What November's Autumn Statement means for you

We look at the Chancellor's key announcements affecting both businesses and individuals.

After the unprecedented recent political turmoil, Jeremy Hunt finally made his much-anticipated Autumn Statement on 17 November. It came against a challenging recessionary backdrop, rampant inflation and the need to calm markets and re-establish the UK's financial credibility.

The Chancellor's stated strategy is to tackle the cost-of-living crisis and rebuild the economy, while avoiding tax rises that most damage growth. Nevertheless, the tax increases announced are substantial, with tax as a percentage of GDP increasing by 1% over the next five years.

Thresholds frozen

Mr Hunt announced the freezing of the main income tax allowances and thresholds, the main national insurance thresholds plus the inheritance tax nil rate bands at current levels to April 2028.

Currently, apart from Scotland, the threshold for the 45% additional rate of income tax will be lowered from £150,000 to £125,140 from April 2023. The Scottish Government will announce their position on income tax as part of The Scottish Budget due to be published on 15 December 2022.

The dividend allowance will also reduce from £2,000 to £1,000 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 for 2024/5.

Collectively, the changes will mean greater tax bills for people. It's therefore important to be mindful of the implications that pay rises, bonuses and the sale of assets will have on your tax liability.

Government support

Meanwhile, 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 at September 2022.

While the government's energy price guarantee will be adjusted from April 2023 so typical households pay £3,000 a year, a review of the energy bill relief scheme (for non-domestic energy consumers) will be published by 31 December 2022. The government says it recognises that some businesses may need support beyond March 2023, but this will be significantly lower and targeted.

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.

Tariffs on over 100 imported goods will be removed for two years to help reduce costs for UK producers.

Research and development and creative industry tax reliefs

From 1 April 2023, the research and development (R&D) expenditure credit rate will increase from 13% to 20%. The small and medium-sized enterprises (SME) additional deduction will, however, decrease from 130% to 86% and the SME credit rate will decrease from 14.5% to 10%.

The government has also announced a consultation into simplifying and modernising audio-visual tax reliefs. Shipleys' clients have greatly benefited from schemes like the film tax relief scheme. Five creative industries will be subject to the consultation – animation, children's TV, film, high-end TV and video games. Initial proposals include a merger of four of the reliefs, a revision of definitions, adjustments to some historic EU conditions, and the reform of all reliefs to above-the-line, repayable, tax credits.

There is some concern that proposed changes may limit reliefs if EU expenditure is excluded, and a proposed increase in the thresholds for minimum expenditure applied. This is likely to affect the video games and TV sectors more.

Pay and National Insurance

From 1 April 2023 the National Living Wage for individuals aged 23 and over will rise by 9.7% to £10.42 an hour. National Minimum Wage rates for younger workers and apprentices will increase by similar percentages.

However, the level at which employers start to pay employer National Insurance contributions for their employees will remain at £9,100 until April 2028. The employment allowance will stay at £5,000. Value added tax registration and deregistration

thresholds will stay at their current levels of £85,000 and £83,000 respectively until 2026.

Retained from Kwarteng's fiscal statement
Many proposals in Kwasi Kwarteng's fiscal statement on 23 September 2022 were revoked by Jeremy Hunt on 17 October. However, some were confirmed in Mr Hunt's November statement. The more notable surviving changes are:

- **NIC changes –** Scrapping (effective 6 November 2022) of the 1.25 percentage point increases to all 2022/23 class 1 and class 4 NIC rates and the subsequent 1.25% health and social care levy.
- **Stamp duty land tax** – 0% band threshold for residential property remains at £250,000 In England and Northern Ireland.
- **Annual investment allowance –** Permanently set at £1 million to provide 100% relief for annual qualifying expenditure on plant, machinery and equipment up to this limit. The capital allowance super-deduction will still end on 31 March 2023.
- **Company Share Option Plans –** From April 2023, qualifying companies can issue up to £60,000 of options to employees, double the current limit.
- **Seed Enterprise Investment Scheme (SEIS) –** From April 2023, companies will be able to raise up to £250,000 of funding – a £100,000 increase. The gross asset limit will be increased to £350,000, company age limit raised to three years and annual investor limit doubled to £200,000. The SEIS, Enterprise Investment Scheme and Venture Capital Trust scheme will be extended beyond 2025.

To discuss the implications of the Autumn Statement on your business or personal finances, please talk with your usual Shipleys contact or get in touch with one of our offices. In the meantime, there's more detail at: *https://tinyurl.com/398eed48*

Future plans

Chancellor Hunt's proposals also included:

- **Investment zones – The government will refocus the investment zones programme to create a limited number of high potential clusters, to be announced in the coming months.**
- **Solvency II – The government will introduce a "simpler, clearer and much more tailored regime". The required risk margin will reduce significantly, with a 65% cut for long-term life insurance business.**

VAT corner

Reminders and updates on VAT

Change to business activity test
There's been a change in the way HMRC works out if an activity is a business activity for VAT purposes. It will affect not only charities and non-profit organisations but also businesses providing nursery and crèche facilities, receiving grants or subsidies, or carrying out non-business activities.

HMRC will now apply a two-stage test to determine what is a business (or economic) activity. Stage one will focus on whether the activity results in a supply of goods or services for consideration. If there is no consideration, it is not a business activity for VAT purposes.

Stage two looks at whether the supply is made for the purpose of obtaining income therefrom (remuneration) and whether there is a direct or sufficient "link" between the supplies made and the payments given.

For activities deemed to be business activities for VAT purposes there is a requirement or an opportunity for organisations to register for VAT, a liability to account for VAT and an entitlement to recover VAT incurred on qualifying expenditure. More on the gov.uk website at: *https://tinyurl.com/mscef7br*

New system from 1 January 2023
A changed VAT penalty and interest regime for returns beginning on or after 1 January 2023 will be more expensive for some businesses. The headline penalties for a late VAT return – £200 plus another £200 for every subsequent late submission – make the changes appear to be less costly.

However, late payment interest (LPI) starts on the first day after the due date at the Bank of England base rate plus 2.5%. Rising interest rates will therefore make this quite a significant charge. Furthermore, late payment penalties (LPP) will be imposed, starting at a rate of 2% from day 16 after the due date, with an additional 2% on the amount outstanding on day 30.

So, get returns in on time, even if full payment cannot be made. Pay as much as you can as soon as you can to reduce LPP and LPI. More at Shipleys' website: *https://tinyurl.com/2aubjkd5*

And finally…
In his 17 November statement, the Chancellor confirmed the VAT registration and deregistration thresholds will stay at their current levels of £85,000 and £83,000 respectively until at least March 2026.