

## Autumn Statement November 2022

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23 November 2022

The Chancellor has presented his Autumn Statement which addresses the significant economic challenges faced by the UK and the rest of the world, coming after the increase in government debt following the COVID-19 pandemic.

The Statement focused on spending plans, but there are a number of tax and benefit measures which are set out below.

### PERSONAL TAXES AND BENEFITS

#### BASIC RATE OF TAX

As previously announced, the basic rate of tax will not now reduce to 19%, and will instead remain at its current level of 20%.

#### ADDITIONAL RATE OF TAX

Again, as previously announced, the additional rate of tax (45%) will no longer be abolished.

Instead, the government announces that the income threshold above which individuals will begin paying tax at the additional rate will be reduced from £150,000 currently to £125,140 with effect from 6 April 2023.

#### DIVIDEND ALLOWANCE

The tax-free dividend allowance will reduce from £2,000 to £1,000 from 2023/24, and to £500 from 2024/25 onwards.

#### CGT ANNUAL EXEMPTION

The capital gains tax-free annual exempt amount will reduce from £12,300 to £6,000 from 2023/24, and to £3,000 from 2024/25 onwards.

#### OTHER TAX AND NIC THRESHOLDS

All other income tax, inheritance tax and NIC thresholds and allowances will be fixed at their current rates until at least 6 April 2028.

#### ENERGY PRICE GUARANTEE

The cap on typical household energy bills of £2,500 per year will increase to £3,000 from April 2023 onwards.

#### VEHICLES

The government confirmed they will introduce Vehicle Excise Duty on electric cars, vans and motorcycles from April 2025.

This will be charged at the rate of £10 in the first year and £165 from year two onwards.

Company car benefit in kind rates for electric cars will increase by 1% per year from April 2026 onwards, to reach a maximum of 5% per year, or 21% for ultra-low emission cars. Rates for 'normal' vehicles will reach a maximum of 37% (from 35% currently).

#### PENSIONS AND BENEFITS

Both working age and pension benefits (including the State Pension) will be uprated by September CPI from April 2023, equivalent to a 10.1% increase.

Households on means-tested benefits will receive a one-off £900 cost of living payment in 2023/24, whilst pensioner households will receive a payment of £300.

#### NON-DOMS: CGT ON SHARE-FOR-SHARE EXCHANGES

The exchange of shares in one company for shares in another company does not usually give rise to an immediate capital gains tax liability. Where the person who carries out such a transaction is not domiciled in the UK and pays tax on the remittance basis, there may be an opportunity to avoid a future UK CGT liability if the new company shares have a non-UK situs.

New rules deem any newly acquired shares to have a UK situs, even if under common law they have a non-UK situs (usually because the company's share register is maintained outside the UK), where:

- An exchange of UK company shares or securities takes place which is covered by the share-for-share exchange rules in s.135 TCGA 1992;
- Both the old and new companies are 'close' (very broadly, controlled by five or fewer shareholders), or would be if they were UK companies; and
- The new shares are in a non-UK company.

The result is that the new holding of non-UK shares are treated as having a UK situs for CGT purposes. This means that, on a future sale by a remittance basis taxpayer, the gain would be subject to UK CGT.

The taxpayer may opt out of these rules by electing to pay CGT based on the market value of the UK company at the point of exchange.

In addition, dividends and other distributions received from the new non-UK company will be deemed to have a UK source, and so will not be eligible for the remittance basis.

These rules apply to transactions with effect from 17 November 2022 onwards.

## BUSINESS TAXES

### CORPORATION TAX RATES

The decision to proceed with the Corporation Tax rate increase to 25% from April 2023 will remain in place.

### BANK CORPORATION TAX SURCHARGE

The Bank Corporation Tax Surcharge will also continue to take effect from April 2023, with banks charged an additional 3% on their profits above £100 million.

### DIVERTED PROFITS TAX

From April 2023, the rate of Diverted Profits Tax will increase from 25% to 31%. This is the tax on large multinational enterprises with business activities in the UK who enter into contrived arrangements to divert profits from the UK by avoiding a UK taxable presence and/or by other contrived arrangements between connected entities.

### REFORMS TO RESEARCH AND DEVELOPMENT 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 SME additional deduction will decrease from 130% to 86%, and the SME credit rate will decrease from 14.5% to 10%.

### CAPITAL ALLOWANCES FOR ELECTRIC CHARGING POINTS

100% First Year Allowances for electric vehicle charge points will be extended to 31 March 2025 for corporation tax purposes and 5 April 2025 for income tax purposes.

### BUSINESS RATES

There will be several changes to business rates from 1 April 2023, including:

- Business Rates multipliers will be frozen in 2023-24 at 49.9 pence and 51.2 pence, preventing a planned increase to 52.9 pence and 54.2 pence.

- Upwards Transitional Relief will cap bill increases caused by changes in rateable values at the 2023 revaluation. The upward caps will be 5%, 15% and 30% for small, medium and large properties in 2023-24.
- Support for eligible retail, hospitality and leisure businesses is being extended and increased from 50% to 75% rates relief up to £110,000.

## INDIRECT TAXES

### STAMP DUTY LAND TAX

The increases introduced on 23 September 2022 will remain in place until 31 March 2025. The increases raised the nil-rate threshold of SDLT from £125,000 to £250,000 for all purchases of residential property and increased the nil-rate threshold paid by first-time buyers from £300,000 to £425,000. The maximum purchase price for which a First Time Buyers' Relief can be claimed was increased from £500,000 to £625,000.

### VAT REGISTRATION THRESHOLD

These will remain at £85,000 for a further period of two years from 1 April 2024.

### ANNUAL TAX ON ENVELOPED DWELLINGS (ATED)

The annual chargeable amounts for the ATED will be increased by 10.1% for the 2023-24 ATED period as such:

Property value	Annual charge 1 April 2022 – 31 March 2023	Annual charge 1 April 2023 – 31 March 2024
More than £500,000 up to £1 million	£3,800	£4,150
More than £1 million up to £2 million	£7,700	£8,450
More than £2 million up to £5 million	£26,050	£28,650
More than £5 million up to £10 million	£60,900	£67,050
More than £10 million up to £20 million	£122,250	£134,550
More than £20 million	£244,750	£269,450

## ENERGY RELATED CHANGES

### ENERGY PROFITS LEVY (EPL)

The Energy Profits Levy was introduced on 26 May 2022 to help fund more cost-of living support for UK families. The EPL currently places a 25% charge on profits generated by oil and gas producers who have benefitted from the increase in oil and gas prices at an unprecedented level. From 1 January 2023, the EPL rate will rise from 25% to 35%. The investment allowance incentive (a tax saving for money invested in the UK oil and gas sector) will be reduced to 29% for all investment expenditure, other than decarbonisation expenditure which will continue to qualify for the current investment allowance rate of 80%.

### ELECTRICITY GENERATOR LEVY

An Electricity Generator Levy will be introduced on those generating extraordinary returns by way of low-carbon generators. The levy will apply from 1 January 2023 and will introduce a temporary 45% levy on extraordinary profits. Extraordinary profits are defined as electricity sold above £75MWh and will be limited to generators whose in-scope generation output exceeds 100GWh, and will only apply to extraordinary returns exceeding £10 million.

## CHANGES IN MINI BUDGET THAT SURVIVE

It appears at present that the only provisions announced in the Mini-Budget of 23 September 2022 that will go ahead are as follows.

### ANNUAL INVESTMENT ALLOWANCE

The Annual Investment Allowance (AIA) had been due to decrease to £200,000 after 31 March 2023, but instead will be permanently maintained at the current level of £1 million.

### SEED ENTERPRISE INVESTMENT SCHEME (SEIS)

Several changes have been made to the SEIS limits to increase private sector investment. From April 2023, companies will be able to raise up to £250,000 of SEIS investment, up from the current limit of £150,000. The limits on the size of the eligible company have increased, with the gross asset limit to be increased to £350,000 from £200,000, and the time-limit for carrying out a qualifying trade has increased from 2 to 3 years.

The amount of SEIS investment which an investor can make in a single tax year will also increase from £100,000 to £200,000.

### COMPANY SHARE OPTION PLAN (CSOP)

From April 2023, qualifying companies will be able to issue up to £60,000 of CSOP options to employees, double the current £30,000 limit. The 'worth having' restriction on share classes will also be restricted, aligning the rules with the EMI scheme rules.

### NATIONAL INSURANCE CONTRIBUTIONS

The day before the mini-Budget, the government announced that the 1.25% employer and employee's National Insurance increases, and the 1.25% self-employed / class 4 National Insurance increase, which were only brought in from July 2022, would be reversed, bringing headline rates back down to the levels which were in force up until June 2022.

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Dixon Wilson  
22 Chancery Lane  
London  
WC2A 1LS

T: +44 (0)20 7680 8100  
F: +44 (0)20 7680 8101  
DX: 51 LDE

[www.dixonwilson.com](http://www.dixonwilson.com)  
[dw@dixonwilson.co.uk](mailto:dw@dixonwilson.co.uk)