

# Mini Budget summary 23/09/2022

## The Health & Social Care Levy cancelled

- The Government has announced that the 1.25% increase in National Insurance rates brought in this year will be reversed with effect from 6<sup>th</sup> November 2022.
- In addition, the 1.25% on dividends will be abolished from 6<sup>th</sup> April 2023.
- The proposed standalone Levy due to come in from April 2023 will not now happen.
- From April 2022, the Levy had temporarily increased the National Insurance rate by 1.25% for employees, self-employed and businesses, as well as the tax rate on dividend income by 1.25%.

## What could be the annual savings by removing the Levy?

- Individual earning £20,000 – Additional saving £93. Employer saving £136.
- Individual earning £50,000 – Additional saving £468. Employer saving £511.
- Individual earning £100,000 – Additional saving £1,093. Employer saving £1,136.
- Individual in receipt of a dividend of £20,000 – Additional saving £225.
- Individual in receipt of a dividend of £50,000 – Additional saving £600.

## Quick tips

- Consider delaying the payment of bonuses until after 5th November 2022.
- Consider delaying paying out dividends until after 5<sup>th</sup> April 2023.
- It is worth reviewing your National Insurance (NI) records at least every 5 years whilst it is still fresh in your memory. NI contributions protect your rights to certain state benefits and contribute to calculating your state pension.
- If you have more than one employment you may pay too much employees NI during the tax year. HMRC can request the second employer to operate a lower NI rate for the current tax year through the PAYE system. If the situation arose in prior years, you may be able to claim a refund.

## Income tax rate changes

- The proposed basic income tax rate reduction from 20% to 19% in England and Northern Ireland, due to come in from April 2024, will now happen from 6<sup>th</sup> April 2023.
- The additional higher tax rate of 45% in respect of annual income more than £150,000 will be abolished from 6<sup>th</sup> April 2023.

### Quick tips

- Consider delaying the payment of bonuses until after 5<sup>th</sup> April 2023.
- Consider where applicable, bringing forward your pension contributions prior to 6<sup>th</sup> April 2023 in order to maximise the value to your pension pot if you are a basic rate or additional rate tax payer.

## The Energy Bill Relief Scheme

- This particular Scheme will apply to England, Scotland and Wales.
- A parallel scheme, based on the same criteria and offering comparable support, but recognising the different market fundamentals, will be established in Northern Ireland.
- The Scheme will cap wholesale energy prices for all businesses for 6 months from 1 October.
- Hospitals, schools and other settings such as community halls and churches will also receive the support.
- To administer support, the Government has set a Supported Wholesale Price – expected to be £211 per MWh for electricity and £75 per MWh for gas, less than half the wholesale prices anticipated this winter – which is a discounted price per unit of gas and electricity.
- It will apply to fixed contracts agreed on or after 1 April 2022, as well as to deemed, variable and flexible tariffs and contracts.
- Those businesses on default, deemed or variable tariffs will receive a per-unit discount on energy costs, up to a maximum of the difference between the Supported Price and the average expected wholesale price over the period of the Scheme. The amount of this Maximum Discount is likely to be around £405/MWh for electricity and £115/MWh for gas, subject to wholesale market developments.
- For businesses on flexible purchase contracts, typically some of the largest energy-using businesses, the level of reduction offered will be calculated by suppliers according to the specifics of that company's contract and will also be subject to the Maximum Discount.

- Firms do not need to contact suppliers as this will be automatically applied to them.

### *Example of the potential savings*

- *The King's Head public house uses 4 MWh of electricity and 16 MWh of gas a month.*
- *They signed a fixed contract in August 2022, giving them a current monthly energy bill of about £7,000.*
- *At the time they signed their contract, wholesale prices for the next 6 months were expected to be higher than the Government Supported Price of £211/MWh for electricity, and £75/MWh for gas, meaning they can receive support under this scheme.*
- *The difference between expected wholesale prices when they signed their contract and the Government Supported Price is worth £380/MWh for electricity and £100/MWh for gas, meaning they receive a discount of £3,100 per month, reducing their bill by over 40%.*

## Investment Zones

Specified sites in England will benefit from a range of time-limited tax incentives over 10 years.

- 100% business rates relief on newly occupied business premises, and certain existing businesses where they expand in English Investment Zone tax sites.
- Enhanced Capital Allowances – 100% first year allowance for companies' qualifying expenditure on plant and machinery to use in the tax site.
- Enhanced Structures and Buildings Allowance – accelerated relief to allow businesses to reduce their taxable profits by 20% of the cost of qualifying non-residential investment per year, relieving 100% of their cost of investment over 5 years.
- Employer National Insurance contributions relief – zero-rate Employers NI on salaries of any new employee working in the tax site for at least 60% of their time, on earnings up to £50,270 per year, with Employer NI being charged at the usual rate above this level.
- Stamp Duty Land Tax – a full SDLT relief for land and buildings bought for use or development for commercial purposes, and for purchases of land or buildings for new residential development.
- In each area there will be a central region, where regulations and planning rules will be eased to encourage industrial, commercial, and residential development, and a periphery where the planning rules will be streamlined for housing
- There are already up to 40 sites being considered - the West Midlands, the Thames estuary, the Tees Valley, West Yorkshire, and Norfolk are among the places where the zones may be sited.

- The UK Government wants to work with the devolved governments to set up investment zones in Scotland, Wales, and Northern Ireland, too.

## IR35

- The 2017 and 2021 reforms to the off payroll working rules (also known as IR35) will be repealed from 6<sup>th</sup> April 2023.
- From 6<sup>th</sup> April 2023, workers across the UK providing services through an intermediary, such as a personal service company, will once again be responsible for determining their employment status and paying the appropriate amount of tax and National Insurance.

### Quick tips

- Both the worker and employer/end user should carry out an IR 35 status review considering the changes announced.

## Corporation Tax rate retained

- The proposed increase in the Corporation Tax rates up to 25% (profits exceeding £250,000) due to come in from 1<sup>st</sup> April 2023 will not now happen.
- The Corporation Tax main rate for non-ring fenced profits will remain at 19%.

### Quick tips

- There is less reason now to delay investing in the business because of the corporation tax rate remaining at 19%. There is also the added tax cash flow advantage of doing so pre the accounting year end.

## Capital Allowances

- For those businesses investing in plant and machinery, the temporary 100% Annual Investment Allowance (AIA) of £1 million, which was due to come to an end on 31st March 2023, will now remain permanently.

### Quick tips

- Companies who invest in new plant and machinery (P&M) which ordinarily qualifies for the 18% main rate of writing down allowance (WDA) for capital allowance purposes may, in some cases, potentially claim an enhanced temporary 130% first year allowance. An enhanced first year allowance of 50% is available on investment into new plant and machinery which would ordinarily qualify for 6% WDA. These temporary allowances remain in place until 31st March 2023.

## Seed Enterprise Investment Scheme (SEIS)

- To improve the ability of small British companies to raise money and attract talent to grow and succeed, the government is expanding the Seed Enterprise Investment Scheme (SEIS) to help more UK start-ups raise higher levels of finance.
- **Seed Enterprise Investment Scheme (SEIS)** – From April 2023, companies will be able to raise up to £250,000 of SEIS investment, a two-thirds increase.
- To enable more companies to use SEIS, the gross asset limit will be increased to £350,000 and the age limit from 2 to 3 years.
- The annual investor limit will be doubled to £200,000.
- The Chancellor remains supportive of the Enterprise Investment Scheme (EIS) and Venture Capital Trusts (VCT) and sees the value of extending them in the future.

## Company Share Option Plan (CSOP) scheme

- The government is also expanding the availability and generosity of the Company Share Option Plan (CSOP) scheme.
- 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 within CSOP will be eased, better aligning the scheme rules with the rules in the Enterprise Management Incentive scheme and widening access to CSOP for growth companies

## Stamp Duty Land Tax (SDLT)

- The SDLT nil-rate tax threshold on the purchase of a residential property in England and Northern Ireland increases from £125,000 to £250,000. An additional SDLT saving of up to £2,500.

- The nil-rate threshold for First Time Buyers' Relief is increased from £300,000 to £425,000 and the maximum amount that an individual can pay while remaining eligible for First Time Buyers' Relief is increased from £500,000 to £625,000. An additional SDLT saving of up to £6,250.
- These increases come into effect for residential properties purchased on or after 23rd September 2023.
- The 3% SDLT surcharge remains in place when buying a second residential property.
- The power to set land taxes in Scotland and Wales has been devolved down to the Scottish and Welsh governments. Separate announcements will be made in due course.

### Quick tips

- If you are buying two or more residential properties in a single or linked transaction, consider whether claiming multiple dwellings relief could mitigate the overall land taxes liability.
- If you are buying six or more residential properties in a single or linked transaction check to see if it is more advantageous to apply the commercial land taxes rate to the acquisition rather than the residential rate.

### Further announcements

- Universal Credit claimants working up to 15 hours a week will need to take new steps to increase their earnings or face having their benefits reduced. The current threshold is 9 hours, although that will be increased to 12 hours from next week. The further increase is to be implemented from January 2023.
- Planned beer, wine, cider, and spirits duty rate increases cancelled.
- Sales tax-free shopping for overseas visitors.
- Proposed changes to allow pensions funds to invest more widely.
- The government intend to tighten the legislation surrounding taking industrial action which will include Minimum Service Levels to be put in place for transport services and the requirement for Trade Unions to put meaningful employer pay offers to their members for a vote prior to a strike taking place.
- The government will launch the Long-term Investment for Technology & Science (LIFTS) competition, providing up to £500 million to support new funds designed by institutional investors and world-class fund managers, aiming to crowd billions of pounds of private investment into UK science and technology businesses

- The Government intend to introduce legislation to remove the red tape surrounding planning permission.
- The independent body known as the Office of Tax Simplification is to be closed.
- The government has lifted the ban on fracking for shale gas in England where there is local support.
- The Scottish and Welsh governments oppose fracking, and say they will not use their powers to grant drilling licences.
- The bankers' bonus cap is to be removed.
- The government will bring forward reforms to improve access to affordable, flexible childcare.