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Chancellor Jeremy Hunt presented the 2023 Autumn Statement on 22nd November 2023. Set against a backdrop of a sustained period of high inflation which eventually seems to be falling (though still well above the Treasury’s 2% target), there were widespread hints of tax giveaways from both official channels and the press. Significant increases in Minimum Wage levels were announced the day before the Autumn Statement, to take effect from 1st April 2024.

The headline grabber will be National Insurance reductions, which are set to benefit both employed and self-employed earners. To see the main announcements, and a reminder of other changes previously announced which are coming into force, and practical guidance on these points and how they may affect you and your business, please read below:

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**Employers**

**Increase in National Minimum Wage/National Living Wage**

National Minimum Wage and National Living wage rates will increase substantially from 1st April 2024. From April 2024, the National Living Wage will apply from the age of 21, previously age 23. Consequently of course, the age 21-22 rate is abolished from April 2024. The announced rates are:

* National Living Wage for over-21s (previously over-23s): From £10.42 to £11.44 an hour (+9.8%)
* National Minimum Wage for those aged 21-22: was £10.18, now NLW rate (+12.4%)
* National Minimum Wage for 18 to 20-year-olds: From £7.49 to £8.60 (+14.8%)
* National Minimum Wage for under-18s: From £5.28 to £6.40 (+21.2%)
* The Apprentice Rate: From £5.28 to £6.40 (+21.2%)

***Planning point:*** *The increased wage rates will result in some employers (especially those with mainly part time employees) breaching the employer NIC threshold for the first time. We would remind you that you will likely be able to claim the Employment Allowance, which exempts most employers from the first £5,000 of employer NIC per tax year .*

***Planning point:*** *If you have a significant proportion of staff, it is important to revisit your pricing models in advance of this change to make sure that you can maintain your profit margins.*

**No change in Employment Allowance**

It was confirmed in the Autumn Statement that the Employment Allowance, which effectively exempts the first £5,000 of Employer’s National Insurance Contributions in each tax year, will remain at its current level from April 2024.

***Planning point:*** *There remain some qualifying businesses which do not claim the Employment Allowance. There are some qualifying conditions to consider, particularly if you have more than one business, but backdated claims are generally possible, so if you have not claimed this previously, please review your position as soon as possible.*

***Planning point:*** *A common exclusion is that you are not eligible to claim if the only individual in respect of who Employer NIC is due is also a sole director. You may be able to avoid this restriction by appointing a spouse, civil partner or family member to be a director, though they must be paid at a rate greater than the Secondary NIC threshold (£9,100 p.a.).*

**Confirmation of Benefits in Kind on company cars and vans**

The Chancellor confirmed that car, van and fuel benefit rates will remain unchanged for 2024-25, being maintained at 2023/24 rates. Rates will continue to incentivise the take up of electric vehicles:

Appropriate percentages for electric and ultra-low emission cars emitting less than 75g of
CO2 per kilometre will increase by 1 percentage point in 2025-26; a further 1% in 2026-27
and a further 1% in 2027-28 up to a maximum appropriate percentage of 5% for electric
cars and 21% for ultra-low emission cars

Rates for all other vehicles bands will be increased by 1 percentage point for 2025-26 up to
a maximum appropriate percentage of 37% and will then be fixed in 2026-27 and 2027-28.

***Planning point:*** *The appropriate percentage is applied to the car’s list price when new to work out the Benefit in Kind. The employee pays income tax and the employer pays Class 1A NIC on this amount. This will often differ from the actual price paid for the car, so care should be taken when completing P11Ds or indeed taxing through payroll.*

**Freezing of National Insurance (NIC) threshold for employers**

The secondary threshold (the point at which earnings attract employer’s NIC) is set to remain at its current level of £9,100 p.a. (£758 per month) until April 2028, rather than being increased in line with inflation.

***Planning point:*** *For employers, this effective increase in NIC ongoing means the value of using salary sacrifice schemes for qualifying benefits such as pension contributions is increased further. £1,000 sacrificed from salary for pension contributions by an employee will save the employee £100 NIC (form January 2024) and the employer £138 (assuming the Employment Allowance is already fully utilised and the employee’s earnings are in the main band) which is a combined 23.8% improvement. It is possible to set up your employee’s regular contributions as a salary sacrifice, as well as the more traditional flexible benefits approach for extra contributions (e.g. in lieu of a cash bonus in whole or in part)*

**Business**

**Changes to dividend taxation**

A reminder that in the Autumn Statement 2022, it was widely publicised that the 1.25% Health and Social Care Levy/NIC increase was scrapped for employers and employees. However, the 1.25% increase to dividend taxation remains, and it was further announced in 2022 that the dividend allowance, which previously exempted from tax the first £2,000 of dividend income in a year, would reduce to £1,000 for 2023/24 and then to £500 from April 2024.

***Planning point:*** *This may bring people with share portfolios into the net of self assessment for the first time if they receive dividends between £500-£2,000 currently. This may be a good time to consider whether investments may be split with a spouse/civil partner, or moved into an ISA in order to mitigate these tax changes.*

***Planning point:*** *For business owners who extract much of their income as dividends, it may be sensible to revisit salary levels taken as well as checking that shares are held appropriately amongst family members to mitigate the overall income tax impact on the family.*

**Corporation Tax changes – announced in Spring Budget 2021**

The big headline of the 2021 Spring Budget was the announcement of an increase in Corporation Tax from April 2023. It was confirmed in the 2023 Budget that this would go ahead as planned. This will be a significant rise from the current historically low rate of 19% to 25%.

We see a return to the old system of a small companies’ rate, with profits of up to £50k being taxed at 19%, and a sliding scale for profits up to £250k, where the 25% rate is fully in effect for all profits.

Where a company has a year-end other than March, the year, for tax purposes, is effectively split into two, with the period up to 31st March 2023 taxed under the old rules (basically 19%), with the remaining months subject to the new rules, with the £50k and £250k limits pro-rated (e.g. 9/12ths for a December 2023 year-end).

***Planning point:*** *The marginal rate of tax for profits in the band £50k-£250k will be 26.5%. This means that for companies with profits in this band, the effective after-tax cost of spending money on tax deductible items reduces. This may mean revisiting the salary/dividends calculations, and also considering timing of items like staff bonuses, directors’ pension contributions and timing of discretionary spend on marketing, websites and capital expenditure.*

***Planning point:*** *The £50k and £250k profit bands will be restricted where you have more than one company in a group (this will exclude passive holding companies outside of the charge to corporation tax so long as any dividends received are passed on to its shareholders), or under common control of the same person or group of people. If this is the case, there would be an advantage in ensuring careful allocation of losses, and managing (where possible) profit levels between group companies to minimise the overall tax charge within a group. The limits will be split equally between them, so there may be tax savings to be made by managing profit levels across different companies.*

***Planning point:*** *The small company rate is not expected to apply to “close investment holding companies”. The technical definition is here*

[*https://www.legislation.gov.uk/ukpga/2010/4/section/34/enacted*](https://www.legislation.gov.uk/ukpga/2010/4/section/34/enacted)*. The plain English translation would be a company which is not a trading company, a company letting out property on a commercial basis to non-connected third parties, or a simple holding company of groups meeting the other criteria. Close investment holding companies will pay corporation tax at the main rate of 25% without reference to profit levels.*

**Capital Allowances and Annual Investment Allowance (“AIA”) extension**

In the Spring Budget 2023, it was confirmed that the extension of the Annual Investment Allowance “AIA” to a level of £1M would be made permanent.

Furthermore, what has been termed “full expensing” (in other words, a 100% First Year Allowance) of “main pool additions”, which had been introduced previously with an expiry date of March 2026, was confirmed to be made permanent in the Autumn Statement 2023. Furthermore “special rate pool” additions will receive a 50% First Year Allowance, with 6% Writing Down Allowance thereafter.

These new reliefs only apply to limited companies, though as AIA is remaining, it is considered rare that a self employed person or partnership will incur over £1M of capital expenditure!

***Planning point:*** *The Annual Investment Allowance is now to continue at a level of £1M ongoing, so you can still claim this in priority to “Full expensing relief”. This would still be a rational choice where you have special rate pool assets, since these will attract First Year Allowance at 50% or AIA at 100%.*

***Planning point:*** *The rate of the super-deduction, which technically ended on 31st March 2023, will require apportioning if an accounting period straddles 1 April 2023. The rate should be apportioned based on days falling prior to 1 April 2023 over the total days in the accounting period. Effectively, you time apportion the super-deduction 30% enhancement, so Dec 2023 year end is (90/365 x 30%) 7.4% enhancement.*

*Further, for assets that have been claimed under the super-deduction, the disposal value for capital allowance purposes should take the disposal receipt and apply a factor of 1.3 for disposals prior to 1st April 2023, except where disposals occur in accounting periods straddling 1 April 2023, resulting in a factor lower than 1.3. This rule does not apply to the 50% first-year allowance for special rate expenditures.*

*If you have a year end of anything up to February 2024, you should seek advice as to the relative tax impacts of investment in new assets in your current accounting period (with the hybrid rules) or in your next accounting period, when the transitional rules will have finished. The main factor is your profit level, and number of associated companies, which determine your marginal corporation tax rate.*

**Research and Development Tax Credits**

From 1st April 2024, the SME R&D Tax Credit Regime is being merged with the less generous Research and Development Expenditure Credit “RDEC” scheme currently used by larger companies.

Under this scheme, relief is given as follows:

With qualifying expenditure of £100,000 (already in the P&L), a credit at 20% (£20,000) is credited to the P&L. This amount is then subject to tax, with the net balance being repaid to the company, so in our example, this would be £20,000 taxed at 25%, so a £15,000 rebate given (15% benefit on top of the “normal” tax relief). This is the example for a profit making company.

For a loss making company, the computation is different:

In this instance, the £20,000 credit remains the same, but the notional tax charge is at 19% instead of 25%, so the cash rebate is higher (£16,200 or 16.2% of qualifying expenditure).

However, it was announced in the Budget 2023 that for “R&D intensive” (defined as 40% or more of expenditure being qualifying R&D costs) SMEs, the repayable credit rate will remain at 14.5% under the current SME scheme effectively. This gives an effective rebate of (expenditure x 1.86 x 14.5%) 27% of qualifying expenditure for R&D intensive SMEs, compared with 16.2% for other SMEs. From 1st April 2024, the 40% requirement drops to 30%.

***Planning point:*** *Many companies fail to claim R&D tax credits to which they are entitled. If your company incurs costs in overcoming technical uncertainties, then you may have a valuable claim to make. If you would like to arrange a free review of your circumstances, please contact Alan Sowden on 01865 379272. Alternatively, please see this article on our website for sector specific examples of qualifying cases:* [*https://crmoxford.co.uk/rd-tax-relief-typical-claims-see-briefing-notes/*](https://crmoxford.co.uk/rd-tax-relief-typical-claims-see-briefing-notes/)

***Planning point:*** *For accounting period beginning on or after 1st April 2023, you will be required to notify HMRC in advance that you intend to make an R&D claim. We have yet to see the detail on this, but please do bear this in mind. This is a highly technical area, so specialist advice is critical.*

**Personal tax and other announcements**

**National Insurance changes**

A surprise announcement came in the guise of three reductions in National Insurance Contributions (“NIC”)

Firstly, the self-employed (including members of a partnership) will no longer be required to pay Class 2 NIC from 6th April 2024, saving £192.40 for the year.

Additionally, the Class 4 NIC rate paid by the self-employed (and members of a partnership) on profits between £12,570 and £50,270 will reduce from 9% to 8% from April 2023, saving up to an additional £377.

Finally, it was announced that with effect from January 2024, the main (Class 1) rate of NIC for employees would reduce from 12% to 10% for earnings between £242 and £967 per week (£12,570 and £50,270 annually), a saving of up to £754 annually.

 ***Planning point:*** *There will be concerns over HMRC tracking State Pension entitlement for self employed earners. For those with self employed income over £6,725, state pension credit should accrue, but it is sensible to keep records of this entitlement such as a copy of your tax return. Others may wish to pay Class 2 or Class 3 NIC voluntarily in order to preserve entitlement to state pension.*

***Planning point:*** *Employers will need to make sure that their payroll software is updated in time for their first payroll run after 6th January 2024 in order to make sure they correctly calculate NIC for their employees.*

**Pension tax reform**

As announced in the Spring Budget 2023, the pension annual allowance increased from £40,000 to £60,000 from 6th April 2023. The ability to carry forward unused relief still applies (though based upon the limit for the year in question, i.e. £40,000 not £60,000 for 2022/23 and earlier years’ unused amounts). For people with high incomes, the threshold income where this limit reduces increases from £240,000 to £260,000 from the same date.

The “Money Purchase Annual Allowance” or MPAA, which is a reduced annual allowance available to people who have already accessed pension savings, was increased from £4,000 to £10,000 from April 2023 (again, this was announced in Spring Budget 2023).

As announced in the Spring Budget 2023, the lifetime allowance, which is the maximum fund value allowed to accumulate is being scrapped from April 2024, with the charge for exceeding the current limit of £1,073,100 being scrapped from April 2023. This, on the face of it, appears to have the same effect as scrapping the limit altogether, so we assume this is procedural as to why the limit was not scrapped entirely from April 2023.

The maximum pension commencement lump sum (normally referred to as the 25% tax free lump sum) will remain at £268,275 – i.e. 25% of £1,073,100, even after this limit is scrapped. Any lump sum received in excess of this will be taxed at the individual’s marginal rate of tax (currently subject to 55% tax)

***Planning point:*** *The annual allowance is the lower of your pensionable earnings (employment income including BIKs, self-employed/partnership income and income from Furnished Holiday Lets) and the relevant allowance - £60k for most people from April 2023. Many SME owners operating through limited companies will have low pensionable income, taking most income as dividends. For these people, the £60k limit is applied to company contributions, so this is often the best route, though care should be taken to ensure your pension provider is aware this is a company contribution, in order that they deal with it correctly from a tax perspective.*

**Freezing of Income/Tax National Insurance Contribution (NIC) thresholds and reduction in additional rate threshold**

It was confirmed that all income tax and National Insurance thresholds would be frozen until April 2028.

A slight surprise from the Autumn Statement 2022 was a reduction in the additional rate threshold. Previously, income above £150,000 was subject to the additional rate of 45% (39.35% for dividends). From April 2023, this point reduced to £125,140. It is worth noting that this rather odd number is used as it is at this point that an individual’s personal allowance is completely withdrawn.

***Planning point:*** *Paying into a personal pension (within set parameters) or making donations to charity will extend your income tax bands, so you may wish to consider this as one factor when assessing your financial plans in this regard.*

***Planning point:*** *When tax rates increase, it is a good reminder to check that investments are held tax efficiently, both in terms of whether they are held in an ISA, personally, in a company etc and also by which family member.*

**Decrease in Capital Gains Tax (CGT) annual exempt allowance**

A reminder that a change to Capital Gains Tax was announced in the 2022 Autumn Statement. The rates of tax were not changed, but the tax-free CGT allowance is being reduced. For the current year from April 2023, this is £6,000, and it is to reduce from April 2024 to £3,000. Previously it was set at £12,300 until April 2023.

***Planning point:*** *If you have assets with latent gains, such as share portfolios, you may wish to realise gains of up to £6,000 (per person, where relevant e.g. for married couples and those in civil partnerships) in advance of April 2024. For many years, you have been unable to “bed and breakfast” shares, where you sell and repurchase them to set your base cost higher. However, you can still “bed and ISA” where you sell and repurchase within your ISA, exempting future gains and dividends from tax, or “bed and spouse” where one spouse sells and the other one repurchases at the higher base cost to minimise future tax charges.*

**Increase in HMRC debt management funding**

It was unsurprising to hear an increase in funding for HMRC’s debt management activities. On top of previous announcements of increasing spend on compliance activities, a further £163 million of funding to HMRC was announced in the Autumn Statement, with an aim of increasing the tax take by over £1bn a year.

Additionally, in the 2023 Budget, an additional £47.2 million was announced to assist HMRC in debt collection.

Therefore we expect tax, VAT and PAYE enquiries to increase for small business clients and non-business taxpayers. The profession is already seeing an increase in enquiry activity from HMRC for the first time post pandemic, with HMRC clearly tasked with increasing the tax take.

***Planning point:*** *You can protect yourself and your business from the cost of defending yourself from HMRC enquiries by subscribing to our tax investigation service. The cost for businesses starts at just £120 + VAT per annum. Please get in touch with your usual contact at CRM if you would like to find out more about this service.*

Please note that this is designed as a generic guide rather than specific advice. As always, it is impossible to include every nuance in a publication such as this, so if you have a question about how a given measure may affect you or your business, or if you have a general tax query, please get in touch with us on 01865 379272.

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