SME credit rate will decrease from 14.5% to 10%. Meanwhile, the Research and Development Expenditure Credit (RDEC) rate will increase from 13% to 20%.

Hunt positioned the change as a “rebalancing” of the two reliefs, in response to reports of fraudulent claims. Broadly speaking, it means larger companies have more opportunity to benefit from the relief than smaller companies.

### **National Living Wage increase**

From 1 April 2023, the National Living Wage will increase by 9.7%, to £10.42 an hour. This rate applies to people aged 23 and over and is said to equal an extra £150 per month.

### **Online Sales Tax**

Following consultation, the Government has decided not to introduce a proposed Online Sales Tax.

This tax would have aimed to rebalance the way online retail is taxed compared to in-store, but the Government said there were concerns it would be too complex and distort behaviour.

### **VAT threshold**

The VAT registration and deregistration thresholds will remain at their current levels of £85,000 and £83,000 respectively until 1 April 2026.

These had previously been fixed at their current levels until 1 April 2024, but the statement confirmed they won't change for a further two years.



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