

Growth Plan 2022 or “Mini Budget” – Tax Measures

UPDATE – 3 October 2022

The additional rate of income tax will remain in force after 6 April 2023 following an announcement today. The top rate of income tax will therefore remain at 45% and the top rate of dividend tax will be 38.1%.

The Chancellor of the Exchequer delivered the ‘Growth Plan 2022’ on 23 September 2022.

The wider plan outlines the Government’s policies to support the growth of the UK economy.

Central to the Growth Plan are a wide range of tax cuts for people and businesses which are intended to make the UK a more attractive place to invest, live and work.

We present here our full Growth Plan analysis in terms of tax.

Business and Corporate Taxes

The planned increase to the main rate of Corporation tax has been scrapped.

Under the previous Government’s plans, the rate of Corporation Tax was to increase from 19% to 25% from April 2023 for company profits in excess of £250,000.

The government has now cancelled this planned increase. Rather than rising to 25% from April 2023, the rate will remain at 19% for all companies, regardless of the level of taxable profit.

At 19% the UK Corporation Tax rate is significantly lower than the rest of the G7 and the lowest in the G20.

Annual Investment Allowance

The Government will support UK businesses by making the temporary £1 million level of the Annual Investment Allowance permanent, instead of the planned decrease to £200,000 after 31 March 2023.

The annual investment allowance is a 100% capital allowance for qualifying expenditure on plant and machinery.

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.

This will better align the scheme rules with the rules in the Enterprise Management Incentive (EMI) scheme and widen access to CSOP for growth companies.

Seed Enterprise Investment Scheme (SEIS)

From April 2023, companies will be able to raise up to £250,000 of SEIS investment, increased from £150,000.

To open the scheme up to more companies, the gross asset limit will be increased to £350,000 and the previous

trading period from 2 to 3 years.

To support these increases, the annual investor limit will be doubled to £200,000.

Investment Zones to be introduced

38 new geographical areas around the UK are to be designated as Investment Zones where businesses can benefit from specific tax reliefs to incentivise investment and employment.

Businesses operating within an Investment Zone will be able to benefit from:

- Enhanced capital allowances of 100%
- Accelerated enhanced structures and buildings allowances of 20% per annum
- Relief from Stamp Duty Land Tax on the purchase of land and buildings
- A 0% rate of employer national insurance on new employee earnings up to £50,270 per year
- 100% business rates relief on newly-occupied and expanded premises

Personal Taxes and National Insurance

Reduction in the basic rate of income tax

The basic rate of income tax on non-savings, non-dividend income will be cut from 20% to 19% from April 2023.

There will be a four-year transition period for Gift Aid relief to maintain the Income Tax basic rate relief at 20% until April 2027.

There will also be a one-year transitional period for 'relief at source' pension schemes to permit them to continue to claim tax relief at 20%.

On average, basic rate taxpayers will be £130 better off, and higher rate taxpayers will be £360 better off, in 2023-24 thanks to the cut to the basic rate.

Abolition of the additional rate of income tax

In a U-turn announced on 3 October 2022, these measures will no longer be enacted.

Reversing the Health and Social Care levy

The rates of Class 1 and Class 4 national insurance contributions will be reduced by 1.25% from November 2022 and the planned introduction of the Health and Social Care levy (charged at 1.25%) from April 2023 has been abolished.

This will benefit employees, employers and the self-employed with (almost) immediate effect.

Reversing the dividend tax increase

The 1.25% increase in dividend tax rates will be reversed from April 2023, meaning the ordinary, upper and

additional rates of dividend tax will return to the 2021-22 levels of 7.5%, 32.5% and 38.1% respectively.

For those who are able to control the payment date of dividends, it would be sensible to delay making dividend payments until on or after 6 April 2023.

Repealing Off-Payroll Working (IR35) reforms

The previously announced and extended rules which came into force on 6 April 2017 and 6 April 2021 that apply to 'employers' where an individual is providing labour through a personal service company (and the relationship with the end client is akin to that of employment) will be repealed from 6 April 2023.

Under the 2017/2021 rules, 'employers' had to decide whether an individual operating through a personal service company should be treated as an employee or as self-employed for tax purposes, and they had to operate PAYE and National Insurance accordingly.

The reversal of these rules will mean that the compliance obligation to assess employment status and operate PAYE will move from the current 'employer', back to the individuals operating through personal service companies.

These changes will apply across both the public and private sectors.

Property Taxes

Stamp Duty Land Tax – Extending the 0% rate band

Effective from 23rd September 2022, there will be a cut to Stamp Duty Land Tax for those purchasing a residential property by doubling the level at which people begin paying this from £125,000 to £250,000.

This will reduce stamp duty bills across the board for all movers by up to £2,500.

Stamp Duty Land Tax – Extending first-time buyers relief

Effective from 23rd September 2022 the level at which first-time buyers start paying stamp duty will increase from £300,000 to £425,000.

At the same time the ceiling price for first-time buyers accessing the relief when they buy a property will be increased to £625,000 from the current £500,000.

This will mean that first-time buyers are able to access up to £8,750 in relief.

Value Added Tax (VAT)

VAT-free shopping

A modern, digital, VAT-free shopping scheme, will be introduced with the aim of providing a boost to the high street and creating jobs in the retail and tourism sectors.

The logo for verFides, featuring the word 'verFides' in a white, sans-serif font. The 'v' and 'F' are lowercase, while 'erFides' are uppercase. The background is a dark, blue-tinted photograph of a modern bridge structure with a large dome in the distance, likely St. Paul's Cathedral in London.

verFides

The scheme will allow non-UK visitors to Great Britain to obtain a VAT refund on goods bought in the high street, airports and other departure points and exported from the UK in their personal baggage.

The delivery will include modernising the scheme that currently operates in Northern Ireland and introducing a new digital scheme in Great Britain.

A consultation will gather views on the approach and design of the scheme, to be delivered as soon as possible.

Further Information and Advice

In comparison with recent years, there are many tax changes in this “Mini” Budget, especially for businesses. For further information or advice, please speak to your usual Verfides contact, or email or call the Tax Team: tax_team@verfides.com; call +44 20 7930 7111.

London, 26 September 2022