Autumn Statement 2023

Individual

What the Autumn Statement means for you

The Autumn Statement 2023 was perhaps lacking in headline-grabbing announcements, and there was certainly nothing to provoke the turmoil that followed the now infamous mini-budget in September 2022. Despite downplaying any chance of tax cuts until very shortly before the Statement was due to be delivered, modest cuts were announced in the form of National Insurance reductions for both the employed and self-employed.

Most of the other changes were administrative, perhaps to be expected given the likely timing of the next General Election, potentially giving little scope for enacting more complex measures.

Although there was much press speculation in the lead up, as appears to be the norm now, there was no mention at all to any changes to Inheritance Tax, either the rate or available reliefs.

The main measures affecting personal taxation were as follows.

Changes to National Insurance for the Self Employed

The Chancellor announced the abolition of Class 2 National Insurance and the reduction in the main rate of Class 4 National Insurance from 9% to 8%, both measures taking effect from 6 April 2024.

The main rate of Class 4 National Insurance currently applies to profits between £12,570 and £50,270, so this 1% reduction gives a potential £377 maximum annual saving.

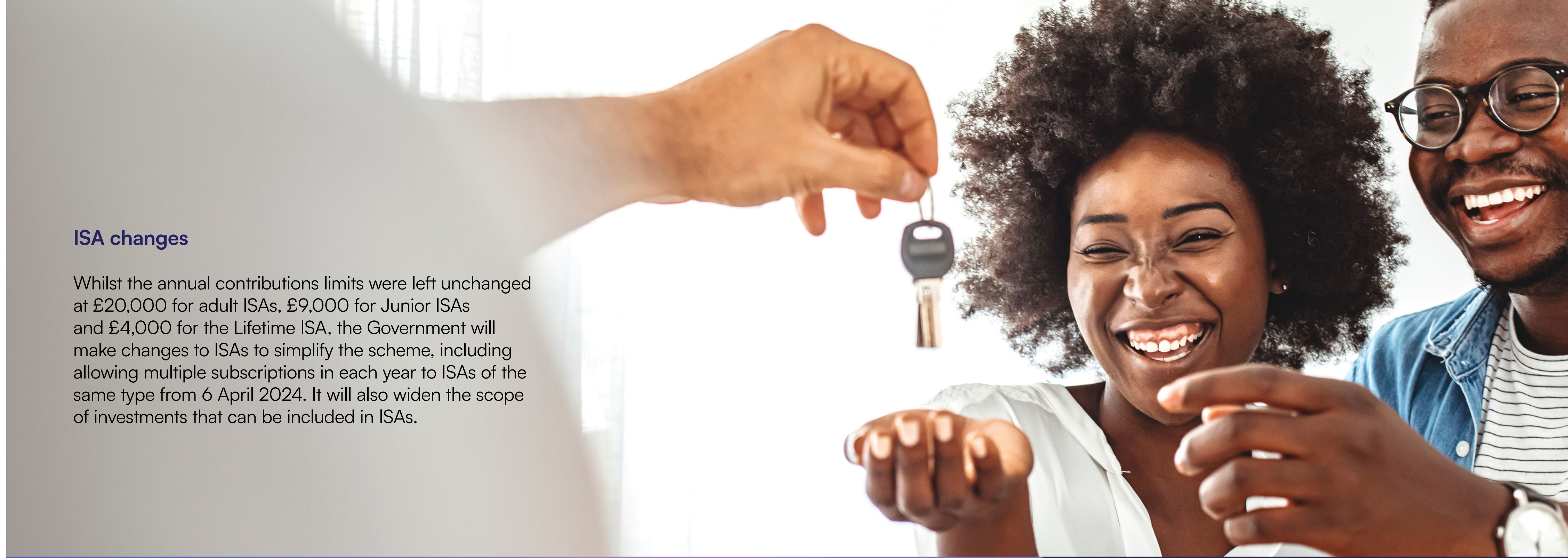
Class 2 National Insurance is currently a flat rate of around £180 pa, and it is this which currently builds the entitlement to various contributory benefits, including the state pension.

Those with profits between £6,725 and £12,570, and so not paying Class 4 National Insurance, will continue to get access to these contributory benefits through a National Insurance credit as they do now, whilst those with profits under £6,725 who choose to pay Class 2 voluntarily to access these benefits will continue to be able to do so.

Changes to National Insurance for employees

In an unusual move, which will no doubt cause some headaches for payroll software providers, the rate of National Insurance that employees pay is being reduced mid-tax year.

From 6 January 2024, the main rate of employee National Insurance will reduce from 12% to 10%. This rate applies to salaries between £12,570 and £50,270, so this is a potential maximum annual saving for employees of £754.



ISA changes

Whilst the annual contributions limits were left unchanged at £20,000 for adult ISAs, £9,000 for Junior ISAs and £4,000 for the Lifetime ISA, the Government will make changes to ISAs to simplify the scheme, including allowing multiple subscriptions in each year to ISAs of the same type from 6 April 2024. It will also widen the scope of investments that can be included in ISAs.

EIS and VCT investments

Currently, the EIS and VCT legislation contains sunset clauses which limit Income Tax relief to shares issued before 6 April 2025. Those sunset clauses have now been extended to 6 April 2035, so continuing the availability of Income Tax relief for investors in qualifying companies and VCTs.

Consultation on pension 'pot for life'

The Autumn Statement announced plans to offer savers a choice of their pension provider, allowing them to ask a new employer to pay their pension contributions into their existing pension fund.

Abolition of the Pensions Lifetime Allowance

As announced in the Spring Budget 2023, the Government will introduce legislation in the Autumn Finance Bill 2023 to complete the work to remove the Lifetime Allowance.

Tax return reporting requirements

As announced on 27 April 2023, from the 2025/26 tax year, Self-Assessment return taxpayers will be required to provide dividend income and the percentage share from shareholders in owner-managed businesses separately to other dividend income. Trading businesses will also need to show the start and end dates of self-employment.

However, from 2024-25 the Government will no longer require individuals whose only income is taxed through Pay As You Earn to file a Self-Assessment return.

Update on Making Tax Digital

In announcing the outcome of the review into the impact of Making Tax Digital (MTD) for Income Tax Self-Assessment (ITSA) on small businesses, the Government announced that it would maintain the previously announced threshold of £30,000 but introduce changes to simplify and improve the system. MTD will take effect from April 2026… or will it? It's already been delayed several times so watch this space!

Expansion of the cash basis of accounting

The cash basis is a simplified way of calculating sole trade and partnership taxable profits but can currently only be adopted where profits are below £150,000 and a maximum of £300,000. There are also restrictions on interest claims and loss relief.

The Autumn Statement announced changes that take effect from 6 April 2024 to set the cash basis as the default method for eligible small businesses and to remove the turnover, interest and loss relief restrictions that currently apply.

State pension payments will increase by 8.5% from April 2024 in line with average earnings.

Off-payroll working (IR35): calculation of Pay As You Earn (PAYE) liability in cases of non-compliance

Where HMRC deem that an engagement was incorrectly treated as self-employed for tax purposes, so that there has been a breach of the Off-Payroll working rules (often referred to as IR35), this is likely to give rise to PAYE tax and National Insurance liabilities for the deemed employer.

Thankfully, however, in changes announced in the Autumn Statement, from 6 April 2024, the amount that the deemed employer would need to pay following a breach would take account of the tax and National Insurance contributions already paid by a worker and their intermediary on that engagement.

Claiming tax relief on training costs for the self-employed

It was announced that HMRC will clarify guidance on what training costs can be deductible for tax purposes. This will hopefully give useful assurance that costs incurred updating existing skills and maintaining pace with technological advances will be allowable when calculating the taxable profits of a business.

The Legal Minimum Wage is to increase from £10.42 to £11.44 an hour from April 2024.

If you have any questions in relation to what we have mentioned here, please get in touch with your usual BHP contact.

Integrity.
Innovation.
Insight.

BHP

Contact Us

+44 (0) 333 123 7171
bhp.co.uk