



United Kingdom – Government to Reverse Measures Announced in 2022 Growth Plan

As we reported in [GMS Flash Alert 2022-172](#), then-Chancellor of the Exchequer, Kwasi Kwarteng, announced a Growth Plan to the U.K. Parliament on 23 September.^{1, 2}

Following significant push-back from across the political spectrum, on 3 October 2022, the Chancellor announced that the **proposed abolition of the 45% top rate would not go ahead** (see our report in [GMS Flash Alert 2022-177](#)).³

Due to further market unrest, the new Chancellor, Jeremy Hunt, has announced that all the tax measures announced in the Growth Plan that have not been legislated for in Parliament will not be going ahead.⁴

WHY THIS MATTERS

The personal income tax rates are of great interest to employers, as these impact the cost of assignments, payroll withholding, and hypothetical tax deductions.

Employers may well be concerned about the level of uncertainty regarding current and future changes to the U.K. tax system – this is the second reversal of an announced tax rate change within as many weeks.

What Will Change, What Will Not

The previous Chancellor announced in the Growth Plan that the **basic rate of income tax** would be reduced from 20% to 19% from 6 April 2023. This proposed measure has been dropped, and the basic rate of tax will remain at 20% indefinitely.

The **National Insurance** reduction and the repeal of the **Health and Social Care Levy** will still be going ahead, as the legislation for this has already started its passage through Parliament.

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

The **updated income tax rates for the 2023/24 U.K. tax year** following the latest announcement are shown in the table below:

2023/24 tax year		
	Rate	Threshold
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.)

The previous Chancellor had announced that the **dividend tax rate** would reduce by 1.25% with effect from 6 April 2023. This reduction will now not go ahead, with the dividends remaining at the same rate as for the 2022/23 tax year. The updated dividend tax rate for the 2023/24 tax year is shown in the table below.

2023/24 tax year	
Basic rate	8.75%
Higher rate	33.75%
Additional rate	39.35%

Source: KPMG LLP (U.K.)

Other Measures

The 2017 and 2021 reforms to the **off-payroll working rules** (also known as IR35) will not be repealed. Therefore, the obligation to determine the employment status of a worker providing services via an intermediary will continue to apply to the end user of the services (where that entity is a large- or medium-sized business, or a public sector body).

The Chancellor confirmed in the House of Commons regarding the intent to proceed with the abolition of the **cap on banker's bonuses**.

Next Steps

Mr. Hunt, the Chancellor, will announce further measures at the Medium-Term Fiscal Plan, expected on 31 October 2022.

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.

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 "Growth Plan 2022," see: <https://www.gov.uk/government/publications/the-growth-plan-2022-documents>.

2 For coverage by KPMG LLP (U.K.) of the Autumn 2022 Growth Plan, see [GMS Flash Alert 2022-172](#) (27 September 2022).

3 For coverage by KPMG LLP (U.K.) of the cancellation of the abolition of the 45% tax rate, see [GMS Flash Alert 2022-177](#) (4 October 2022).

4 For the announcement of the measures announced by the Chancellor of the Exchequer on 17 October 2022, see: <https://www.gov.uk/government/news/chancellor-brings-forward-further-medium-term-fiscal-plan-measures> .

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