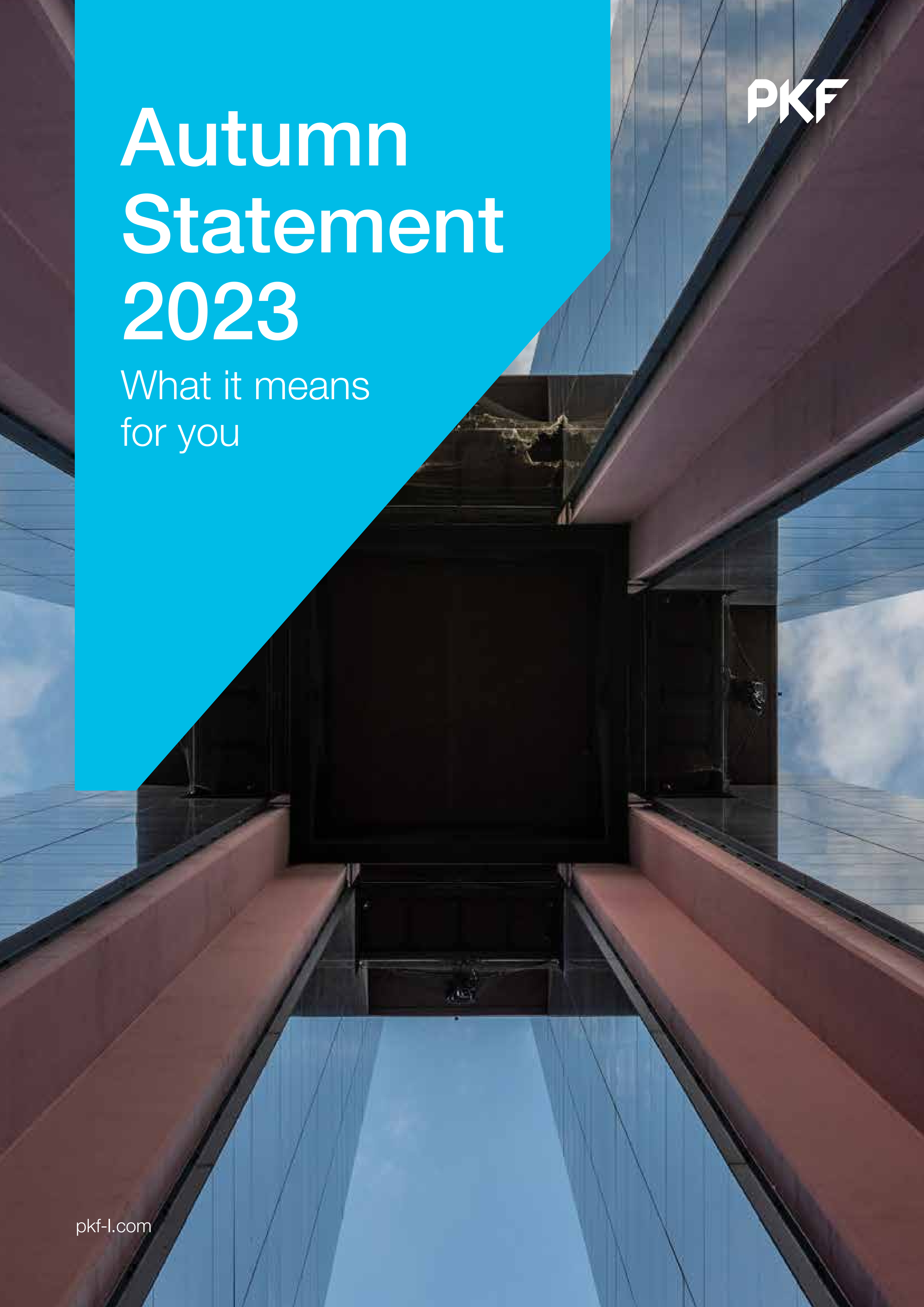


PKF

Autumn Statement 2023

What it means for you

pkf-l.com

Key measures announced today at a glance:

R&D Relief
Single R&D scheme replacing two current schemes

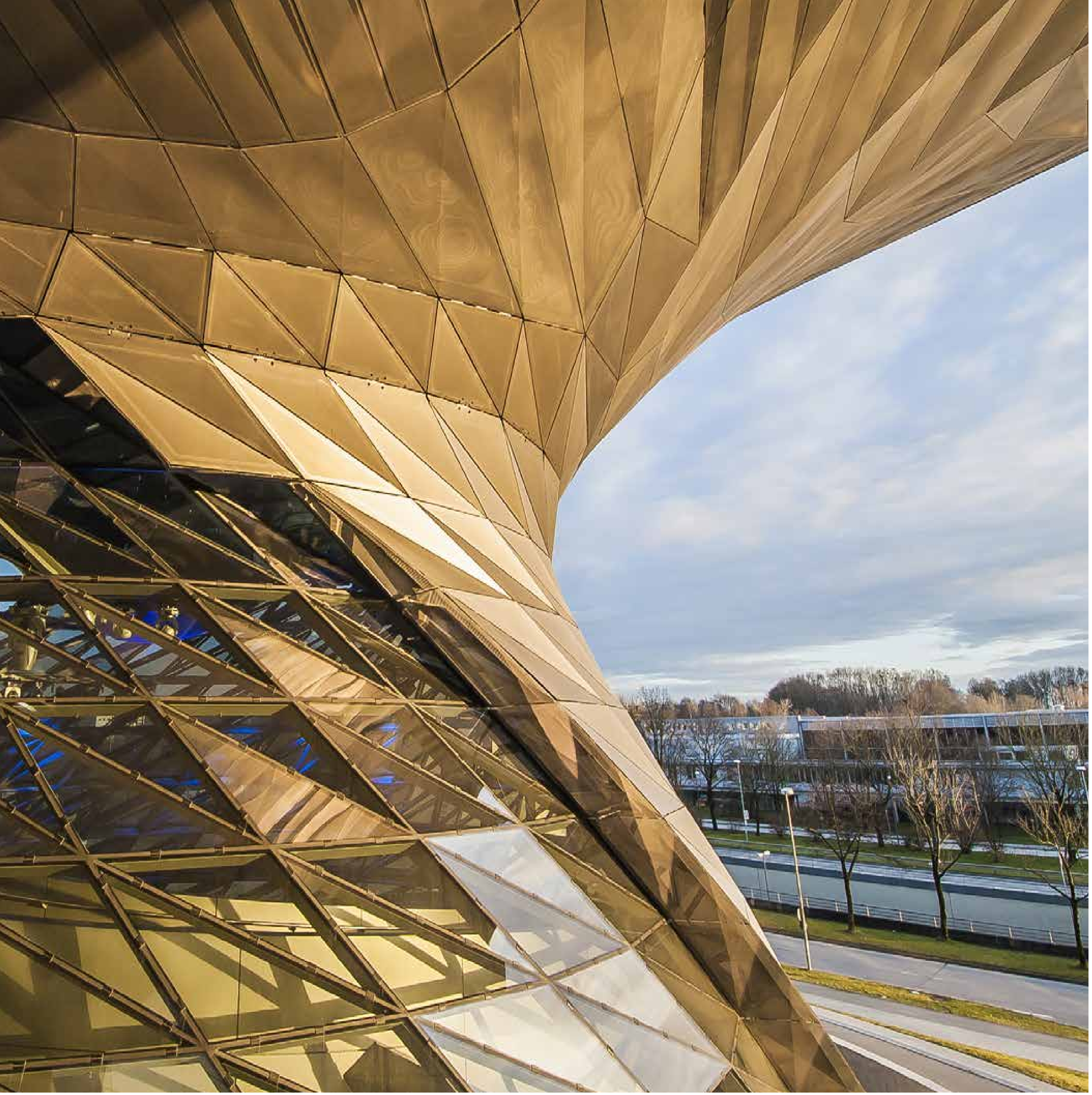
Self Employment
Weekly Class 2 NICs abolished

Business Taxes
Full expensing for Capital Expenditure made permanent

National Insurance
2% reduction in main rate of Employee National Insurance from January

Self Employment
1% cut in Main Class 4 NIC Rate

Inheritance Tax
No changes despite significant speculation



In many respects, this was a traditional Autumn Statement, with the focus on spending and policy decisions as opposed to broad taxation measures.

At the start of his speech, the Chancellor announced that there were 110 specific measures aimed at building a stronger and more resilient economy by unlocking growth and productivity. There had been significant speculation in recent weeks of potentially large tax cuts. However, one of the key changes anticipated – fundamental changes to Inheritance Tax – did not come to pass. Indeed, so untouched are the Inheritance and Capital Gains Tax regimes that there was not a single reference to either tax in either the speech or supporting documents. Alcohol and tobacco duties aside, Indirect taxes were also virtually untouched.

Changes to the Corporation Tax regime, such as the extension of full expensing rules for qualifying plant and machinery, and the merger of the two existing R&D tax credit schemes into a single scheme are of significant importance to businesses with expenditure in these areas. However, both were of no surprise as they were stated intentions of the Chancellor in previous announcements. However, some technical changes may become evident in each case when draft legislation is released.

The "rabbit out of the hat" moment came in the form of the 2% cut to the main rate of Employees National Insurance, to take effect from January 2024, rather than the traditional 6 April date. This will require emergency legislation to take effect by that date. However, although a cut in absolute terms, it is likely that the benefit is outweighed by the effects of "fiscal drag" where rising incomes fall into higher tax brackets as a result of frozen personal allowances and thresholds. The more modest reduction of 1% in Class 4 National Insurance for the self-employed takes into account the abolition of Class 2 National Insurance across the board.

Overall, therefore, the absence of other significant changes to the tax system means that for most, if not all, businesses and individuals the tax landscape looks very much the same as it did when we woke up this morning. However, with one final fiscal event in the form of the Budget next Spring before an anticipated general election, this may be a deliberate ploy by the Chancellor to leave the best to last.

Head of Tax
Chris Riley
+44 (0)20 7516 2427
criley@pkf-l.com

Your personal tax

The most significant change announced today was in respect of the reduction of National Insurance contributions for the self employed and employees. Employers National Insurance rates are unaffected, and for higher earners who exceed the threshold, the 2% additional charge on earned income remains static.

National Insurance contributions (NICs)

The government will cut the main rate of Class 1 Employee NICs from 12% to 10%. This will take effect from 6 January 2024. The government will also cut the main rate of Class 4 Self-Employed NICs from 9% to 8%. This will take effect from 6 April 2024.

From 6 April 2024 no one will be required to pay Class 2 Self-Employed NICs. However, employees working overseas can make voluntary Class 2 contributions to keep their contribution record whole. We await the detail of how the removal of Class 2 will affect those individuals.

The government is extending the NICs relief for employers of eligible veterans for one year. The relief means businesses pay no employer NICs on annual earnings up to £50,270 for the first year of a qualifying veteran's employment in a civilian role.

Other measures

Self Assessment

Individuals with income taxed only through PAYE will no longer be required to file a Self Assessment Tax Return from 2024/25.

Allowances

The Blind Person's Allowance (BPA) and Married Couple's Allowance (MCA) will be uprated by 6.7% in 2024/25. The BPA will increase to £3,070 and the MCA will be valued at between £4,280 and £11,080. The Personal Allowance and Income Tax thresholds remain frozen until April 2028.

Pensions

The Lifetime Allowance – It will be legislated to remove the Lifetime Allowance as previously announced. This measure will also clarify the tax treatment for overseas pensions, transitional arrangements, and reporting requirements. This will take effect from 6 April 2024.

Pensions

The government is also launching a call for evidence to tackle "small pot" pensions. This would allow individuals to have workplace pension contributions paid into their existing pension scheme when they change employers.

National Living Wage

From 1 April 2024, the National Living Wage will increase to £11.44 an hour for eligible workers aged 21 and over. Whilst the increase to the National Living Wage is a positive measure for employees, employers will need to brace themselves for an increase to wages, employers NIC and employer pension contributions prior to April.

Off-Payroll Working (IR35)

Calculation of PAYE liability in cases of non-compliance – a welcome reform. The Autumn Finance Bill 2023 will allow the reduction of the PAYE liabilities of a deemed employer to account for taxes paid by a worker and their intermediary where an error has been made in applying the off-payroll working rules.

ISAs

From April 2024, the government will allow multiple subscriptions to ISAs of the same type. The government has also frozen ISA subscription limits at current levels for 2024/25: ISA (£20,000), JISA (£9,000), LISA (£4,000) and Child Trust Fund (£9,000).

Your business tax

The extension of Full Expensing for Capital Expenditure has been made permanent, having only initially taken effect earlier this year. However, it was suggested in the March Budget that this was the longer term plan, so is more of a reannouncement. For many businesses, the alignment of R&D Reliefs into a single scheme will cause complexities from the change of approach in the coming year.

Research & Development

The existing Research and Development Expenditure (RDEC) and SME schemes will be merged for accounting periods beginning on or after 1 April 2024. Under the proposed single scheme, the notional tax rate applied to loss-making companies will be lowered from 25% to 19%. However, for R&D intensive loss-making SMEs, the intensity threshold will be reduced to 30% from 40% of overall expenditure, bringing more companies into scope of the enhanced relief.

R&D claimants will no longer be able to nominate a third-party payee for R&D tax credit payments. This will mean greater oversight of claims for claimants and receiving payment more quickly, since payments of R&D tax reliefs will be paid directly to the company that claims for the R&D.

Finally, the review of R&D tax reliefs is now being concluded by the government. It is noted that further action may be needed to reduce the unacceptably high levels of non-compliance in the R&D reliefs. HMRC will be publishing a compliance action plan in due course. In addition to this, they will also continue working with industry to develop the enhanced support for R&D intensive SMEs, and consider further simplifications to the scheme.

Other Measures

Capital Allowances

The Spring Budget has previously announced full expensing relief for companies on qualifying plant and machinery from April 2023 until the end of March 2026. This has now been made permanent, with 100% first year allowances available for Main Pool assets and 50% first year allowances for Special Rate Pool assets (including Long Life Assets and Plant installed within propertes). Cars and second-hand assets will remain excluded from the expensing relief. Leased assets remain excluded for now, but further changes may come subject to the outcome of a technical consultation.

Large Corporates Pillar 2

The Undertaxed Profits Rule will apply to accounting periods beginning on or after 31 December 2024. There will also be further amendments to the Multinational and Domestic Top-Up Tax (which take effect from 1 January 2024) in the Finance Bill. Offshore Receipts in respect of Intangible Property (ORIP) rules will be abolished and repealed alongside the introduction of the Undertaxed Profits Rule, which will more comprehensively discourage tax planning arrangements than ORIP sought to counter.

Investment Zones

In England the programme will be extended from five to ten years, with funding to be used flexibly between spending and tax incentives. Five new Investment Zones have been created in Greater Manchester, East Midlands, West Midlands, South East Wales and North Wales. A £150 million fund, available over 5 years, is being created to support Investment Zones and Freeports across the UK to secure business investment opportunities.

Freeports

The window to claim Freeport tax reliefs will be extended from five to ten years, to September 2031 for English Freeports, conditional on agreement of delivery plans with each Freeport. The UK government will agree how this can be extended for Freeports in Scotland and Wales.

Plastic Packaging Tax

The government will increase the Plastic Packaging Tax rate to £217.85 per tonne. They will also publish an evaluation plan by the end of the year and gather further evidence to inform the future trajectory of the rate and recycled plastic content threshold.

Business Rates

The current 75% Business Rates discount for retail, hospitality and leisure will be extended for a further year.

CIS Scheme

Reforms will be introduced to the Gross Payment Status (GPS) test under the Construction Industry Scheme (CIS), including adding VAT as part of the GPS compliance test. There will potentially be further simplifications of CIS, which will be subject to technical consultation.

Stamp Taxes

Since April 2014, Stamp Duty and Stamp Duty Reserve Tax has not been chargeable on transactions in securities admitted to trading on a recognised growth market, for example AIM or AQSE Growth Market, as long as they are not also listed on a recognised stock exchange. This is now being extended from 1 January 2024 to include smaller, innovative growth markets.

Investment Reliefs

The government has confirmed that they will legislate to extend the sunset clauses for the EIS and VCT schemes from 6 April 2025 to 6 April 2035, which will help provide certainty for founders and investors.

Our expert team can help you understand the impact of the Autumn Statement on you and your business

To find out more please contact our Tax team.

Corporate Tax
Chris Riley, Partner
+44 (0)20 7516 2427
criley@pkf-l.com

Personal Tax
Stephen Kenny, Partner
+44 (0)20 7516 2200
skenny@pkf-l.com

Corporate Tax
Catherine Heyes, Partner
+44 (0)20 7516 2237
cheyes@pkf-l.com

Indirect Taxes
Mark Ellis, Partner
+44 (0)20 7072 1102
mellis@pkf-l.com

Corporate Tax
Tom Golding, Partner
+44 (0)20 7516 2413
tgolding@pkf-l.com

Corporate Tax
Mimi Chan, Partner
+44 (0)20 7516 2264
mchan@pkf-l.com

Human Capital
Louise Fryer, Director
+44 (0)20 7516 2446
lfryer@pkf-l.com

Personal Tax
Karen Ozen, Director
+44 (0)20 7516 2273
kozen@pkf-l.com

Indirect Taxes
Luigi Lungarella, Director
+44 (0)20 7516 2228
llungarella@pkf-l.com

Transfer Pricing
Farhan Azeem, Director
+44 (0)113 360 8385
fazeem@pkf-l.com

PKF Littlejohn LLP

London
15 Westferry Circus
Canary Wharf
London E14 4HD
+44 (0)20 7516 2200

Leeds
3rd Floor, One Park Row,
Leeds, Yorkshire,
LS1 5HN
+44 (0)113 244 5141

Manchester
11 York Street,
Manchester,
M2 2AW
+44 (0)161 552 4220

www.pkf-l.com