

The Mini-Budget 2022

3 October 2022

The Chancellor has announced a number of measures to reduce tax and national insurance contributions and a number of spending measures that will be funded by government borrowing.

CORPORATION TAX RATE RISE CANCELLATION

The rate of Corporation Tax was set to increase from 19% to 25% from April 2023 for companies making more than £250,000 in profit. This increase has now been cancelled and the rate will remain at 19% for all companies regardless of profit made. The government have also confirmed that they will amend some of the technical provision for the super-deduction as a consequence of the Corporation Tax remaining at 19% and further details are expected on this in due course.

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.

BANK CORPORATION TAX SURCHARGE

The scheduled change to the rate of the Bank Corporation Tax Surcharge will be cancelled. From April 2023 banks will continue to pay an additional 8% rate of tax on their profits. The increase in the Surcharge allowance to £100m will still go ahead.

OTHER CORPORATION TAX CHANGES

The rate of the Diverted Profits Tax will now be retained at 25% rather than the planned increase to 31%.

OFF-PAYROLL WORKING REFORMS

The 2017 and 2021 off-payroll working reforms (known as IR35) will be repealed from 6 April 2023. From this date, workers providing their services via an intermediary, such as a personal service company, will be responsible for determining their employment status and paying the appropriate amount of tax and NICs. This change puts the responsibility back onto the contractor's company to determine the correct status, rather than the company receiving the services.

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.

STAMP DUTY LAND TAX REFORMS

The residential nil-rate threshold will increase by £125,000 to £250,000. 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 to £625,000 from £500,000. These changes will be effective for all individuals purchasing residential property on or after 23 September 2022.

VAT

A new digital, VAT-free shopping scheme will be introduced. The scheme will be for non-UK visitors to Great Britain and will enable them to obtain a VAT refund more easily on goods purchased.

DUTIES

The government will freeze the duty rates for alcohol for one year from 1 February 2023 and complete a consultation about further possible changes to Alcohol Duty.

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 from 6 November 2022, bringing headline rates back down to the levels which were in force up until June 2022.

INCOME TAX RATES

The basic rate of income tax, currently 20%, will reduce to 19% with effect from April 2023.

The government announced that the top rate of income tax (the "additional" rate of 38.1% for dividend income and 45% for non-dividend income) would be abolished from April 2023, but reneged on this announcement on 3 October 2022.

ENERGY PRICES

As published in the lead up to the "fiscal event", the government will legislate to cap the price that an average household pays for gas and electricity to £2,500 per year. Of this amount, £150 of environmental and social costs, and a six-month subsidy totalling £400, will be covered by the government, reducing the average household's annual energy bill to £1,950.

Those with alternative heating fuels will receive a one-off payment of £100.

Energy supplied to businesses and other non-domestic users (including charities) will be provided at a discount to wholesale rates. More details will be published in due course.

OFFICE FOR TAX SIMPLIFICATION

The OTS was tasked with recommending to the government how the UK's tax code could be simplified, including suggesting which of the more than 1,000 types of tax relief were overly complex or outdated, and should therefore be abolished.

The government has announced that they will close the OTS with effect from the date that the next Finance Bill receives Royal Assent.

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