

GMS Flash Alert



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United Kingdom - Autumn 2022 Growth Plan Announced

The new Chancellor of the Exchequer, Kwasi Kwarteng, announced a “Growth Plan” to the U.K. Parliament on 23 September.¹ Although not a formal Budget, this announcement included several significant tax measures.²

Below we provide an overview of some of the key measures impacting individuals, including changes to the income tax and National Insurance rates.

WHY THIS MATTERS

The changes to the personal income tax and National Insurance contribution (NIC) rules announced in the Growth Plan will be of great interest to employers, as these will have a direct impact on the cost of assignments, payroll withholding, hypothetical tax deductions, and like matters.

The specific impact of the measures announced will depend on each taxpayer’s particular set of circumstances. However, in many instances – particularly for high-income earners – an employee’s U.K. tax burden would be reduced as a result of these measures.

Employers will need to take account of the decrease in NIC rates and income tax rates when calculating the cost of assignments to the United Kingdom. This will also impact hypothetical tax calculations and payroll withholding. Payroll software should be updated to reflect the new NIC rates ahead of the change on 6 November 2022.

Overview of Main Measures

Personal Income Tax Rates

The Chancellor announced several changes to the rates of individual income tax for taxpayers in England and Northern Ireland, which will come into effect from 6 April 2023:

- The basic rate of income tax will be reduced from 20% to 19% from 6 April 2023, a year earlier than previously announced.

- The additional rate of income tax will be abolished from 6 April 2023. This currently applies at a rate of 45% for income over £150,000.

The tax rates for Scottish and Welsh taxpayers will be set by the Scottish Parliament and Welsh Senedd respectively later in 2022.

There were no announcements made regarding the income tax personal allowance and higher-rate threshold freeze. This will continue until 2025/26, subject to any future announcements.

The new rates are shown in the table below:

2022/23 Tax Year			2023/24 tax year	
	Rate	Threshold	Rate	Threshold
Personal Allowance	0%	£12,570	0%	£12,570
Basic rate	20%	£0 - £37,700	19%	£0 - £37,700
Higher rate	40%	£37,701 - £150,000	40%	Over £37,701
Additional rate	45%	Over £150,000		

Source: KPMG LLP (U.K.)

National Insurance Contributions

The National Insurance rates previously increased by 1.25% with effect from 6 April 2022. This increase will be reversed, with the rates reverting to their previous levels with effect from 6 November 2022. This latest development follows the alignment of the National Insurance thresholds with the income tax personal allowance that came into effect on 6 July 2022, having been announced in the Spring Statement of 23 March 2022.³ The Chancellor has confirmed that the thresholds will not revert to the previous levels.

Additionally, the government had previously legislated for a Health and Social Care Levy of 1.25%, which would have applied for both employers and employees from 6 April 2023.^{4,5} This measure will now be repealed and will not come into force as planned.

	6 April 2022 – 5 November 2022	6 November 2022 to 5 April 2023
Class 1 NIC rate for employers on earnings above the earnings threshold	15.05%	13.8%
Class 1 NIC rate for employees between the earnings threshold and upper earnings limit	13.25%	12%
Class 1 NIC rate for employees above the upper earnings limit	3.25%	2%

Source: KPMG LLP (U.K.)

In addition, special blended rates of NIC will apply in 2022/23 to Class 1A NIC on benefits-in-kind, Class 1B NIC on amounts included in a PAYE Settlement Agreement, and Class 1 NIC on payments to company directors.

Dividend Rates

The dividend tax rate was increased by 1.25% with effect from 6 April 2022.⁶ This will be reversed from 6 April 2023, with the dividend tax rate returning to the pre-April 2022 rate.

	2022/23	2023/24
Basic rate	8.75%	7.5%
Higher rate	33.75%	32.5%
Additional rate	39.35%	N/A

Source: KPMG LLP (U.K.)

Other Measures

- The 2017 and 2021 **reforms to the off-payroll working rules (also known as IR35) will be repealed** from 6 April 2023. From this date, the assessment obligation will no longer apply to the end user of the services and instead workers providing their services via an intermediary will once again be responsible for determining their employment status and paying the appropriate amount of tax and NICs.
- The **Office of Tax Simplification (OTS) will be abolished** with HM Treasury and HMRC taking on its mandate to focus on simplifying the tax code. The OTS will continue to gather evidence on its hybrid and distance working review ahead of its closure. The precise timing of this will be determined by Royal Assent to the Finance Bill and is therefore uncertain.⁶
- The **cap on bankers' bonuses will be abolished** by the Prudential Regulation Authority. The cap has limited the remuneration of certain bank staff to, at most, 200% of their fixed pay, though this limit will now be lifted.

KPMG LLP (U.K.) NOTE

It is essential to get in front of the changes described in this newsletter and to communicate quickly and clearly with key stakeholders, so that they can properly plan, budget, and make necessary adjustments.

Next Steps

The Chancellor has since confirmed that he intends to provide more detail around the regulatory reforms associated with bankers' bonus caps in October, followed by the publication of a Medium-Term Fiscal Plan on 23 November. A Budget will take place next Spring.⁷

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 See the News Story "Chancellor announces new Growth Plan with biggest package of tax cuts in generations," with links to Factsheets on each of the major measures, on the U.K. government's webpage at: <https://www.gov.uk/government/news/chancellor-announces-new-growth-plan-with-biggest-package-of-tax-cuts-in-generations> .
- 2 For coverage by KPMG LLP U.K. of the Autumn 2021 Budget, see [GMS Flash Alert 2021-267](#) (27 October 2021).
- 3 For coverage by KPMG LLP U.K. of the 2022 Spring Statement, click [here](#).
- 4 For coverage by KPMG LLP U.K. of the impact of the Health and Social Care Levy for employers, "The new Health and Social Care Levy – what employers need to know," click [here](#).
- 5 For coverage by KPMG LLP U.K. of the impact of the Health and Social Care Levy for individuals, "Funding Health & Social Care plus Budget date: impact for individuals," click [here](#).
- 6 See "The Growth Plan 2022 speech as delivered by Chancellor Kwasi Kwarteng" at: <https://www.gov.uk/government/speeches/the-growth-plan-2022-speech> .
- 7 For coverage by KPMG LLP U.K. of the OTS review of hybrid and distance working, see [GMS Flash Alert 2022-162](#) (13 September 2022).
- 8 See U.K. government webpage "News story Update on Growth Plan implementation" (HM Treasury) at: <https://www.gov.uk/government/news/update-on-growth-plan-implementation> .

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Please Consider Participating in the KPMG Global Assignment Policies and Practices (GAPP) Survey

Participation in the survey allows you to benchmark your organisation in relation to other survey participants on numerous aspects of a global-mobility program including: assignee selection and assessment, assignment preparation and planning, automation and robotics, talent and performance management, assignment compensation and allowances, administration and outsourcing, immigration compliance, the use of data and analytics, assignment-management technology as well as tax-reimbursement approaches. Click [here](#) to begin the survey.

Key highlights of the 2022 KPMG Global Assignment Policies and Practices Survey will be made available later in the year.

Contact us

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