Autumn Statement 2023

Private Client Tax Summary

taxadvisory partnership

Overview

Rishi Sunak had already indicated at the beginning of the week that the Government would consider tax cuts to help the stagnant economy after a slowing in Britain's high inflation rate. The Chancellor took advantage of the fact that, during the period from April to October, Government borrowing was nearly £17 billion less than the Office for Budget Responsibility (OBR) forecast, to announce a series of measures aimed at boosting the economy.

He was at pains to emphasise the need to remain responsible with public finances and his focus was clearly on encouraging both business investment and the return of people to the workplace as measures that would promote growth in the British economy. During his speech Jeremy Hunt presented a positive picture of how the country had exceeded the OBR's predictions on inflation, national debt and borrowing and would continue to do so over the next five years.

The headlines for private clients are:-

- A reduction in National Insurance rates for employees and the self-employed
- Pensions triple lock maintained
- ISA streamlining
- Expanding cash basis for self-employed

The main point of note for non-domiciled clients is that there have been no changes announced, as anticipated, but Labour were quick to comment in their response and Rachel Reeves confirmed that the existing rules would be abolished under a Labour Government, with new rules introduced for those who are 'genuinely living in the UK for short periods'.

National Insurance rates

A cut to National Insurance rates was widely predicted in recent days and the Chancellor followed through on this forecast, with the abolishment of Class 2 NIC for the self-employed and a 1% reduction in Class 4 from 6 April 2024.

A more generous 2% reduction in employee's Class 1 NIC from 12% to 10%, effective as of 6 January 2024 was his headline giveaway, although the thresholds remain frozen, as previously announced.

Pensions triple lock

The triple lock for pensions will operate as per previous years, with pensions rising by 8.5%, in line with the traditional measure of earnings. It had previously been predicted that the effect of annual bonuses would be stripped out of the earnings calculation, giving a lower increase of 7.8%.There were however three previously unannounced changes worth bringing to clients' attention.

ISA streamlining

The ISA scheme will be simplified and the scope of eligible investments widened from 6 April 2024. This will allow for:-

- Multiple subscriptions each tax year
- Remove administrative red tape
- Long-Term Asset Funds and Open-Ended Property Funds to be included in the Innovative Finance ISA

Personal tax highlights

National Insurance reforms including abolition of Class 2

Pensions Triple Lock maintained

No changes to taxation of Non-Domiciled individuals

Expanding cash basis

For the self-employed and partnerships, the accruals basis has long been the default method of calculating profits, with the cash basis as an 'opt-in' regime. From 6 April 2024, the cash basis will become the default method for calculating trading profits. The aim of this measure is to simplify the administrative burden and there are no restrictions on turnover, interest costs or losses, as had been considered in the consultation document.

Let's not forget...

- Alcohol Duty frozen until August 2024
- IHT reforms that were widely touted now potentially on hold until Spring Budget 2024
- National Living Wage increased to £11.44/hour and will apply from 21 years of age
- Amendment to IR35 rules to allow offset of tax and NIC in cases where deemed employer has PAYE obligations and worker/intermediary company have already made payments
- EIS & VCT Schemes retained until 2035
- Life Time Allowance abolished therefore a maximum cap is no longer applied to pension contributions, previously this would have triggered a tax charge
- No direct impact on UK resident, US Citizens from these measures which should cause any concern.

Businesses

Boosting UK business investment was the key theme running through the 110 measures included in the Autumn Statement. Highlights from these include:-

- Reform of R&D tax relief
  - Creating a "new simplified R&D tax relief" combining the existing expenditure credit and small and medium-sized enterprises (SME) schemes
  - Reduction of the rate at which loss-making companies are taxed within the merged scheme, from 25% to 19%
  - Reduction of the qualifying threshold for R&D Intensive additional support from 40% to 30%. The additional support provides for a higher payable credit rate of 14.5%
- Four new Investment Zones announced, with the programme extended from 5 years to 10 years
- Full expensing for qualifying plant & machinery to be made permanent

Business tax highlights

Cash basis of accounting introduced for self-employed and partnerships

R&D tax relief system reforms

Full expensing of qualifying plant and machinery

Meet the team

Our specialist tax advisers have a wealth of experience and up to date knowledge on all UK tax matters together with their interaction with overseas matters.

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