

GMS Flash Alert

2023-224 | November 22, 2023



United Kingdom - Autumn Statement 2023: National Insurance Rates Reduced

The Chancellor of the Exchequer, Jeremy Hunt, delivered the Autumn Statement to the U.K. Parliament on 22 November 2023.¹ The Autumn Statement was focussed on measures to improve productivity.

From a global-mobility perspective, the most important announcement was a reduction in the rate of National Insurance for employees from 12% to 10%, taking effect from 6 January 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.

The specific impact of the Autumn Statement's measures will depend on each taxpayer's particular set of circumstances. However, in most instances, we expect that an employee's U.K. tax burden for 2024/2025 should remain relatively stable; with a slight reduction for those individuals liable to U.K. National Insurance, who will see a reduction in their National Insurance contributions of up to £754 per year.

Although there were rumours prior to the Autumn Statement of potential changes to the UK's non-domicile tax regime, no announcements were made in respect of this.²

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 any necessary adjustments.

Overview of Main Measures

Personal Income Tax Rates and Thresholds

The Chancellor had previously announced at the 2022 Autumn Statement that the personal allowance and income tax higher rate threshold would be frozen until April 2028, and this was followed by the reduction in the threshold of the 45% additional rate band, decreasing from £150,000 to £125,140 from 6 April 2023.³

No further announcements were made in respect of changes to the tax rates nor the thresholds. Hence, applicable tax rates and thresholds for the 2024/25 tax year will be as follows:

Current	2024/25 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 2024/25 tax rates for Scottish taxpayers will be presented to the Scottish Parliament on 19 December 2023.⁴

Wales

The Welsh Senedd sets income tax rates for Welsh taxpayers. The draft budget will be published on 19 December 2023.⁵

National Insurance Contributions (NIC)

The Chancellor announced that the Class 1 NIC rate for employees between the Annual Threshold and the Upper Earnings Limit will be reduced from 12% to 10%, with effect from 6 January 2024. The rates for employer National Insurance are unchanged.

As previously announced, the National Insurance thresholds will remain frozen at their current levels until April 2028.

2024/25	
Annual Threshold for employee NIC	£12,570
Annual Threshold for employer NIC	£9,100
Upper Earnings Limit	£50,270

	2023/24	2024/25
Class 1, 1A and 1B NIC rate for employers on earnings above the Annual Threshold	13.8%	13.8%
Class 1 NIC rate for employees between the Annual Threshold and Upper Earnings Limit	12% until 5 January 2024 10% from 6 January 2024	10%
Class 1 NIC rate for employees above the Upper Earnings Limit	2%	2%

Source: KPMG LLP (U.K.)

Additionally, the Chancellor announced that Class 2 National Insurance contributions, currently paid by self-employed individuals at a rate of £3.45 per week if they earn over £12,560 a year, will be abolished and the Class 4 rate for self-employed individuals will reduce from 9% to 8% with effect from 6 April 2024.

Some UK-outbound assignees are eligible to pay voluntary Class 2 National Insurance contributions to retain their entitlement to some contributory benefits. The Chancellor has confirmed that these individuals will continue to be able to make voluntary contributions, and these will remain at a rate of £3.45 per week.

Other Measures

- The government announced the outcome of their review into Making Tax Digital for Income Tax Self-Assessment (MTD ITSA), which includes design changes to simplify and improve the system when it comes into force in April 2026.
- As previously announced in the Spring Budget 2023, the pension lifetime allowance will be abolished with effect from 6 April 2024 (following the removal of the lifetime allowance change which came into effect on 6 April 2023), with supporting legislation expected to be drafted in the coming months⁶
- As previously announced in the November 2022 Autumn Statement, the tax-free capital gains allowance will be reduced from £6,000 to £3,000 from April 2024.
- As previously announced in the November 2022 Autumn Statement, the dividend allowance will be reduced from £1,000 to £500 from April 2024.
- No changes were announced to the personal savings allowance.

KPMG LLP (U.K.) INSIGHTS

Employers may be pleased about the reduction in the National Insurance rate for employees. However, there is not a corresponding reduction in the rate for employers, which remains at 13.8% on earnings over the annual threshold of £9,100.

Employers may be relieved that no changes were made to the non-domicile and remittance basis rules, with the result that non-U.K.-domiciled taxpayers will continue to be able to benefit from the tax-advantaged remittance basis regime.

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This follows recent changes made to expatriate regimes in a number of other countries.⁷ However, this remains a topic of media attention and, with a General Election expected within the next 12 months, non-U.K.-domiciled taxpayers should remain aware that this may be reformed by a future government.

Next Steps

We are expecting a tax administration and maintenance day, most likely before the end of the year, when we are anticipating that further consultations will be issued, which may impact the globally-mobile population.

The next Budget is expected to be held in Spring 2024, in advance of the next General Election, when we are anticipating that further announcements may be made which could impact the globally-mobile population.

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. government's Autumn Statement 2023, click [here](#). For coverage and analysis of the Autumn Statement 2023 by KPMG LLP in the U.K., click [here](#).

2 For KPMG LLP in the U.K.'s Autumn Statement Predictions, published prior to the Autumn Statement, click [here](#).

3 For coverage by KPMG LLP in the U.K. of the Autumn Statement 2022, see [GMS Flash Alert 2022-208](#) (18 November 2022)

4 For the announcement of the date of the 2024-25 Scottish Budget, click [here](#)

5 For the Welsh government Draft Budget timetable for 2024-25, click [here](#).

6 For coverage by KPMG LLP in the U.K. of the Spring Budget 2023, see [GMS Flash Alert 2023-058](#) (16 March 2023)

7 For coverage by KPMG LLP in the U.K. on the ending of Portugal's Non-Habitual Residents regime, see [GMS Flash Alert 2023-204](#) (2 November 2023). For coverage by KPMG in the Netherlands on planned changes to the Dutch 30% ruling, see [GMS Flash Alert 2023-203](#) (2 November 2023). For coverage by KPMG in Italy on changes to the Italian Expatriate Regime, see [GMS Flash Alert 2023-202](#) (1 November 2023).

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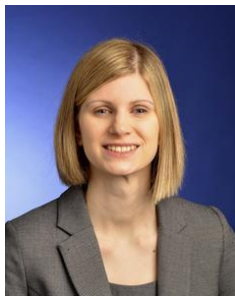


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