

GMS Flash Alert

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United Kingdom - No Radical Departures in Autumn Statement 2022

The Chancellor of the Exchequer, Jeremy Hunt, delivered the Autumn Statement to the U.K. Parliament on 17 November 2022.¹

The key announcements that will impact globally-mobile employees are as follows:

- The threshold at which additional rate income tax becomes payable at a rate of 45% will be reduced from £150,000 to £125,140 from April 2023;
- The capital gains tax annual exempt amount will be reduced from £12,300 to £6,000 from April 2023, and then to £3,000 from April 2024;
- The dividend allowance will be cut from £2,000 to £1,000 from April 2023, and then cut again to £500 from April 2024.

WHY THIS MATTERS

For employers of globally-mobile employees there is always a great deal of interest in the U.K.'s fiscal events as they can have a direct impact on the cost of assignments.

In 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, announcements in this Autumn Statement that impact globally-mobile employees and their employers were limited to changes to the tax thresholds and tax-free allowances.

There has been significant uncertainty in respect of tax matters in the U.K. in recent months, with four chancellors of the exchequer and three prime ministers in the last six months. Employers may be hoping that despite the tax rises, this Autumn Statement marks the beginning of a period of greater certainty and stability.

Context

This follows on from the “mini budget” delivered by the previous Chancellor, Kwasi Kwarteng, on 23 September 2022, and the subsequent reversals of many of the announcements which he had made.^{3,4,5}

Whereas September’s “mini budget” had proposed tax-cutting measures, ahead of the Autumn Statement Jeremy Hunt had warned that taxes would rise to help fill the gap in the public finances and tackle the cost-of-living crisis. In the Statement, he stressed that his three key priorities were “stability, growth and public services.”

Prior to the Autumn Statement, there was speculation that there could be changes to the taxation of non-domiciled individuals, as well as potential changes to bring the capital gains tax rates in line with the income tax rates. However, no such announcements were made, with the Chancellor instead choosing to avoid any radical departures from the existing personal tax regime.

Overview of Main Measures

Personal Income Tax Rates and Thresholds

At the March 2021 Budget, the then Chancellor – and current Prime Minister – Rishi Sunak announced that the personal allowance and income tax higher rate threshold would be “frozen” for four years from 6 April 2022.⁶ The freeze has now been extended by a further two years, to April 2028.

The threshold for the 45% additional rate band is currently £150,000, and this will be reduced to £125,140 with effect from April 2023. No other changes were made to the personal allowance, or basic rate or higher rate thresholds.

Current 2022/23 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

New 2023/24 Tax Year		
	Rate	Threshold
Personal Allowance	0%	£12,570
Basic rate	20%	£0 - £37,700
Higher rate	40%	£37,701 - £125,140
Additional rate	45%	Over £125,140

Source: KPMG LLP (U.K.)

Scotland

The tax rates for Scottish taxpayers will be set by the Scottish Parliament in December 2022.⁷

Wales

The Welsh Senedd sets income tax rates for Welsh taxpayers. The draft budget will be published in December 2022.⁸

National Insurance Contributions (NIC)

As previously announced, Class 1A NIC, Class 1B NIC, and employer's NIC in respect of directors who are subject to an annual earnings period will revert to 13.8% for 2023/24. The rates of Class 1 employee's and employer's NIC will remain unchanged for 2023/24.

The National Insurance thresholds will remain frozen at their current levels until April 2028.

2023/24	
Annual Threshold for employee NIC	£12,570
Annual Threshold for employer NIC	£9,100
Upper Earnings Limit	£50,270

2023/24	
Class 1, 1A and 1B NIC rate for employers on earnings above the Annual Threshold	13.8%
Class 1 NIC rate for employees between the Annual Threshold and Upper Earnings Limit	12%
Class 1 NIC rate for employees above the Upper Earnings Limit	2%

Source: KPMG LLP (U.K.)

Dividend Rates

The dividend tax rates had previously been increased by 1.25% with effect from 6 April 2022. Dividends will continue to be taxed at these rates.

The dividend tax-free allowance will be reduced from the current rate of £2,000 to £1,000 from April 2023, and then cut again to £500 from April 2024.

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Dividend Tax-Free Allowance and Rates

	2023/24	2024/25
Dividend allowance	£1,000	£500
Basic rate	8.75%	8.75%
Higher rate	33.75%	33.75%
Additional rate	39.35%	39.35%

Source: KPMG LLP (U.K.)

Capital Gains Tax

The Chancellor announced that the tax-free capital gains tax allowance will be reduced from £12,300 to £6,000 from April 2023, and then again to £3,000 from April 2024.

This will have the impact that more taxpayers will be paying capital gains tax, where their gains had previously been under the allowance.

However, no changes were announced to the capital gains tax rates.

	2023/24	2024/25
Tax-Free allowance	£6,000	£3,000
Basic rate – property	18%	18%
Basic rate – other gains	10%	10%
Higher/additional rate – property	28%	28%
Higher/additional rate – other gains	28%	28%

Source: KPMG LLP (U.K.)

Other Measures

- No changes were announced in respect of the tax treatment of pension contributions, and the pension annual allowance and lifetime allowance will remain frozen at their current levels.
- No further announcements were made in respect of Making Tax Digital for Income Tax, and this is still expected to come into force from 6 April 2024 for most taxpayers with trading or property turnover in excess of £10,000 per annum.
- No changes were announced to the personal savings allowance.

KPMG LLP (U.K.) NOTE

Employers may be disappointed that the personal allowance, and the basic rate and higher rate thresholds will be frozen, which, along with the reduction in the additional rate will lead to individuals paying a higher amount of tax in real terms when the impact of inflation is factored in.

Employers may be relieved that no immediate changes were made to the taxation of non-domiciled individuals and the remittance basis, as the current rules allow many non-U.K.-domiciled assignees to the U.K. to exclude their non-U.K. income and gains from U.K. taxation and changes to these rules could lead to further U.K. tax reporting obligations and U.K. taxes due.

Next Steps

KPMG LLP (U.K.) will 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 Statement 2022," click [here](#). For coverage and analysis of the Autumns Statement 2022 by KPMG LLP in the U.K., click [here](#).
- 2 For coverage of the previous Budget, see [GMS Flash Alert 2021-267](#) (27 October 2021).
- 3 For coverage by KPMG LLP (U.K.) of the Autumn 2022 Growth Plan, see [GMS Flash Alert 2022-172](#) (27 September 2022).
- 4 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).
- 5 For coverage by KPMG LLP (U.K.) of the reversal of the measures announced in the 2022 Growth Plan, see [GMS Flash Alert 2022-189](#) (18 October 2022).
- 6 For coverage by KPMG LLP (U.K.) of the March 2021 Budget, see [GMS Flash Alert 2021-074](#) (3 March 2021).
- 7 For the announcement of the date of the 2023-24 Scottish Budget, click [here](#).
- 8 For the Welsh government Draft Budget timetable for 2023-24, click [here](#).

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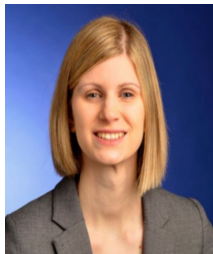


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