AUTUMN STATEMENT '22

LET'S SEE WHAT STICKS THIS TIME

COOPER PARRY

Contents

Autumn Statement 2022

Stability, growth and public services

The Chancellor of the Exchequer, Jeremy Hunt, delivered on Thursday 17 November the Autumn Statement 2022. Mr Hunt outlined his plans at a time of significant economic challenge for the UK and the global economy as he attempts to fill the black hole in the government's finances.

The chancellor says his priorities are stability, growth and public services, and he is providing "fair solutions" despite taking "difficult decisions." Economic stability, Mr Hunt announced, relies on fiscal sustainability – and the Autumn Statement sets out the government's plan to ensure that national debt falls as a proportion of the economy over the medium term.

By reducing debt servicing costs and leaving more money to invest in public services, supporting the Bank of England's action to control inflation, and giving businesses the stability and confidence they need to invest and grow in the UK, Mr Hunt said this is a "very balanced package," insisting that decisions were made in a "fair way."

The chancellor says the government's approach to delivering fiscal sustainability is underpinned by fairness, with those on the highest incomes and making the highest profits paying a larger share. The Autumn Statement reduces the income tax additional rate threshold from £150,000 to £125,140, increasing taxes for those on high incomes.

Income tax, national insurance and inheritance tax thresholds will be maintained at their current levels for a further two years, to April 2028. The government will also reduce the Dividend Allowance, and Capital Gains Tax Annual Exempt Amount.

The chancellor announced that businesses must also pay their fair share. The Autumn Statement fixes the National Insurance Secondary Threshold at £9,100 until April 2028. Reforms have also been set out to ensure businesses in the energy sector that are making extraordinary profits contribute more. The Energy Profits Levy will be increased by 10 percentage points to 35% and extended to the end of March 2028.

Mr Hunt commented that the Autumn Statement balanced revenue raising and spending restraint whilst protecting vital public services. He said the Autumn Statement confirms that total departmental spending will grow in real terms at 3.7% a year on average over the current Spending Review period.

WHAT DOES THE AUTUMN STATEMENT 2022 MEAN FOR YOU?
In our comprehensive guide to the Autumn Statement 2022, here is everything you need to know about the chancellor's tax rises and spending cuts. Please get in touch with us if you have any questions or want to discuss your situation.

At a glance, what the chancellor had to say

Setting out tax rises and spending cuts to help balance the nation's books

Chancellor of the Exchequer, Jeremy Hunt, on Thursday, 17 November delivered his Autumn Statement 2022 to Parliament. We look at a summary of the key points.

GROWTH

- The Office for Budget Responsibility (OBR) forecast predicts growth overall of 4.2% for this year, but the size of the economy will reduce by 1.4% in 2023
- Growth forecast of 1.3%, 2.6%, and 2.7% in 2024, 2025 and 2026
- The OBR forecasts the UK's inflation rate to average 9.1% this year and 7.4% next year
- Unemployment expected to rise from 3.6% to 4.9% in 2024
- The government will give itself five years to hit debt and spending targets instead of three years currently

BORROWING

- Borrowing in the current financial year, 2022/23, will be 7.1% of GDP
- In cash terms, the OBR estimates the budget deficit – the gap between spending and income – is £177bn in 2022/23
- Public sector net debt is forecast to peak at 97.6% of GDP in 2025/26 and then fall gradually to 97.3% of GDP by 2027/28

GOVERNMENT SPENDING

- Scheduled public spending will be maintained until 2025 but then grow more slowly than previously expected
- In England, the NHS budget will increase by £3.3bn a year for the next two years, and spending on schools by £2.3bn
- Defence spending to be maintained at 2% of national income - a Nato target
- The government will not be able to return foreign aid spending to 0.7% of GDP until the economic conditions allow and will remain at 0.5% for the remainder of the forecast period

TAXATION AND WAGES

- UK minimum wage for people over 23 to increase from £9.50 to £10.42 an hour
- The threshold for the 45p additional rate of tax will be cut from £150,000 to £125,140
- Income tax personal allowance and higher rate thresholds will be frozen for a further two years, until April 2028
- Main national insurance and inheritance tax thresholds are also frozen for a further two years, until April 2028
- Tax-free allowances for dividend and capital gains tax are also due to be cut next year and in 2024
- Inheritance tax threshold freeze for a further two years, on top of an existing four-year freeze, to April 2028
- Dividend allowances are to be cut from £2,000 to £1,000 from April 2023 and then to £500 from April 2024
- Annual exempt allowance for capital gains tax will be cut from £12,300 to £6,000 from April 2023 and to £3,000 from April 2024
- Stamp Duty Land Tax (SDLT) cuts announced in the mini-budget will remain in place, but only until 31 March 2025

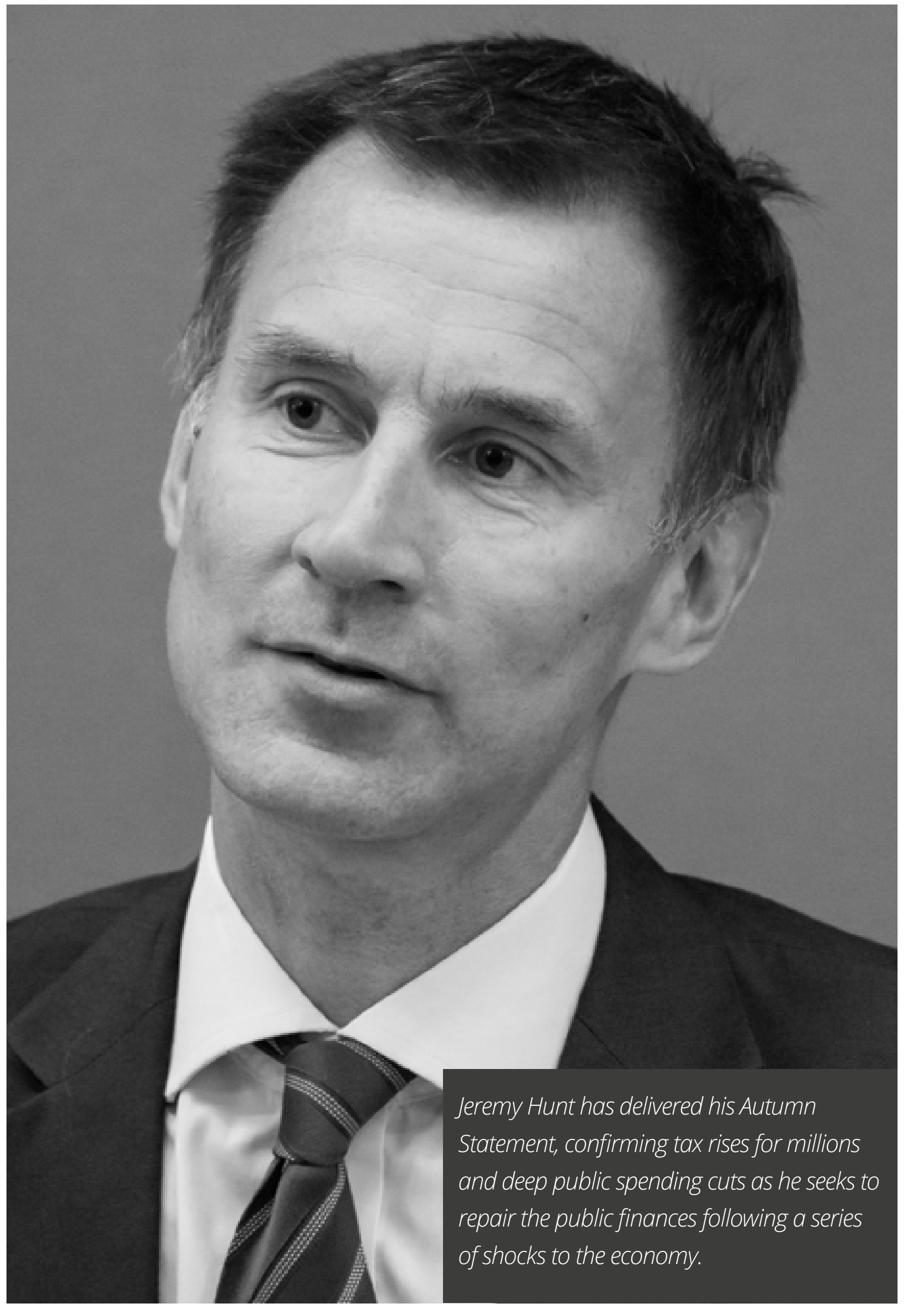
ENERGY

- Household energy price cap extended for one year beyond April, with typical bills capped at £3,000 a year instead of £2,500
- Households on means-tested benefits will receive £900 support payments next year
- £300 payments to pensioner households, and £150 for individuals on disability benefit
- Windfall tax on profits of oil and gas firms increased from 25% to 35% and extended until March 2028
- New "temporary" 45% tax on companies that generate electricity, to apply from January

HEALTH AND SOCIAL CARE

- Hospital beds are to be freed up by investing in social care, with £1bn more allocated next year and £1.7bn a year after
- Patricia Hewitt, the former Labour health secretary, will advise the government on the efficiency of the NHS

"CHANCELLOR JEREMY HUNT OUTLINED THREE PRIORITIES OF STABILITY, GROWTH AND PUBLIC SERVICES AS PART OF HIS AUTUMN STATEMENT."



Jeremy Hunt has delivered his Autumn Statement, confirming tax rises for millions and deep public spending cuts as he seeks to repair the public finances following a series of shocks to the economy.

COST OF LIVING SUPPORT

- Government's energy price guarantee to be kept for a further 12 months at an average of £3,000 for a typical household, up from £2,500 at present
- New one-off payments of £900 to households on means-tested benefits, £300 to pensioner households, and £150 for individuals on disability benefit
- An additional £1bn funding was provided to enable a further extension to the household support fund
- Social housing rents are to be capped at 7% next year to avoid rent hikes of up to 11%
- Pension Triple Lock upheld and set to rise in line with September's inflation rate of 10.1%
- The Triple Lock will increase weekly payments for the new State Pension from £185.15 to £203.85 from April 2023, taking the annual pension to £10,600.20
- Benefits will rise in line with September's inflation rate by 10.1%

CLIMATE

- The government remains "fully committed" to Cop26, including a 68% reduction in UK emissions by 2030

DEFENCE

- Commitment to spend 3% of GDP on defence will be reviewed; until then, it will remain at least 2%

INNOVATION

- Research and development budget funding will be protected, with an increase to £20bn by 2024/25
- Chancellor said he wants to turn Britain into "the world's next Silicon Valley"
- Tariffs will be cut to support business supply chains
- Investment zones will be kept, centred on universities in "left behind areas" to help build growth clusters, with further announcements at the spring budget

INFRASTRUCTURE

- Capital budgets will not be cut for the next two years, but then maintained in cash terms for the next three years
- HS2 will be kept, alongside core "northern powerhouse" rail, and new hospitals
- More devolution deals in England to boost levelling up

OTHER MEASURES

- Electric cars, vans and motorcycles to pay road taxes from April 2025
- Lifetime cap on social care costs in England due in October 2023, delayed by two years
- Social housing rent increases in England capped at 7% from next April - instead of 11% due to inflation

Energy

Providing "fair solutions" despite taking "difficult decisions"

REVIEW OF THE ENERGY PRICE GUARANTEE (EPG)

From April 2023, the chancellor, Jeremy Hunt, said the government would adjust the EPG, which limits the price households pay per unit of gas and electricity. This means that a typical household in Great Britain will pay £3,000 per annum (up from the current £2,500 per annum) from April 2023 to April 2024, saving £14 billion of government spending.

Equivalent support will continue to be provided in Northern Ireland. The government will keep the EPG under review and may revisit the parameters of the scheme, for example, if the forecast cost increases significantly. The government will consult on amending the scheme as soon as it is feasible after April 2023 so that those who use very large volumes of energy have their state support capped, whilst the vast majority of households can continue to benefit.

This proposal is intended to ensure taxpayers only subsidise some of the energy usages of those households with extremely high usage. The consultation will explore the best way to ensure that vulnerable high-energy users, such as those with medical requirements, are not at risk.

A NEW APPROACH TO CONSUMER PROTECTION POST-APRIL 2024

The government will work with consumer groups and industry to consider the best approach to consumer protection from April 2024, including options such as social tariffs, as part of more comprehensive retail market reforms. The objectives of this new approach will be to deliver a fair deal for consumers, ensure the energy market is resilient and investable over the long term, and support an efficient and flexible energy system.

ALTERNATIVE FUELS PAYMENT (AFP)

The government will double to £200 the level of support for households that use alternative fuels, such as heating oil, liquefied petroleum gas (LPG), coal or biomass, to heat their homes. This support will be delivered as soon as possible this winter.

Mr Hunt commented that the government will provide this payment to all Northern Ireland households in recognition of the prevalence of alternative fuel usage in Northern Ireland. The government will also provide a fixed payment of £150 to all UK non-domestic consumers who are off the gas grid and use alternative fuels, with additional 'top-up' payments for large users of heating oil based on actual usage.

REVIEW OF THE ENERGY BILL RELIEF SCHEME (EBRS)

An HM Treasury-led review of the EBRS will determine support for non-domestic energy consumers, excluding public sector organisations, beyond 31 March 2023. While the government recognises that some businesses may continue to require support beyond March 2023, the overall scale of support the government can offer Mr Hunt said will be significantly lower and targeted at those most affected to ensure fiscal sustainability and value for money for the taxpayer.

ENERGY BILLS SUPPORT SCHEME NORTHERN IRELAND (EBSS NI)

The government's Energy Bills Support Scheme provides a £400 non-repayable discount to eligible households to help with their energy bills over winter 2022/23. Equivalent support will be provided to eligible households in Northern Ireland through the Energy Bills Support Scheme NI, costing £342 million in 2022/23.

ENERGY EFFICIENCY TASKFORCE (EETF)

Mr Hunt announced a new long-term commitment to drive improvements in energy efficiency to bring down bills for households, businesses and the public sector with an ambition to reduce the UK's final energy consumption from buildings and industry by 15% by 2030 against 2021 levels. New government funding worth £6 billion will be available from 2025 to 2028, in addition to the £6.6 billion provided in this Parliament. To achieve this target, a new EETF will be charged with delivering energy efficiency across the economy. ◂

AUTUMN STATEMENT 2022

Welfare, work and pensions

Households and businesses provided with support next year

COST OF LIVING PAYMENTS

The chancellor, Jeremy Hunt, announced the government will provide households on means-tested benefits with an additional £900 Cost of Living payment in 2023/24. Pensioner households will receive an additional £300 Cost of Living payment, and individuals on disability benefits will receive an additional £150 Disability Cost of Living payment in 2023/24. These payments will be made on a UK-wide basis.

UPRATING OF BENEFITS

Mr Hunt said the government is protecting the most vulnerable in society by increasing benefits in line with inflation, measured by September CPI, which is 10.1% this year. Around 19 million families will see their benefit payments rise from April 2023. This includes increasing the State Pension by inflation, in line with the commitment to the Triple Lock.

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). This will ensure pensioners on the lowest incomes are protected from inflation and do not lose some of their State Pension increase in the Pension Credit means test.

Some disability benefits are devolved in Scotland, so the Scottish Government (SG) can decide on uprating. Department for Work and Pensions (DWP) benefits are fully devolved in Northern Ireland, so it is for the Northern Ireland Executive to decide on uprating in Northern Ireland.

RAISING THE BENEFIT CAP

The benefit cap will be raised by 10.1%, in line with September CPI, so that more households will see their payments increase due to uprating from April 2023. The cap will be raised from £20,000 to £22,020 for families nationally and from £23,000 to £25,323 in Greater London. While for single adults, it will be increased from £13,400 to £14,753 nationally and from £15,410 to £16,967 in Greater London.

NATIONAL LIVING WAGE (NLW) AND NATIONAL MINIMUM WAGE (NMW) 2023 UPRATING

Following the independent Low Pay Commission (LPC) recommendations, the government will increase the NLW for individuals aged 23 and over by 9.7% to £10.42 an hour from 1 April 2023. This represents an increase of over £1,600 to the annual earnings of a full-time worker on the NLW and is expected to benefit over 2 million low-paid workers.

The government has also accepted the LPC's recommendations for the other NMW rates to apply from April 2023, including:

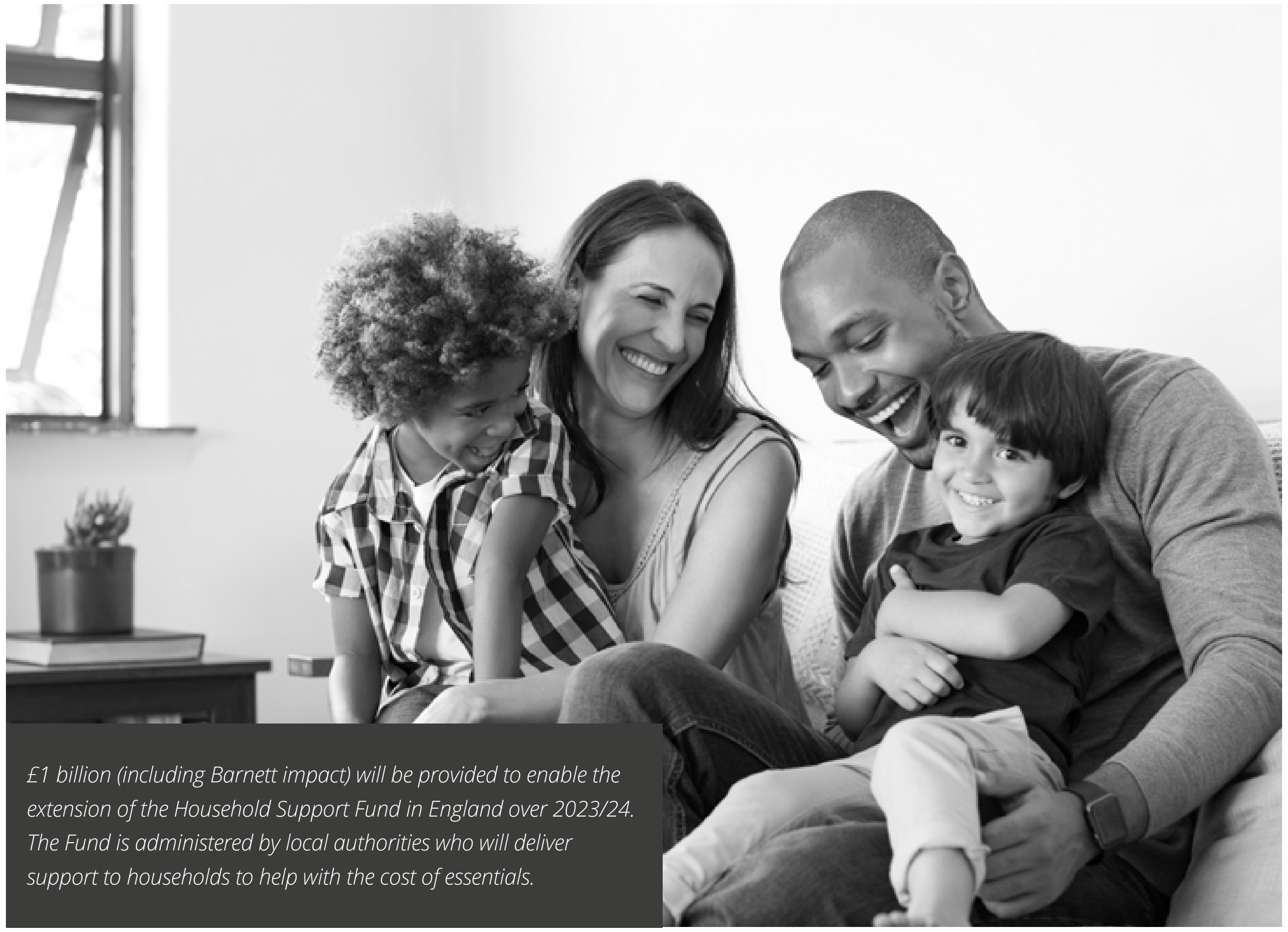
- Increasing the rate for 21-22-year-olds by 10.9% to £10.18 an hour;
- Increasing the rate for 18-20-year-olds by 9.7% to £7.49 an hour;
- Increasing the rate for 16-17-year-olds by 9.7% to £5.28 an hour;
- Increasing the apprentice rate by 9.7% to £5.28 an hour; and
- Increasing the accommodation offset rate by 4.6% to £9.10 an hour

IN-WORK CONDITIONALITY FOR UNIVERSAL CREDIT CLAIMANTS

The chancellor announced the government will bring forward the nationwide rollout of the In-Work Progression Offer, announced at Spending Review 2021, starting with a phased rollout from September 2023, to support individuals on Universal Credit (UC) and in-work to increase their earnings and move off benefits entirely.

This will mean that over 600,000 claimants on UC whose household income is typically between the equivalent of 15 and 35 hours a week at the NLW will be required to meet with a dedicated work coach in a Jobcentre Plus to increase their hours or earnings.

Jeremy Hunt has reaffirmed the government's commitment to the state pension Triple Lock, which will rise with inflation next year.



£1 billion (including Barnett impact) will be provided to enable the extension of the Household Support Fund in England over 2023/24. The Fund is administered by local authorities who will deliver support to households to help with the cost of essentials.

HOUSEHOLD SUPPORT FUND

£1 billion (including Barnett impact) will be provided to enable the extension of the Household Support Fund in England over 2023/24. The Fund is administered by local authorities who will deliver support to households to help with the cost of essentials. It will be for the devolved administrations to decide how to allocate the additional funding.

DWP: ADDITIONAL INVESTMENT IN TACKLING FRAUD AND ERROR

The government is taking further action to protect taxpayer money by investing an extra £280 million between now and 2024/25 to target fraud, error and debt across the benefits system. This funding will expand fraud and error capabilities in DWP to help prevent abuse of the system.

Mr Hunt said the expansion would better equip DWP to proactively review and correct UC claims at risk of fraud and help prevent, detect and correct overpayments across the entire benefits system. This is forecast to deliver gross savings of £2.2 billion per annum by 2027/28.

MOVING BACK THE HOUSING BENEFIT TO PENSION CREDIT MERGER DATE

The government's plans to create a new housing element of Pension Credit to replace pensioner Housing Benefits are now intended to take effect in 2028/29. Eligible pensioners will continue to receive Housing Benefits.

EMPLOYMENT AND SUPPORT ALLOWANCE: DELAY-MANAGED MOVE

The government is pushing back the managed migration of claimants on income-related Employment and Support Allowance (except for those receiving Child Tax Credit) to UC to 2028. Employment and Support Allowance claimants can still claim UC if they believe they will be better off, which will not affect the managed migration of other legacy benefits onto UC.

REFORMING SUPPORT FOR MORTGAGE INTEREST

To support mortgage borrowers with rising interest rates, the government will allow those on UC to apply for a loan to help with interest repayments after three months instead of nine. The government will also abolish the zero earnings rule to allow claimants to continue receiving support while in work and on UC. This will come into effect in Spring 2023.

Taxation

A range of tax threshold freezes announced by the chancellor

INCOME TAX AND NATIONAL INSURANCE CONTRIBUTIONS THRESHOLDS

The income tax Personal Allowance (PA) and higher rate threshold (HRT), and the National Insurance contributions (NICs) Upper Earnings Limit (UEL) and Upper Profits Limit (UPL) are already fixed at their current levels until April 2026 and will now be maintained for an additional two years until April 2028.

From July 2022, the NIC's Primary Threshold (PT) and Lower Profits Limit (LPL) were increased to align with the PA and will be maintained at this level from April 2023 until April 2028. The Class 2 Lower Profits Threshold (LPT) will also be fixed from April 2023 until April 2028 to align with the LPL. The PA, PT, LPL and LPT will remain at £12,570, and the HRT, UEL and UPL will remain at £50,270.

The PA and NICs thresholds apply across the UK. The HRT for non-savings and non-dividend income will apply to taxpayers in England, Wales, and Northern Ireland, and the HRT for savings and dividend income will apply UK-wide. The government will legislate for the income tax measures in Autumn Finance Bill 2022 and NICs changes in affirmative secondary legislation in early 2023.

NATIONAL INSURANCE CONTRIBUTION RATES AND THRESHOLDS FOR 2023/24

The government will fix the Lower Earnings Limit (LEL) and the Small Profits Threshold (SPT) at 2022/23 levels in 2023/24. The LEL will remain at £6,396 per annum (£123 per week), and the SPT will remain at £6,725 per annum.

The Upper Secondary Threshold, Apprentice's Upper Secondary Threshold, and Veteran Upper Secondary Threshold will stay fixed at £50,270 per annum until April 2028 to remain aligned with the UEL and UPL.

The Freeport Upper Secondary Threshold will also be fixed at £25,000 per annum.

The government will use the September CPI figure of 10.1% to uprate the Class 2 and Class 3 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.

INHERITANCE TAX NIL-RATE BAND AND RESIDENCE NIL-RATE BAND

The inheritance tax nil-rate bands are already set at current levels until April 2026 and will remain fixed for 2 years until April 2028. The nil-rate band will continue at £325,000, the residence nil-rate band will continue at £175,000, and the residence nil-rate band taper will continue to start at £2 million.

Qualifying estates can continue to pass on up to £500,000, and the qualifying estate of a surviving spouse or registered civil partner can continue to pass on up to £1 million without an inheritance tax liability.

INCOME TAX ADDITIONAL RATE THRESHOLD

The income tax additional rate threshold (ART) will be lowered from £150,000 to £125,140 from 6 April 2023. The ART for non-savings and non-dividend income will apply to taxpayers in England, Wales, and Northern Ireland. The ART for savings and dividend income will apply UK-wide.

DIVIDEND ALLOWANCE AND CAPITAL GAINS TAX ANNUAL EXEMPT AMOUNT

The government will reduce the Dividend Allowance from £2,000 to £1,000 from April 2023 and to £500 from April 2024 and reduce the Capital Gains Tax Annual Exempt Amount from £12,300 to £6,000 from April 2023 and to £3,000 from April 2024. Mr Hunt, said these measures will raise over £1.2 billion a year from April 2025.

MARRIED COUPLES' ALLOWANCE AND BLIND PERSONS ALLOWANCE

The government will uprate the Married Couple's Allowance and Blind Person's Allowance by the September CPI figure of 10.1% for the 2023/24 tax year. The Married Couple's Allowance will be valued between £4,010 and £10,375, and the Blind Person's Allowance will be valued at £2,870.

STAMP DUTY LAND TAX CUTS

On 23 September 2022, the government increased the nil-rate threshold of Stamp Duty Land Tax (SDLT) from £125,000 to £250,000 for all purchasers of residential property in England and Northern Ireland and increased the nil-rate threshold paid by first-time buyers from £300,000 to £425,000.

The maximum purchase price for First-Time Buyers' Relief was increased from £500,000 to £625,000. This will now be a temporary SDLT reduction. The SDLT cut will remain in place until 31 March 2025. The government will amend the Stamp Duty Land Tax (Reduction) Bill to implement this measure.

ENVELOPED DWELLINGS (ATED)

The annual chargeable amounts for the ATED will be uplifted by the September CPI figure of 10.1% for the 2023/24 ATED charging period. This uplift is a routine change as set out in existing primary legislation.

COUNCIL TAX FLEXIBILITY

The government is giving local authorities in England additional flexibility in setting council tax by increasing the referendum limit for increases in council tax to 3% per year from April 2023. In addition, local authorities with social care responsibilities will be able to increase the adult social care precept by up to 2% per year. This will give local authorities greater flexibility to set council tax levels based on their area's needs, resources and priorities, including adult social care. ◂

Business

"Low taxes and sound money – but sound money has to come first"

NATIONAL INSURANCE CONTRIBUTIONS SECONDARY THRESHOLD

The government will fix the level at which employers start to pay Class 1 Secondary NICs for their employees (the Secondary Threshold) at £9,100 from April 2023 until April 2028. The Employment Allowance means that 40% of businesses do not pay NICs and will be unaffected by this change, and the largest employers contribute the most.

BANK CORPORATION TAX SURCHARGE

Following the decision to proceed with the corporation tax rate increase to 25% from April 2023, the changes to the Bank Corporation Tax Surcharge, which are legislated to take effect from the same point, will also go ahead. This means that from April 2023, banks will be charged an additional 3% rate on their profits above £100 million – meaning that they will continue to pay a higher combined corporation tax rate than most other companies and a higher rate than they did previously.

INCREASING THE RATE OF DIVERTED PROFITS TAX

From April 2023, the rate of Diverted Profits Tax will increase from 25% to 31% in order to retain a 6 percentage points differential above the main rate of corporation tax and therefore ensure that it remains an effective deterrent against diverting profits out of the UK.

Maintaining the VAT registration and deregistration thresholds at the current levels for an additional 2 years

The VAT registration and deregistration thresholds will not change for a further period of 2 years from 1 April 2024. At £85,000, the Chancellor, Jeremy Hunt, said the UK's VAT registration threshold is more than twice as high as the EU and OECD averages.

OECD PILLAR 2

Following consultation, the government will legislate to implement the globally agreed G20-OECD Inclusive Framework Pillar 2 framework in the UK.

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 incorporate the substance-based income exclusion that formed part of the G20-OECD agreement. This will be legislated for in the Spring Finance Bill 2023.

The government intends to implement the backstop Undertaxed Profits Rule in the UK, but with effect no earlier than accounting periods beginning on or after 31 December 2024.

TARIFF SUSPENSIONS

Following applications from business stakeholders, this measure will remove tariffs on over 100 goods for two years to help put downward pressure on costs for UK producers. The measure will remove tariffs as high as 18% on goods ranging from aluminium frames used by UK bicycle manufacturers to ingredients used by UK food producers.

ENERGY PROFITS LEVY (EPL)

From 1 January 2023, the EPL rate will rise by 10 percentage points to 35%. The investment allowance will be reduced to 29% for all investment expenditures (other than decarbonisation expenditure), broadly maintaining its current cash value. Decarbonisation expenditure will continue to qualify for the current investment allowance rate of 80%.

The Levy will end on 31 March 2028. With these changes, the EPL is expected to raise over £40 billion in total over the

next 6 years. The government will legislate for these measures in Autumn Finance Bill 2022, except for the changes related to decarbonisation expenditure which will be legislated for in Spring Finance Bill 2023.

ELECTRICITY GENERATOR LEVY

The government is introducing the Electricity Generator Levy; a temporary 45% tax levied on extraordinary returns from low-carbon UK electricity generation. For the purposes of the tax, extraordinary returns will be defined as the aggregate revenue that generators make in a period from an in-scope generation at an average output price above £75/MWh.

The tax will be limited to generators whose in-scope generation output exceeds 100GWh across a period and will only then apply to extraordinary returns exceeding £10 million. The tax will apply to extraordinary returns arising from 1 January 2023 and will be legislated for in Spring Finance Bill 2023.

COMPANY CAR TAX (CCT) RATES

The government is setting rates for Company Car Tax until April 2028 to provide long-term certainty for taxpayers and industry in Autumn Finance Bill 2022.

Continuing to incentivise the take up of electric vehicles:

- Appropriate percentages 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 an additional 1% in 2027/28, up to a maximum appropriate percentage of 5% for electric cars and 21% for ultra-low emission cars
- Rates for all other vehicles bands will be increased by 1 percentage point for 2025/26 up to a maximum appropriate percentage of 37% and will then be fixed in 2026/27 and 2027/28

VAN BENEFIT CHARGE AND CAR & VAN FUEL BENEFIT CHARGES

From 6 April 2023, Car and Van Fuel Benefit Charges and van benefit charges will increase in line with CPI. The government will legislate by way of Regulations in December 2022.

FIRST-YEAR ALLOWANCE FOR ELECTRIC VEHICLE CHARGEPOINTS

The government will legislate in Spring Finance Bill 2023 to extend the 100% First Year Allowance for electric vehicle charge points to 31 March 2025 for corporation tax purposes and 5 April 2025 for income tax purposes. This aims to ensure that the tax system continues incentivising business investment in charging infrastructure.

CLIMATE CHANGE LEVY (CCL) RATES REBALANCING

Fulfilling the Budget 2016 commitment to equalising the CCL main rates on gas and electricity in the UK by 2025, the government will legislate in Spring Finance Bill 2023 to raise the CCL main rate on gas to £0.00775/kWh whilst freezing the CCL main rate on electricity at £0.00775/kWh in 2024/25.

The CCL main rate on solid fuels will rise in line with the increase in the CCL main rate on gas to £0.06064/Kg in 2024/25. To help ensure the tax system treats fuels that are used off the gas grid equitably, the government will maintain the CCL main rate on LPG at £0.02175 in 2024/25.

The percentage discount on the CCL main rates available through the Climate Change Agreement scheme will be fixed at 92% for electricity and 77% for LPG. The discounts for gas and solid fuels will be adjusted to 89% to produce an RPI increase from 2023/24 into 2024/25.

TAX CONDITIONALITY: LICENSING IN SCOTLAND AND NORTHERN IRELAND

The requirement to renew specific licenses in Scotland and Northern Ireland, conditional on applicants completing checks to confirm they are appropriately registered for tax, will now come into force for license renewals from October 2023 rather than April 2023. This measure will be legislated for in Spring Finance Bill 2023. This will provide licensing bodies and license holders with additional time to prepare.

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. A package of targeted support worth £13.6 billion over the next 5 years will support businesses as they transition to their new bills, protect businesses from the full impact of inflation, and support our high streets. English Local Authorities will be fully compensated for the loss of income as a result of these business rates measures and will receive new burdens funding for administrative, and IT costs.

BUSINESS RATES - MULTIPLIER FREEZE

The business rates multipliers will be frozen in 2023/24 at 49.9 pence and 51.2 pence, preventing them from increasing to 52.9 pence and 54.2 pence. This tax cut is worth £9.3 billion over the next five years. Mr Hunt, said this would support all ratepayers, large and small, and mean bills are 6% lower than without the freeze before any reliefs are applied.

BUSINESS RATES - TRANSITIONAL RELIEF SCHEME

Upwards Transitional Relief will support properties by capping bill increases caused by changes in rateable values at the 2023 revaluation. This £1.6 billion support will be funded by the Exchequer rather than by limiting bill decreases, as in previous revaluations. 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.

Mr Hunt commented that this delivers significant reform to the business rates system and responds to a key stakeholder ask. The 300,000 properties with falls in rateable values will see the full benefit of that reduction in their new business rates bill from April 2023. Over the life of the 3-year list, the scheme will support around 700,000 ratepayers.

BUSINESS RATES - RETAIL, HOSPITALITY AND LEISURE RELIEF

Support for eligible retail, hospitality, and leisure (RHL) businesses is being extended and increased from 50% to 75% business rates relief up to £110,000 per business in 2023/24. Around 230,000 RHL properties will be eligible to receive this increased support worth £2.1 billion.

BUSINESS RATES - SUPPORTING SMALL BUSINESS SCHEME (SSBS)

Bill increases for the smallest businesses losing eligibility or seeing reductions in SBRR or Rural Rate Relief (RRR) will be capped at £600 per year from 1 April 2023. This support, worth over £500 million over the next 3 years, will protect over 80,000 small businesses that are losing some or all eligibility for relief. This means no small business losing eligibility for SBRR or RRR will see a bill increase of more than £50 per month in 2023/24.

REFORMS TO RESEARCH AND DEVELOPMENT (R&D) TAX RELIEFS

For expenditure on or after 1 April 2023, the Research and Development Expenditure Credit (RDEC) rate will increase from 13% to 20%, the small and medium-sized enterprises (SME) additional deduction will decrease from 130% to 86%, and the SME credit rate will reduce from 14.5% to 10%.

These rate changes will be legislated for in the Autumn Finance Bill 2022. This reform ensures that taxpayer support is as effective as possible, improves the competitiveness of the RDEC scheme, and is a step towards a simplified, single RDEC-like scheme for all.

The government will consult on the design of a single scheme and, ahead of Budget, work with the industry to understand whether further support is necessary for R&D-intensive SMEs without significant change to the overall cost envelope for supporting R&D.

As previously announced in the Autumn Budget 2021, the R&D tax reliefs will be reformed by expanding qualifying expenditure to include data and cloud costs, refocusing support towards innovation in the UK, and targeting abuse and improving compliance. ◂

Electric Vehicles

Road users to pay a fair tax contribution

VEHICLE EXCISE DUTY (VED) ON ELECTRIC VEHICLES

From April 2025, electric cars, vans and motorcycles will begin to pay VED in the same way as petrol and diesel vehicles. This will ensure that all road users start to pay a fair tax contribution as the take up of electric vehicles continues to accelerate.

The government will legislate for this measure in Autumn Finance Bill 2022. This means:

- New zero-emission cars registered on or after 1 April 2025 will be liable to pay the lowest first-year rate of VED (which applies to vehicles with CO2 emissions 1 to 50g/km), currently £10 a year. From the second year of registration onwards, they will move to the standard rate, now £165 a year
- Zero-emission cars first registered between 1 April 2017 and 31 March 2025 will also pay the standard rate
- The Expensive Car Supplement exemption for electric vehicles is due to end in 2025. New zero-emission cars registered on or after 1 April 2025 will therefore be liable for the expensive car supplement. The Expensive Car Supplement currently applies to vehicles with a list price exceeding £40,000 for 5 years
- Zero and low-emission cars first registered between 1 March 2001 and 30 March 2017 currently in Band A will move to the Band B rate, currently at £20 a year
- Zero emission vans will move to the rate for petrol and diesel light goods vehicles, currently £290 a year for most vans
- Zero emission motorcycles and tricycles will move to the rate for the smallest engine size, currently £22 a year
- Rates for Alternative Fuel Vehicles and hybrids will also be equalised

Autumn Statement 2022: How will your personal finances or business be affected?

If you want to find out or discuss how the announced measures will affect your personal finances or business, please contact us for more information.

We look forward to hearing from you.

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