

# GMS Flash Alert



2021-267 | October 27, 2021

## United Kingdom - Autumn 2021 Budget Released

The U.K. Autumn 2021 Budget was presented by the U.K. Chancellor of the Exchequer on 27 October 2021. It focuses on post-COVID economic recovery, welcoming in a “new age of optimism.”<sup>1</sup> The Budget was light on announcements that impact individuals and employers.

Below we provide an overview of some of the Budget measures impacting individuals, including modifications of the National Insurance thresholds.

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### WHY THIS MATTERS

For employers of globally-mobile employees there is always a great deal of interest in Budget measures as they can have a direct impact on the cost of assignments, payroll withholding, hypothetical tax deductions and like matters.

Over recent years there have been significant changes introduced relating to the taxation of non-domiciled individuals, retirement benefits, and the treatment of termination payments, however no major changes were announced in this Budget.<sup>2</sup>

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## Overview of Main Measures

### Personal Income Tax Rates

The income tax rates and thresholds for 2022/23 for England and Northern Ireland will be maintained at the current level and are set out in the table on the following page. These rates are frozen up to and including the 2025/26 tax year.

We refer separately below to the position for Scotland and Wales.

	Rate	2022/23
Personal allowance	0%	£12,570
Basic rate	20%	£0 - £37,700
Higher rate	40%	£37,701 - £150,000
Additional rate	45%	Over £150,000

Source: KPMG LLP (U.K.)

*Scotland* – The tax rates for Scottish taxpayers will be set by the Scottish Parliament in December 2021.<sup>3</sup>

*Wales* – The Welsh Senedd sets income tax rates for Welsh taxpayers. The draft budget will be published in December 2021.<sup>4</sup>

### National Insurance Contributions (NIC)

*Thresholds* – The National Insurance thresholds for both employers and employees have increased in line with the consumer price index. The upper earnings limit will be maintained at the current level. The thresholds are set out in the table below.

	2022/23
Annual threshold for employee NIC	£9,880
Annual threshold for employer NIC	£9,100
Upper earnings limit	£50,270

Source: KPMG LLP (U.K.)

*Rates* – As previously announced, the National Insurance rates for both employers and employees will temporarily increase by 1.25 percent for the 2022/23 tax year to help fund health and social care. These will revert to the 2021/22 rates from April 2023, when a separate Health and Social Care Levy of 1.25 percent will be introduced.<sup>5</sup>

	2022/23	2023/24
Rate for employers on earnings above the annual threshold	15.05%	13.8%
Rate for employees between the annual threshold and upper earnings limit	13.25%	12%
Rate for employees above the upper earnings limit	3.25%	2%
Health and Social Care Levy	N/A	1.25%

Source: KPMG LLP (U.K.)

## Dividend Rates

As previously announced, there will be a 1.25-percent increase in the dividend tax rates from 6 April 2022.<sup>6</sup>

2022/23	
Ordinary rate	8.75%
Upper rate	33.75%
Additional rate	39.35%

Source: KPMG LLP (U.K.)

## Other Measures

- The **pension lifetime allowance** will remain at £1,073,100 and will be maintained at this level until April 2026.
- The **dividend allowance** remains unchanged at £2,000, as does the Personal Savings Allowance, at £1,000 for basic-rate taxpayers and £500 for higher-rate taxpayers.
- The **capital gains tax annual exempt amount** remains unchanged at £12,300.
- The **capital gains tax on property reporting and payment window** will be extended from 30 days to 60 days with immediate effect.
- The introduction of **"Making Tax Digital"** for taxpayers has been delayed from 6 April 2023 to 6 April 2024.<sup>7</sup>

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## KPMG LLP (U.K.) NOTE

Employers will need to take account of the increase in NIC rates to fund health and social care.

In addition, there are still other issues which need to be addressed ranging from the government's response to the 2017 Taylor Review on working practices and taxation in the gig economy to the tax rules governing hybrid working.

Employers may also be disappointed that the expected response to the consultation on Enterprise Management Incentives was not published.

## Next Steps

We are expecting further announcements on tax administration to be published later in the autumn.

KPMG LLP (U.K.) will endeavour to continue to keep readers informed of any further developments that concern individuals, including those on international assignments, and their multinational employers.

## FOOTNOTES:

- 1 For the U.K.'s "Autumn Budget and Spending Review 2021," click [here](#).
- 2 For coverage of the previous budget, see [GMS Flash Alert 2021-074](#) (3 March 2021).
- 3 For the announcement of the date of the 2022-13 Scottish Budget, click [here](#) .
- 4 For the Welsh government Draft Budget timetable for 2022-23, click [here](#).
- 5 For coverage by KPMG LLP (U.K.) of the impact of the Health and Social Care Levy for employers, click [here](#) .
- 6 For by KPMG LLP (U.K.) of the impact of the Health and Social Care Levy for individuals, click [here](#) .
- 7 For the Statement made to Parliament on 23 September 2021 on the delay to "Making Tax Digital" for individuals, click [here](#) .

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## Contact us

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