

PEARSON MAY

CHARTERED ACCOUNTANTS & CHARTERED TAX ADVISERS

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THE NEW CHANCELLOR'S 'MINI-BUDGET'

The 'Mini-Budget' that the Government insisted wasn't, in fact, a Budget at all, came at 9:30am on Friday 23 September and brought with it some significant, unexpected and (in some cases) controversial measures (not to mention a subsequent U-turn on one of the main policy changes announced). Newly appointed Chancellor Kwasi Kwarteng ushered in what he heralded as "a new era" for businesses and families across the United Kingdom.

If you were in any doubt that this wasn't your typical Budget, or a Budget at all, look no further than the absence of an economic outlook report from the Office for Budget Responsibility (OBR). The Chancellor emphasised that, in light of this, there would be a fuller package of announcements to come later and it has recently been confirmed that these will be announced on 31 October.

By reversing his predecessor's elevated National Insurance contributions (NIC), planning to abolish the additional rate of income tax (on which the Government has since made a dramatic U-turn), scrapping a planned rise to Corporation Tax, and outlining an extensive package of energy relief measures for both households and businesses, the Chancellor was adamant that the Government would not "apologise for managing the economy in a way that increases prosperity".

Here's an overview of some of the main announcements and what they mean for you and your business:

Income tax

In a surprise move, the Chancellor announced on 23 September that the Government would abolish the additional rate of Income Tax (45%), which currently applies to income above £150,000, from April 2023. However, subsequent financial turmoil and the significant fall in the value of the pound against the dollar brought increasing pressure on the Government to act and the Chancellor announced 10 days later that this move would be scrapped.

However, at the time of writing, the Government is still intending to bring forward the 1 percentage point cut to the basic rate of Income Tax to April 2023, reducing the rate from 20% to 19%, 12 months earlier than planned.

National Insurance increase reversed

A significant portion of the new Chancellor's agenda was devoted to undoing some of the biggest tax policy changes of his main predecessor, Rishi Sunak. The Government will reduce NIC rates by 1.25% from 6 November and cancel the health and social care levy that was supposed to replace the rise from April 2023.

The cancellation will save 28 million taxpayers an average of £330 a year, according to the Treasury. The NIC primary threshold and lower profits limit will remain at £12,570.

Dividends

From 6 April 2023, the Government is also reversing the recently implemented 1.25% increase in dividend tax rates, applied UK wide.

The basic and higher rates of dividend tax will be reduced to the 2021/22 levels of 7.5% and 32.5% respectively.

The Government says the reduction of dividend tax rates will benefit 2.6 million taxpayers, saving them an average of £345 in 2023/24.

Stamp Duty

As was rumoured days before the statement, the Government announced a permanent cut to Stamp Duty Land Tax (SDLT), effective immediately from 23 September 2022.

Before the announcement, no tax would be paid on transactions up to £125,000 (or £300,000 for first-time buyers), and from there it rose in bands to a maximum of 12% for the portion over £1.5m.

Now, the limit has been doubled to £250,000 (and £425,000 for first-time buyers) in an attempt to help families aspiring to own their own homes and boost economic growth by stimulating the property market.

Over 200,000 people will now be exempt from paying the tax, the Government estimates, and first-time buyers will now benefit from discounted stamp duty on properties costing up to £625,000 – up from £500,000.

Corporation Tax rise cancelled

Previously, Corporation Tax was due to increase to 25% next year for company profits over £250,000, while the tax on profits between £50,000 and £250,000 would be taxed at an effective rate between 19% and 25%. However, the Chancellor confirmed that the increase would be cancelled. This means that the UK's Corporation Tax rate will remain at 19% for all UK companies, which the Government claims will bring almost £19 billion a year back into the economy.

Capital investment

To further support and develop businesses, the Chancellor said the Government will make the temporary cap of £1m for the Annual Investment Allowance (AIA) permanent.

Originally expected to expire on 31 March 2023 and return to its previous level of £200,000, the AIA allows businesses to invest in plant and machinery assets costing up to £1m, each year. This means that businesses will be able to reclaim 100% of qualifying costs in the year of purchase.

The above is for general guidance only and no action should be taken without obtaining specific advice.

Bath
37 Great Pulteney Street
Bath
BA2 4DA
+44 (0)1225 460491

Chippenham
67 & 68 St Mary Street
Chippenham, Wiltshire
SN15 3JF
+44 (0)1249 444666

Trowbridge
5 Wicker Hill
Trowbridge, Wiltshire
BA14 8JS
+44 (0)1225 764441

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