

Key points from the Autumn 2022 Mini Budget



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Our thoughts on the Mini Budget

Initially described as a 'Mini Budget', The Chancellor's announcements on Friday 23 September were anything but 'mini'!

As our founder, Daniel Wilkinson, highlights:

"It appears that Kwasi Kwarteng has thrown the tax rule book out of the window, announcing what some believe to have been the biggest changes in taxation since 1972.

From our perspective we will work closely with our clients to guide them through the different changes and to help them make the most of any incentives and opportunities". He goes on to say, "The coming months and possibly years are not going to be easy. So our role as accountants and business advisors will be instrumental in helping our clients steer through these choppy waters."

There will be a lot of changes, some of which will have more impact on some individuals and businesses than others. If you need clarification on anything, please do get in touch on **0113 320 0001** or email office@dw&co.co.uk.

Key changes happening soon

Firstly, we will highlight the changes that will come into force straight away or over the coming weeks:

Stamp Duty Land Tax (SDLT)

With immediate effect, the SDLT threshold on residential property has been doubled from £125,000 to £250,000 before any tax is due. On top of this, the threshold from which first-time buyers will start paying SDLT has also increased from £300,000 to £425,000 and the maximum value a first-time buyer can claim relief on a property has increased from £500,000 to £625,000.

National Insurance Contributions (NIC)

Back in April all employee and employer NIC rates were increased by 1.25%, along with the same increase being applied to dividends. The increased revenue was supposed to go towards a new Health and Social Care Levy. However, from 6 November 2022, this Levy is being scrapped and the 1.25% increase has been cancelled, albeit the reduction on dividends will not take effect until April 2023.

Reducing the NIC levels back to the pre-April rate will have differing affects for individuals, depending on how much they earn. However, the change in NIC rates mid tax year could cause some confusion when calculating employee and employer NIC rates, as well as the tax rates to pay on dividends. We can provide assistance with your payroll and tax calculations, so do get in touch if we can help.

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Changes taking effect from April 2023

From next April there will be a swathe of tax changes coming into force, these include:

Basic Rate of Income Tax

The basic rate of income tax will be reduced from 20% to 19% from next April. This reduction had been due to come in from April 2024, as announced by the former Chancellor, Rishi Sunak, in April this year. However, the Government has decided to bring this forward by 12 months, as a means to increase people's wages to help boost the economy.

The Additional Rate of Income Tax

A shock announcement made in the Mini Budget was the abolition of the 45% tax rate for those earning over £150,000.

This means from next April there will only be two income tax rates, 19% for basic rate taxpayers and 40% for all higher rate taxpayers.

Corporation Tax

The planned increase in Corporation Tax from 19% to 25% from next April has also been abolished. This will remain at the current 19% rate.

Changes taking effect from April 2023 continued.....

Annual Investment Allowance (CT)

Previously the Government had planned to reduce the AIA from £1 million to £200,000 from 31 March 2023. However, it was announced this would be cancelled and a permanent AIA rate will be fixed at £1 million. The Chancellor did not mention the 130% super deduction facility, so unless we hear otherwise, we are assuming that this will come to an end next April as previously advised.

Off-payroll Working or IR35

Another shock announcement was the reversal of IR35 legislation which was introduced in 2017 and 2021 and which affected many freelance contractors and private service companies.

From April next year these rules will revert to what was in place in 2000, which means workers or owners of such businesses will be responsible for determining their status of employment paying the appropriate level of tax and NIC.

Other announcements

In addition to the key tax personal and business-related tax changes mentioned above, the Chancellor also made the following announcements:

Alcohol duty - rates will be frozen from 1 February 2023.

Bankers Bonuses - the cap on their bonuses, which is currently limited to twice their salaries, will be removed.

VAT-free Shopping - will be re-introduced for non- UK visitors to Great Britain.

The Office for Tax Simplification - is being wound down and HM Treasury and HMRC will be mandated to simplify the tax system.

Investment Zones - could be created across 38 different local authorities with the aim of offering lower taxes and relaxed planning laws to help stimulate the economy in these areas.

Investment Schemes - different measures are being adopted to encourage future investment in companies. This includes The Seed Investment Scheme, the Company Share Option Plan and the continuation of the Enterprise Investment Scheme and The Venture Capital Trusts. We can advise you on what schemes would be most appropriate for your company.

How we can help

We have highlighted the key points from the Budget, but as with any tax and business legislation, the devil is in the detail.

You can be reassured that we have researched all aspects of these changes so that we can provide you with the best possible advice based on your specific circumstances, whether that's on a personal or business level.

We can help you with tax planning strategies, to help you make the most out of any of these changes. Plus we can also provide practical support such as handling the changes in payroll information or with mortgage applications if you want to make use of the Stamp Duty reductions.

Please feel free to contact us at any time. We can pop out to see you or we can discuss matters over the phone or via Zoom. Simply call **0113 320 0001** and ask to speak to Daniel Wilkinson, Lucy O'Donnell or Becky Wheatley.

Alternatively please email **office@dwco.co.uk**.

To find out the many ways DWilkinson&Company can help you or your business, and access the latest updates on the tax changes announced in the Budget, please visit our website: **www.dwco.co.uk**