RAYMOND JAMES

budget newsletter

OCTOBER 2021

In this edition

29 October 2021

BUDGET NEWSLETTER

THE BUDGET BACKGROUND

Less than eight months ago, Rishi Sunak presented a Budget that was anticipating the ending of the pandemic's impact on the UK economy. He announced extensions and end dates for the furlough scheme, the self-employed income support scheme, reduced VAT for hospitality and the £20 a week uplift to Universal Credit. To finance some of that expenditure, the Chancellor also revealed a 6% increase in corporation tax, deferred until 2023.

That March 2021 Budget should have emerged in Autumn 2020, but, for a second successive year, political pragmatism meant autumn was moved to spring. A few months ago it looked as if there would be a similar deferral for a third year, but when the social care/NHS package was announced early in September, an Autumn Budget date was confirmed. Some commentators felt that, with that package, the Chancellor had already presented at least a mini-Budget given the £14bn a year increases in National Insurance Contributions (NICs) and dividend taxation that were introduced.

It is a moot point whether the UK is in the position today that the Chancellor was looking forward to in early March. The pandemic has waned on one important measure – daily deaths have about halved over the last eight months – but on another measure conditions have worsened – daily case rates are 550% higher than the level of early March. It is a similar situation with the UK economy:

- In March, the Office for Budget Responsibility (OBR) forecast UK economic growth of 4.0%. While the first six months of 2021 suggested this would be easily beaten, more recent data has been disappointing as the Delta variant and supply blockages have applied the brakes. The OBR now projects growth for 2021 will be 6.5% and has marked down 2022 growth from 7.3% to 6.0%.

- CPI Inflation in March 2021 was 0.7%, which the OBR thought would rise to 1.8% in 2022. The latest CPI (for September) is 3.1%, while the OBR now believes inflation will rise to 4% by the end of next year. The new chief economist at the Bank of England recently told the FT that he saw inflation reaching around 5% early in 2022. Higher inflation means greater revaluation costs for the Government on index-linked gilts – already becoming an issue – and, potentially, higher interest rates on conventional bonds.

- Borrowing in the first six months of the year was over £43bn below the OBR's March forecast, thanks to better than expected inflows of income tax, NICs and corporation tax and lower than projected Government spending. However, the debt pile has now accumulated to over £2,200bn, which explains why Mr Sunak is so concerned about any rise in interest rates. Although the Bank of England base rate has not moved from 0.1% at the start of the pandemic, the yield on 10-year Government bonds immediately before the Budget was back to the levels of mid-2019. Earlier in October, the Governor of the Bank of England, Andrew Bailey, had said the Bank "will have to act' to reduce inflationary pressures.

Faced with this backdrop following on from his manifesto-breaking tax hikes of last month, the Chancellor spent the weekend before the Budget revealing £26 billion of spending in 11 separate announcements. It seemed that he might have nothing left to say on Budget Day, but that was not the quite case. While there were no tax increases of any significance, Mr Sunak did reveal a range of spending measures and reforms to help business. The proposals of most interest were:

- There will be no changes to the main income tax allowances or tax bands (excluding Scotland, which has its Budget on 9 December), although dividend tax rates will rise by 1.25 percentage points from 2022/23.

- The window for reporting and paying capital gains tax (CGT) on residential property sales increases immediately from 30 days to 60 days. (For non-UK residents disposing of residential and non-residential property in the UK, this deadline also increases from 30 days to 60 days.)

- For pension contributions paid by low earners, from 2024/25, HMRC will make top up payments, effectively giving full tax relief, which under current rules might not be available.

- The business rates regime will move to a three yearly valuation cycle from 2023, with the business rates multiplier frozen for the coming year. Retail, hospitality and leisure properties will benefit from a new temporary 50% business rates relief in 2022/23, capped at £110,000 per business.

- No changes were announced to inheritance tax (IHT) or CGT.

- Alcohol duty will be radically reformed, so that it will be directly related to alcohol content.

In this Newsletter we look at the impact of both the changes announced in the Budget and those revealed last month on various groups of taxpayers. The categorisation is inevitably rather arbitrary, so it pays to read all sections. Similarly, several of the tax planning points – such as those listed below in our 12 Quick Tax Tips – are universal.

If you need further information on how you will be affected personally, you are strongly recommended to consult your financial adviser.

12 QUICK TAX TIPS

1. Don’t waste your (or your partner’s) £12,570 personal allowance.
2. Don’t forget the personal savings allowance (PSA), reducing tax on interest earned.
3. Don’t ignore the dividend allowance, saving tax of up to 39.35% £2,000 of dividends.
4. Don’t dismiss National Insurance contributions – they are really a tax at up to 28.3%.
5. Think *marginal* tax rates – the system now creates 60% (and higher) marginal rates.
6. ISAs should normally be your first port of call for investments and then deposits.
7. Even if you’re eligible for a Lifetime ISA (LISA), you still might find a pension is a better choice.
8. Tax on capital gains is usually lower and paid later than tax on investment income.
9. Trusts can save IHT, but suffer the highest rates of CGT and income tax.
10. File your tax return on time to avoid penalties and the taxman’s attention.
11. If you are entitled to a company car, going hybrid or electric could slash your tax bill.
12. Don’t assume HMRC won’t find out: the recent Pandora Papers are a warning.

Investors & Savers

The Personal Allowance

The personal allowance was frozen at £12,570 in the March 2021 Budget and will remain at that level until the end of the 2025/26 tax year. Had it received the normal inflationary increase, the allowance for 2022/23 would have risen to £12,960. Many people do not use their personal allowance to the full and in 2022/23 there will be a gap of almost £2,700 between the allowance and the starting point for NICs (£9,880 in 2022/23). At the other end of the income scale, some taxpayers will have no personal allowance in 2022/23 (or future tax years up to 2025/26) because their income exceeds £125,140, at which tapering, which starts at £100,000, reduces their allowance to nil.

If you or your partner do not fully use the personal allowance, you could be paying more tax than necessary. There are several ways to make sure you maximise use of your allowances:

- Choose the right investments: some investments do not allow you to reclaim tax paid while others are designed to give capital gain, not income.
- Couples should consider rebalancing investments so that each has enough income to cover their personal allowance.
- Make sure that in retirement you (and your partner) each have enough pension income. On its own, state pension provision is not enough, be it the new state pension (up to £185.15 a week in 2022/23, based on September inflation data) or the old state pension of £141.85 a week (if you reached your state pension age (SPA) before 6 April 2016 and also based on September data).
- If one of you pays tax at no more than basic rate and the other is a non-taxpayer, check whether it is worth claiming the transferable marriage allowance (£1,260 in 2021/22 and 2022/23).

The Personal Savings Allowance (PSA)

The personal savings allowance (PSA) first appeared in April 2016 and has been unchanged since then. Broadly speaking, if you are a:

- *basic rate taxpayer, the first £1,000 of savings income you earn is untaxed;*
- *higher rate taxpayer, the first £500 of savings income you earn is untaxed;*
- *additional rate taxpayer, you do not receive any personal savings allowance.*

'Savings income' in this instance is primarily interest, but also includes gains made on investment bonds, including offshore bonds. Although called an allowance, the reality is that the PSA is a nil rate tax band, so it is not quite as generous as it seems. The PSA means that banks, building societies, National Savings & Investments (NS&I) and UK-based fixed interest collective funds all pay interest without any tax deducted, but they do report payments to HMRC. Thus, if your interest income exceeds your PSA – which needs a substantial amount of capital at current interest rates – you could have tax to pay. Be warned that if you do not tell HMRC, it will have the data to tell you.

If you and your spouse/civil partner receive substantial interest income, it is worth checking that you both maximise the benefit of the PSA. However, at today's ultra-low interest rates you might also want to consider whether you could earn a higher income by choosing non-deposit-based investments.

The Dividend Allowance

The dividend allowance also started life in April 2016, originally at a level of £5,000 before it was reduced to the current £2,000 which remains unchanged for 2022/23.

The allowance means that, in 2022/23, the first £2,000 of dividends you receive is not subject to any tax in your hands, regardless of your marginal income tax rate. Once the £2,000 allowance is exceeded, there is a tax charge, the rate of which will increase by 1.25% for 2022/23 (please see the table below). Like the PSA, the dividend allowance is really a nil rate band, so up to £2,000 of dividends do not disappear from your tax calculations, even though they are taxed at 0%.

DIVIDEND TAX RATES

TAX YEAR	BASIC RATE	HIGHER RATE	ADDITIONAL RATE
2021/22	7.50%	32.50%	38.10%
2022/23 ONWARDS	8.75%	33.75%	39.35%

The pandemic prompted a wide range of companies to reduce or stop paying dividends in 2020. Many companies have since restored their dividend payments, albeit some have taken the opportunity to 'rebase' (i.e. cut) their pay outs. The current historic yield on UK shares is now around 3.2%, which means, in theory, a UK share portfolio worth more than about £65,000 could attract additional tax on dividend income, even for a basic rate taxpayer.

The Starting Rate Band

The starting rate band for savings income was launched at £5,000 in 2016/17 and at a tax rate of 0%, and will remain on that basis for 2022/23. Sadly, most people are not able to take advantage of the starting rate band: if your earnings and/or pension income exceed £17,570 in 2022/23, then that probably includes you. However, if you (or your partner) do qualify, you will need to ensure you have the right type of investment income to pay 0% tax.

PLANNING POINT

If you don't anticipate using all your personal allowance or PSA in the current tax year, think about creating more income by closing deposit accounts before 6 April and crystallising the interest in this tax year. But beware of early closure penalties and shutting down accounts with better interest rates than are available now!

For 2022/23, consider who should own what in terms of investments and savings. The savings and dividend allowances mean it is not simply a question of loading as much as possible on the lower rate taxpayer of a couple. In theory, you will each be able to receive an income of up to £20,570 tax free in 2022/23, but only if you have the right mix of earnings, savings income and dividends.

Capital Gains Tax (CGT)

CGT was a tax which attracted the Chancellor's attention last year when he asked the Office of Tax Simplification (OTS) to review the operation of the tax. The OTS's first report was published in November, but the Chancellor made no mention of it in his March 2021 Budget, deciding only to freeze the annual exempt amount at £12,300 until the end of the 2025/26 tax year. A second report emerged from the OTS in May, dealing with technical issues. However, the Chancellor chose not to announce any significant changes to CGT, suggesting that reform may now be off the agenda.

Gains are currently taxed as the top slice of income, but the rates are lower than those that apply to income not covered by allowances. Gains are generally taxable at 10% to the extent they fall in the basic rate band (£37,700 in 2021/22 and 2022/23) and 20% if they fall into the higher or additional rate bands. An additional 8% applies to gains on residential property and carried interest.

The current tax rates and annual exemption mean that if you can arrange for your investment returns to be delivered in the form of capital gains rather than income, you will often pay no tax on your profits. While investment decisions should never be made on tax considerations alone, once the £2,000 level of the dividend allowance is exhausted, favouring capital gains over income when setting your investment goals can be a sensible approach.

One small practical CGT change that was announced was a doubling of the period for reporting and paying CGT on residential property to 60 days. This takes immediate effect.

PLANNING POINT

If you do not use your £12,300 annual exemption by Tuesday 5 April 2022, you will lose it and a possible tax saving of over £3,400. If you have gains of over the exempt amount to realise, it could be worth deferring the excess until 6 April or later to gain another annual exemption and defer the CGT bill until 31 January 2024. However, remember that CGT on residential property gains (e.g. buy-to-let) is payable within 60 days of sale.

Individual Savings Accounts (ISAs)

The annual ISA investment limit for 2022/23 will remain at £20,000. There will be no change in the £4,000 limit for the LISA, which was launched in April 2017 to encourage savings by the under-40s. The limit for the Junior ISA (JISA) was also unaltered, but it was more than doubled to £9,000 last year, as was the Child Trust Fund (CTF) limit.

ISAs have long been one of the simplest ways to save tax, with nothing to report or claim on your tax return. The arrival of the LISA complicated matters, as it sits somewhere between the traditional ISA and a pension plan. If you are thinking of a LISA instead of either of these, you would be well advised to seek advice before taking any action.

Over time, substantial sums can build up in ISAs: if you had maximised your ISA investment since they first became available in April 1999, you would by now have placed over £260,000 largely out of reach of UK taxes.

PLANNING POINT

The first CTF accounts matured in September 2020 as their owners reached 18. The tax benefits continue after maturity as a ‘protected account’ until instructions to deal with the monies are provided. One option is to transfer to an ISA. To trace a missing CTF go to www.gov.uk/child-trust-funds/find-a-child-trust-fund.

Venture Capital Trusts (VCTs) and Enterprise Investment Schemes (EISs)

VCTs and EISs have been subject to many rule changes in recent years, with some significant reforms being introduced in Finance Act 2018. Those reforms changed the nature of schemes by raising the element of risk. Most notably, they introduced a ‘risk to capital’ requirement. This focused the investment made by VCTs, EISs and seed enterprise investment schemes (SEISs) on companies where there is a real risk to the capital being invested and excluded companies and arrangements intended to provide 'capital preservation'.

Interest in VCTs, EISs and SEISs has grown as more aggressive forms of tax planning have come under sustained (and largely successful) HMRC attack and pension opportunities have been further constrained. In 2020/21, VCT fundraising amounted to £685m. Most of the long-established VCTs started their 2021/22 capital raising ahead of the Budget.

PLANNING POINT

VCT fundraising could receive a further boost with the 1.25% increase in dividend tax rates. This is because dividends from qualifying VCT investments are tax free. The best VCT offers can sell out quickly – even before you read about them in the weekend press. With many offers already open, do be sure you let us know as soon as possible if you want to make any VCT investment in this tax year.

Pay Later, Not Now?

For higher and additional rate taxpayers, there can be a case for considering the options for tax deferral, once the decision on which sector to invest in has been made. The potential advantages and disadvantages of tax deferral include:

- What would be going to the Treasury instead remains invested, enhancing potential returns.
- There is the possibility that tax rates will be lower when the investment is realised. The opposite risk is that the 50% top tax rate could reappear following a change of Government. However, your marginal tax rate could rise anyway because of the impact of tax bands and allowances being frozen until 5 April 2026.
- Some tax liabilities might disappear completely. Under current rules there is generally no CGT on death, although several voices, including the OTS, have suggested this relief should be withdrawn.
- The investor may change their country of residence, giving rise to a lower tax rate or possible tax savings during the period of transition between the old and new homes.

There is a variety of tax-deferral options available but, as ever, advice is needed in making the 'customer' a client of HMRC.

Estate planners

Nil Rate Band

The nil rate band reached its current level of £325,000 in April 2009 and will remain at that level until 5 April 2026, following the freeze announced in the Spring Budget. Had the nil rate band been increased in line with CPI inflation since 2010, it would be about £430,000 from next April - £105,000 higher.

The frozen nil rate band drags more estates into the IHT net, an effect exacerbated by higher inflation. If your estate is already potentially liable to IHT, the 2026 freeze could mean it will suffer more tax in the future if property and/or investment values increase. Since April 2009, average UK house prices are up by over 60%, according to Nationwide, and UK share prices have almost doubled (March 2009 marked their low point in the wake of the financial crisis).

Residence Nil Rate Band

The residence nil rate band (RNRB) came into effect on 6 April 2017 with an initial figure of £100,000. For 2021/22 through to 2025/26 inclusive, the RNRB is frozen at £175,000. The threshold above which the RNRB is subject to a 50% taper reduction is also fixed until 5 April 2026, at £2,000,000, meaning it is lost altogether for estates valued at £2,350,000 or more (£2,700,000 on second death for couples where the RNRB is unused on first death). While the RNRB does help to ease the burden of IHT for many estates, it is by no means a panacea.

IHT Yearly Exemptions

The frozen nil rate bands make the yearly IHT exemptions all the more important:

- *The £3,000 annual exemption.* Any unused part of this exemption can be carried forward one tax year, but it must then be used after the £3,000 exemption for that year. So, for example, if you made a gift of £1,000 covered by the annual exemption in 2020/21, you can make gifts totalling £5,000 covered by the annual exemption in 2021/22 by 5 April 2022.

- *The £250 small gifts exemption.* You can make as many outright gifts of up to £250 per individual per tax year as you wish free of IHT, provided that the recipient does not also receive any part of your £3,000 annual exempt amount.

- *The normal expenditure exemption.* Any gift that you make is exempt from IHT if:
  - it forms part of your normal expenditure; and
  - taking one year with another it is made out of income; and
  - it leaves you with sufficient income to maintain your usual standard of living.

Future Changes?

In July 2019, the OTS made a range of proposals to simplify some of the complexities of IHT. It had been expected (and rumoured) that some of these would be taken up in the first Budget of 2020, but instead the Chancellor made no mention of the tax. His silence in his first Budget of 2021 was followed shortly afterwards by an announcement of some simplification of reporting from January 2022. Despite a third Budget with no major change, IHT reform might still be on the agenda.

As is often the case with ‘simplification’, the OTS proposals would have created winners as well as losers. If IHT is a concern to you, then it would be wise to seek advice on which category you might fall into.

Will Review

Over 18 months ago, the start of the pandemic created a sudden awareness of the importance of having an up-to-date Will, just as Lockdown 1.0 made it difficult to create one. If you still have not updated your Will or do not have one, remember the lesson of Spring 2020 and sort matters out now *before* the unexpected urgency arrives.

PLANNING POINT

If you are making an annual exemption gift by way of a cheque, remember that legally the gift is only made once the cheque is cleared. Tuesday April 5 is the final banking day of the 2021/22 tax year. On this occasion, the timing of Easter is not an obstacle.

Business Owners

Corporation Tax Rate

The rate of corporation tax has been 19% since 1 April 2017. From 1 April 2023, for companies with profits of £250,000 and more, the rate will rise to 25%. For companies with profits of up to £50,000 a revived smaller companies' rate means that a 19% rate will continue. Between £50,000 and £250,000 of profits there will be a new relief which effectively means 19% on the first £50,000 of profits and 26.5% on the excess.

At present, operating via a company creates the opportunity to draw income as dividends, free of (NICs, and shelter profits at a corporation tax rate that is below the basic rate of income tax – rather than personal tax rates on earnings of up 45% (46% in Scotland). From April 2022, the increased rates for NICs and additional tax on dividends will change the calculation of relative advantage. A year later, the increased rate of corporation tax will bring about another revision in the financial maths for businesses with profits over £50,000.

Capital Allowances

Capital allowances have been subject to a variety of changes in recent years, ostensibly to encourage an increase in business investment.

The Annual Investment Allowance (AIA), which gives 100% initial relief for investment in plant and machinery, was 'temporarily' raised to £1,000,000 for two years from 1 January 2019 —That period was then extended to 31 December 2021. The AIA has been a favourite measure for Chancellors to tweak, so it is not surprising that Mr Sunak announced yet another extension for the £1,000,000 AIA, this time for 15 months, to 31 March 2023. In theory, the AIA will automatically revert to its previous £200,000 level on 1 April 2023.

Until that date the AIA is largely eclipsed for companies by the March Budget's 'super-deduction' of 130% of the amount invested in new qualifying plant and machinery. This effectively means a £247 tax reduction for each £1,000 of investment at the current corporation tax rate of 19%. For certain long-life assets, the 6% writing down allowance is supplemented by a 50% first year allowance, also running until April 2023.

Losses

The pandemic has led to many businesses trading at a loss. The Chancellor recognised this in the Spring Budget and temporarily extended the period over which both incorporated and unincorporated businesses can carry back trading losses from one year to three years.

The extension applies to up to £2m of an unincorporated business's unused trading losses made in each of 2020/21 and 2021/22. The same limit is relevant separately to companies' unused trading losses, after carry back to the preceding year, in relevant accounting periods ending between 1 April 2020 and 31 March 2021 and for the following accounting period. The £2m ceiling is a group-level limit. As a result, groups with companies that have the capacity to carry back losses above £200,000 are required to apportion the cap between their constituent companies.

PLANNING POINT

For now, loss relief means losses are more valuable and readily usable. Make sure you check your business's opportunity to claim back tax if you have made a loss.

Pension Changes

There have been many important pension changes in recent years, with one major measure announced in last year's Budget:

- In 2020/21, there was a £90,000 increase to both of the annual allowance tapering trigger points, lifting them to £200,000 (threshold income) and £240,000 (adjusted income). On the downside, the minimum tapered annual allowance was cut from £10,000 to £4,000 (for adjusted incomes of £312,000 and over). The changes mean some higher earners have become able to make larger contributions to their pension than they could before 2020/21, although at the highest level the opposite is true.

- In April 2018, the lifetime allowance started to rise in line with inflation, after a series of cuts that reduced the allowance from £1.8m to £1.0m. Indexation stopped again with the Spring 2021 Budget, meaning that the allowance will stay at £1,073,100 until 5 April 2026. At current annuity rates, that allowance will buy a 65-year old an inflation-linked income of about £30,350 a year before tax.

- Auto-enrolment minimum contributions into pension arrangements increased in April 2018 and again in April 2019. No further rises are currently scheduled, although it is widely accepted that today's 8% minimum total contribution rate is inadequate.

- The earnings threshold for auto-enrolment in 2022/23 is expected to remain at £10,000, with the upper limit held at £50,270, in line with the higher rate tax threshold (outside Scotland). The lower earnings limit, which sets the floor for the contribution earnings band, rises to £6,396.

- Changes to the SPA have finished for the time being with men and women currently sharing the same SPA of 66. The next move to an SPA of 67 is due to be phased in over two years from April 2026.

- From 6 April 2028, the normal minimum pension age for drawing private pension benefits will rise from 55 to 57. This is a step change – there is no phasing in.

Employer's National Insurance Contributions

In September 2021, the Chancellor announced 1.25 percentage points would be added to the employer's Class 1 NICs rate in 2022/23, taking it up to 15.05%. In 2023/24, the Class 1 rate will drop back to its current 13.8%, but the additional 1.25% will reappear as a separate Health and Social Care Levy (HSCL).

Self-employed NICs

The same 1.25 percentage points increase will apply to all Class 4 NIC rates for the self-employed in 2022/23, taking the rates up to 10.25% on earnings between £9,880 and £50,270 and 3.25% above that level. Again, from 2023/24 there will be a reversion to the old NIC rates, with the 1.25% addition rebranded as the HSCL. However, there is another revision to note: if you continue your self-employment beyond SPA (currently 66), then from 2023/24 you will have to pay the new levy on your earnings, even though you are not liable to pay NICs.

The self-employed suffer a potentially smaller hit from the NIC rises than the shareholder director of a company who will see two increases of 1.25 percentage points on salary – one at the employer level and the other as an employee. Drawing income by way of dividends will avoid NICs, but dividend tax rates increase by 1.25 percentage points from April 2022, and, for all but the smallest companies, a higher corporation tax arrives a year later.

Salary sacrifice

The Treasury's 2017 measures to curtail the use of optional remuneration arrangements (OpRA) (salary sacrifice schemes) have now bedded in. Most arrangements are now subject to employer's NICs (and taxed on the employee) based on the amount of salary given up rather than the notional value (if any) of the fringe benefit received. All the remaining transitional provisions for pre-6 April 2017 arrangements have now expired.

Salary sacrifice for pension contributions remains favourably treated and fully exempt from the rules. Cars with CO_2 emissions of 75g/km or less – typically electric or plug-in hybrids – are also exempt, which helps to explain why Teslas, Zoes and their ilk have become a more common sight in the UK. These exemptions from the OpRA rules are set to become more popular thanks to the 1.25 percentage points increases in employers' and employees' NICs that take effect from 2022/23.

PLANNING POINT

The exemption given from the OpRA rules to low emission vehicles makes these worth considering if you want to exchange salary for a company car.

Business Rates

The pandemic prompted the introduction of a range of initiatives on business rates and grants based on business rateable values, the most significant of which was probably the business rates holiday for retail, hospitality and leisure businesses, which ended on 30 June 2021. This was replaced by a more restricted 66% business rates relief aimed at smaller businesses which will end on 31 March 2022.

In June, the Treasury launched a consultation on increasing the frequency of property revaluations for the English business rates system to every three years, rather than five. At present business rates are based on 2015 valuations, with the next change due to use 2021 valuations from 2023.

At the time the consultation was published, the Treasury said that it formed one part of a 'Fundamental Review of Business Rates, which will be published later this Autumn'. The measures announced in the Budget were not as radical as some might have hoped:

- The business rates multiplier will be frozen for a second year, from 1 April 2022 until 31 March 2023.
- A new temporary business rates relief will be introduced for eligible retail, hospitality and leisure properties for 2022/23. Eligible properties will receive 50% relief, up to a £110,000 per business cap.
- A 100% improvement relief will be introduced, providing 12 months relief from higher bills for occupiers where eligible improvements to an existing property increase the rateable value. The Government will consult on how best to implement this relief, which will take effect in 2023 and be reviewed in 2028.
- From 1 April 2023 until 31 March 2035 targeted business rate exemptions will be available for eligible plant and machinery used in onsite renewable energy generation and storage, and there will be a new 100% relief for eligible heat networks.
- Business rates revaluations will take place every three years, starting in 2023.

- Transitional relief for small and medium-sized businesses, and the supporting small business scheme will be extended for one year. This will restrict bill increases to 15% for small properties (up to a rateable value of £20,000 or £28,000 in Greater London) and 25% for medium properties (up to a rateable value of £100,000), subject to subsidy control limits.

The Government is also continuing to explore the arguments for and against a UK-wide Online Sales Tax (OST) and will publish a consultation shortly. If introduced, the revenue from an OST would be used to reduce business rates for retailers in England (and the devolved administrations will be compensated).

Dividends or Salary...

Next tax year's changes to NICs and dividend tax rates have altered the mathematics of the choice between dividends and salary. For shareholder/directors able to choose between the two, and not caught by the ever-tightening off-payroll working (IR35) rules, a dividend remains the more efficient choice even if no dividend allowance is left, as the example below shows. However, a pension contribution (within the annual allowance provisions) could avoid all immediate tax and NIC costs. The balance will alter again from 2023/24 when the increases in corporation tax take effect for companies with profits above £50,000.

….Or nothing at all?

For some business owners, the ultimate way to limit their tax bill is to choose to leave profits in the company rather than draw them either as dividend or salary. With the top rate of income tax currently at 45% (46% in Scotland) - and marginal rates potentially much higher - there is an obvious argument for allowing profits to stay within the company, where the maximum tax rate is currently 19% and will not rise above an overall 25%.

This strategy has tax risks in terms of eligibility for business asset disposal relief and IHT business relief. There is also a risk that reform to CGT could raise the tax rate, or even re-characterise accumulated profits as income for tax purposes on liquidation or sale of the company. IHT reform might also have an impact. Money left in the company is also money exposed to creditors, so professional advice should be sought before turning a business into a money box.

Make Mine a Dividend

A director/shareholder has £25,000 of gross profits in his company which he wishes to draw, either as bonus or dividend in 2022/23. Assuming:

- the company pays corporation tax at the rate of 19%;
- the director is not resident in Scotland;
- and they already have annual income in excess of £50,270

the choice can be summarised thus:

	Bonus £		Dividend £	
	Higher rate	Additional rate	Higher rate	Additional rate
Marginal gross profit	25,000	25,000	25,000	25,000
Corporation tax @ 19%	N/A	N/A	(4,750)	(4,750)
Dividend	N/A	N/A	20,250	20,250
Employer's NICs				
Contributions £21,730 @ 15.05%^	(3,270)	(3,270)	N/A	N/A
Gross bonus	21,730	21,968	N/A	N/A
Director's NICs £21,730 @ 3.25%	(706)	(706)	N/A	N/A
Income tax *	(8,692)	(9,779)	(6,834)	(7,968)
Net benefit to director	**12,332**	**11,245**	**13,416**	**12,282**

^ *The Employment Allowance is assumed to be used or unavailable.*
**Tax on all dividends at 33.75% for higher rate taxpayer and 39.35% for additional rate taxpayer as the dividend allowance is assumed to be fully utilised elsewhere.*

Employees

Company Cars

The company car benefit scales underwent radical changes at the start of 2020/21, reflecting the replacement of the old and discredited New European Driving Cycle (NEDC) emissions test with the new Worldwide Harmonised Light Vehicle Test Procedure (WLTP) 'real world' test. The result was two separate scales for cars depending upon whether they were registered before or on/after 6 April 2020. In 2022/23, that distinction falls away and the scale percentages for WLTP generally rise by 1% to match the frozen NEDC rates. The 2022/23 rates will then apply for the following two tax years.

The scale charge for zero emission cars (e.g. electric-only) will double – but only to 2% – for 2022/23 to 2024/25. Zero and low emission (not more than 75g/km CO_2) cars remain attractive options under salary sacrifice arrangements as they are not subject to the OpRA rules (which tax the greater of the salary foregone and the car's scale value).

At the other end of the emission scale, the maximum charge for 2022/23 will stay at 37% and will apply for petrol engine and RDE2 diesel engine cars with emissions of 160g/km. The corresponding limit for older non-RDE2 diesel engine cars is 140g/km respectively.

PLANNING POINT

If you are changing your car soon, think ahead to what it will cost you in tax terms. It may make sense to accept cash instead of a new car, switch to a hybrid vehicle or join the growing band of Tesla drivers.

Pensions

The pensions landscape has altered dramatically in recent years and continues to change. As a reminder:

- For 2020/21 there was a £90,000 increase to both of the annual allowance tapering trigger points, taking them to £200,000 (threshold income) and £240,000 (adjusted income). However, there was a sting in the tail for people with very high incomes: the minimum tapered annual allowance dropped from £10,000 to £4,000 (at an adjusted income of £312,000 or more).

- Automatic enrolment for employees in a workplace pension arrangement is now fully in force, with new employees automatically enrolled. A second increase in the minimum contribution rates took place from April 2019, raising the total (employer and employee) contributions from 5% of "band earnings" (£6,448 - £50,270 in 2022/23) to 8%. No further increases are scheduled at present. Nevertheless, pension experts generally agree that if your total pension contribution rate is 8% you are unlikely to achieve an adequate retirement income.

- The new state pension started in April 2016, replacing both the basic state pension and the second state pension (S2P). In the long term the reform will create more losers than winners as the earnings-related element was removed.

- State pension age (SPA) increases have stopped for the time being at age 66. An increase to 67 is due between April 2026 and March 2028. The rise to 68 is scheduled between April 2037 and March 2039, although the necessary legislation has been deferred and the dates could change due to a slowing rate of life expectancy increases. By 2050 – so if you are under 40 now – you could be facing a SPA of 69.

- The Government has confirmed that from 6 April 2028 the normal minimum age at which you can draw benefits from a private pension will rise from 55 to 57. It will be a step change with no phasing in – bad news if you were born on 6 April 1973.

- In the Spring Budget the lifetime allowance was frozen at £1,073,100 until 6 April 2026. By coincidence, that date will mark the 20th anniversary of the lifetime allowance introduction – at a level of £1,500,000.

PLANNING POINT

The carry forward rules allow unused annual allowances to be carried forward for a maximum of three tax years. Thus, 5 April 2022 will be your last opportunity to rescue unused allowance of up to £40,000 from 2018/19.

Tax relief for low-earners' pension contributions

The Chancellor announced changes to the operation of pension tax relief for low earners who use the Net Pay Arrangement, effective from 2024/25. The amendments will ensure that low-earners using the Net Pay system receive the equivalent of 20% tax relief on their pension contributions, even if they are non-taxpayers.

Salary Sacrifice

From 2022/23, NICs can amount to 28.3% of gross pay – up to 15.05% for the employer and up to 13.25% for the employee. The corollary is that avoiding NICs can save up to 28.3% of pay. A widely applied example of turning NICs to an advantage is in the use of salary sacrifice to pay pension contributions. Instead of making personal contributions out of your net pay, you accept a lower salary and your employer makes a pension contribution. If the employer passes on all the NIC saving, the pension contribution could be up to almost 38% higher, as the example shows.

A WORTHWHILE SACRIFICE

	PERSONAL CONTRIBUTION		SALARY SACRIFICE EMPLOYER CONTRIBUTION (SACRIFICED AMOUNT + NIC SAVING)	
Tax Rate	**20%**	**40%**	**20%**	**40%**
	£	**£**	**£**	**£**
Gross Salary	1,000	1,000	Nil	Nil
Employer Pension Contribution	Nil	Nil	1,150.5	1,150.5
Employer NI Contribution (15.05%)	150.5	138	Nil	Nil
Total Employer Outlay	1,150.5	1,138	1,150.5	1,150.5
Employee Salary	1,000	1,000	Nil	Nil
Less Income Tax	(200)	(400)		
Less NI Contributions (13.25%/3.25%)	(132.5)	(32.5)		
Net Pay = Net Pension Contribution	667.5	567.5		
Tax Relief	166.9	378.3		
Total Pension Contribution	**834.4**	**945.8**	**1,150.5**	**1,150.5**

PLANNING POINT

On 6 April 2016 the standard lifetime allowance was reduced to £1,000,000. It has since been increased in line with inflation twice and will now remain to £1,073,100 until 6 April 2026. However, there is still the possibility of claiming transitional protection of up to £1,250,000.

Retiree/At Retirement

The pension landscape in Autumn 2021

There have been many changes to pensions in recent years, including:

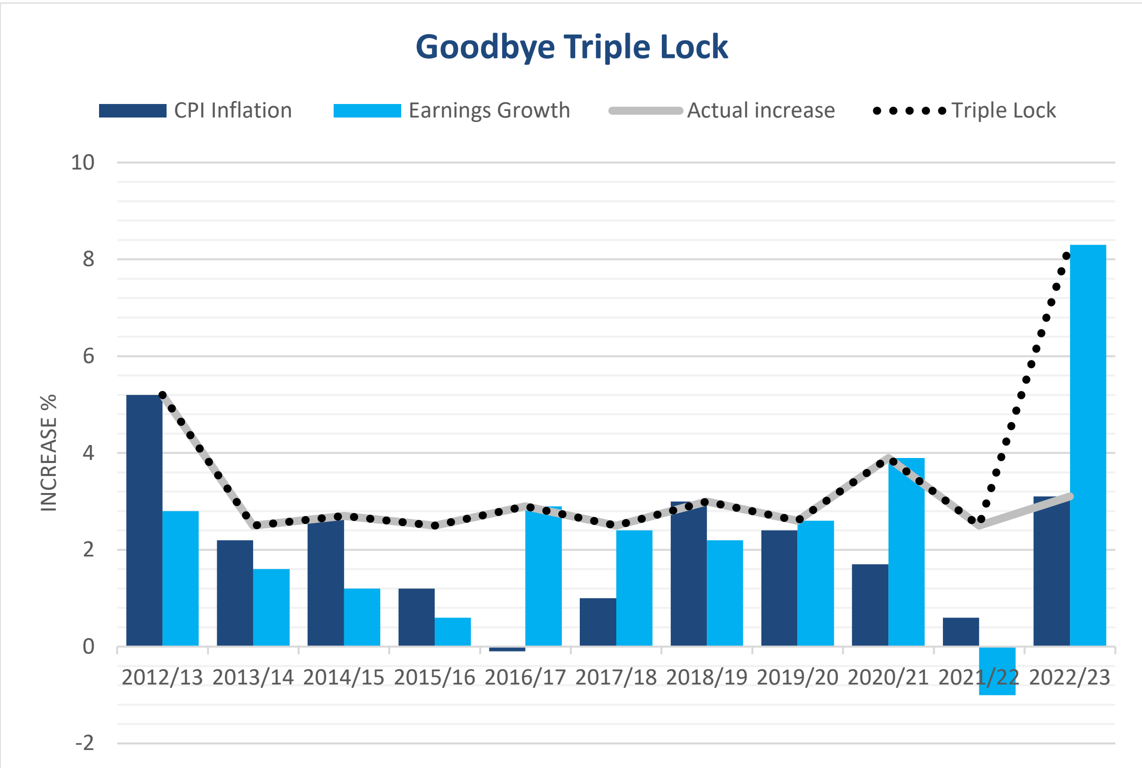
- Three reductions in the standard lifetime allowance brought it down from £1.8m in 2011/12 to £1m for 2016/17. This allowance effectively sets a tax-efficient ceiling for the value of pension benefits and, from April 2018, started to rise annually in line with CPI inflation. However, that has now ceased, meaning the allowance will remain at £1,073,100 until 6 April 2026.

- Further increases to the SPA, both legislated for and planned. For men and women, SPA reached 66 last year. The next step up to a SPA of 67 will start in April 2026.

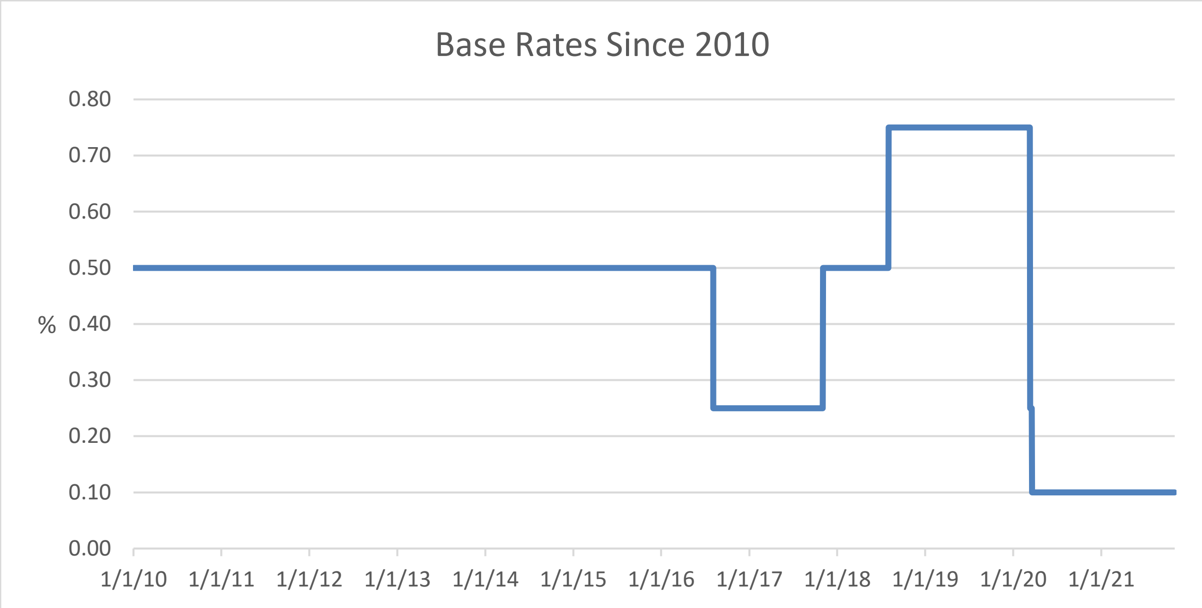
- New rules, which have given much greater flexibility in drawing benefits from money purchase schemes, started on 6 April 2015 and have encouraged many people to turn their entire pension pot into (mostly taxable) cash. The new flexibility was accompanied by more generous tax treatment of death benefits, adding to the opportunities that pensions offer for estate planning.

- The single-tier state pension started on 6 April 2016. If you are near to state pension age, it is worth checking whether your NICs record will gain you the maximum available.

- The Triple Lock, which increased the new and old state pension by the greater of earnings growth, CPI inflation and 2.5% has been suspended for the coming year. The earnings growth element (8.3% due to pandemic created distortions) has been dropped, limiting the 2022/23 increase to September's annual CPI inflation (3.1%). As a result, the new state pension, launched in April 2016, will not have kept pace with earnings. The removal of the Triple Lock, although only for one year, will save the Treasury £5.4bn in 2022/23, rising to £6.7bn in 2026/27.



Interest Rates: Lower for longer and longer…



When 2020 began, the Bank of England base rate was at its highest level since March 2009 - 0.75%. Two cuts during March in response to the impact of the pandemic on the economy took the rate down to 0.1%. The Bank is now hinting strongly that it will start to increase rates, possibly on 4 November. However, a rate above 1% still looks some way off.

The main UK banks seem to have long since given up competing for deposits in this low-interest-rate environment, as has NS&I after its round of cuts late last year and launch of its new Green Bond. The best instant access rates for new accounts are now from new and challenger banks at around 0.6%. A similar picture emerges for instant access cash ISAs.

If ultra-low interest rates are a concern to you:

- Make sure you take maximum advantage of your PSA and, where possible, your starting rate band.
- Maximise your cash ISAs, which pay interest tax free.
- Regularly check the interest rate on all your deposit accounts. It is especially important to watch accounts with bonus rates – once the bonus period ends they can look very unattractive. Do not simply wait for the next statement: if you are only earning 0.001%, you need to know now. Note that the NS&I Income Bonds and Investment Account now both pay only 0.01%. By a curious twist, the best NS&I offerings are Premium Bonds, which have a prize fund (tax-free) rate of 1%.
- Last week National Savings & Investments revealed a fixed rate of 0.65% for the new Green Savings Bond, originally announced in the March Budget. This is a three-year growth bond – it does not pay income, although it potentially creates a tax liability each year. The rate compares with top three-year fixed rate bonds in the market paying up to around 1.8%, so hardly counts as competitive.
- Be wary of tying your money up in a fixed-term deposit for five or more years simply to achieve a higher interest rate. A lot can happen in five years – just think back to 2016.
- Consider investing in UK equity income funds, where yields of 4% and more are available. You will lose capital security, but your initial income would be usefully higher and the dividend allowance currently lets you receive

£2,000 of dividends before paying any dividend tax, regardless of your personal tax rate. While dividends fell sharply last year in the wake of the pandemic, they are now recovering strongly.

PLANNING POINT

If you have not yet arranged an ISA or invested up to the 2021/22 maximum, think about doing so. If you are unsure where to invest at present, you can always leave your money on deposit, even in a stocks and shares ISA. Just don't expect it to earn much interest.

Drawing your pension

If you are due to start drawing an income from your pension plan, make sure that you take advice about your options. When the new rules were first introduced the Government launched Pension Wise (now part of the Money and Pensions Service) to help people through the complexities, but this service only offers guidance, not personal advice: you will still have to make the final decisions. The Pension Wise guidance does not attempt to integrate pension choices with your other financial planning, e.g. estate planning.

If you think how long you might live with the cost of a wrong choice, it is clear that getting independent advice is the route to take.

PLANNING POINT

The changes to the death benefit rules on pensions from 6 April 2015 mean your pension plan could provide income for future generations, as your beneficiaries will be able to pass the remaining fund to their children and so on down the line. One consequence is that from a IHT planning viewpoint it can be better to draw on – and even run down – non-pensions assets in retirement rather than use your pension arrangements as a source of income. The further freeze to April 2026 in the nil rate band has heightened the attraction of pensions as part of estate planning.

Parents

Child benefit

The High Income Child Benefit Tax Charge – the child benefit tax – means that if you or your partner has income of £60,000 or more in the current tax year there will be a tax charge equal to your total child benefit unless you have taken a decision to stop benefit payments.

Between £50,000 and £60,000 of income, the tax charge is 1% of benefit for each £100 of income above £50,000 – a threshold in 2021/22 (and 2022/23) that is below the starting point for higher rate tax (other than in Scotland). The result can be high marginal rates of tax in the £50,000-£60,000 income band. If you have three children eligible for child benefit, the marginal rate is over 65%.

PLANNING POINT

As the High Income Child Benefit Tax Charge is based on taxable income, you could reduce the impact of the tax by making a pension contribution.

Junior ISAs

Junior ISAs (JISAs) were launched in November 2011 with an annual investment limit of £3,600, which has been increased over the years to £9,000. That limit will continue to apply for 2022/23. JISAs can be invested in cash deposits and/or stocks and shares in any proportion and can usually be arranged for any child who was born after 2 January 2011. A child cannot have both a JISA and a Child Trust Fund (CTF) account (which has the same investment limits). It is possible to transfer CTF accounts to a JISA, a move that may result in reduced fees and a wider investment choice.

The first CTF accounts, for children born in September 2002, reached maturity in September 2020. By default, matured CTF accounts have continued to enjoy the current UK ISA tax exemptions as a ‘protected account’. If instructions are given, they can be transferred to an adult ISA, with any such transfer not counting as a contribution for the tax year, unless it is to a LISA. According to a recent press release from HMRC, ‘thousands of teenagers’ are missing out on CTF cash. Many CTFs are ‘lost’ with just one payment of £250 having been made by the Government over a decade ago. To trace a CTF, go to https://www.gov.uk/child-trust-funds/find-a-child-trust-fund.

University funding

The £9,250 a year maximum tuition fee for new 2022/23 students in England and Wales is, for now, a fact of student life, even if the educational process is much less certain.

If you have children likely to go to university, it makes sense to consider your funding options. For example, JISAs are a potentially valuable tool to build up a fund by age 18. For those who prefer a greater degree of control over the student's access to the investment at age 18 (while retaining tax efficiency) collective investments held subject to an appropriate trust can look attractive, as could an offshore investment bond.

Despite these tax-efficient "pre-funding" opportunities, under the current rules many experts consider that it makes sense to take the student fee loans while at university rather than pay fees from capital. That is because repayment for most recent and new English and Welsh loans only begins once earnings reach an unchanged £27,295 and any debt is currently written off after 30 years from the April after graduation.

Facts & Figures

MAIN INCOME TAX ALLOWANCES AND RELIEFS

	2021/22	2022/23
	£	£
Personal allowance – standard	12,570	12,570
Personal allowance reduced if total income exceeds ∞	100,000	100,000
Transferable tax allowance (marriage allowance)§	1,260	1,260
Property allowance	1,000	1,000
Trading allowance	1,000	1,000
Rent a room relief	7,500	7,500
Employment termination lump sum limit	30,000	30,000

∞ For 2021/22 and 2022/23 the reduction is £1 for every £2 additional income over £100,000. As a result, there is no personal allowance if total income exceeds £125,140.

§ Available to spouses and civil partners born after 5 April 1935, provided neither party pays tax at above basic rate.

INCOME TAX RATES (UK EXCLUDING SCOTTISH TAXPAYERS' NON-DIVIDEND, NON-SAVINGS INCOME)

	2021/22	2022/23
	£	£
Starting rate	0%	0%
Starting rate on savings income	1-5,000	1-5,000
Personal savings allowance (for savings income)		
- Basic rate taxpayers	1,000	1,000
- Higher rate taxpayers	500	500
- Additional rate taxpayers	Nil	Nil
Basic rate	20%	20%
Higher rate - 40%	37,701-150,000	37,701-150,000
Additional rate on income over £150,000	45%	45%
Discretionary and accumulation trusts (except dividends) °	45%	45%
Discretionary and accumulation trusts (dividends) °	38.1%	39.35%
Dividend nil rate band (dividend allowance)	1-2,000	1-2,000
Basic rate on dividends	7.5%	8.75%
Higher rate on dividends	32.5%	33.75%
Additional rate on dividends	38.1%	39.35%
High income child benefit charge	1% of benefit per £100 income between £50,000 and £60,000	

° Up to the first £1,000 of gross income is generally taxed at the standard rate, i.e. 20% or 8.75% (7.5% in 2021/22) as appropriate.

For Scotland, the 2021/22 tax bands and tax rates, which cover only non-dividend and non-savings income, are:

19% starter rate on income up to	£2,095
20% basic rate on next slice of income up to	£12,722
21% intermediate rate on next slice up to	£30,860
41% higher rate on next slice up to	£150,000
46% top rate on income over	£150,000

Scottish rates for 2022/23 will be announced in the Scottish Budget on 9 December.

CAR BENEFITS

Company car tax

The charge is based on a percentage of the car's "price". "Price" for this purpose is the list price at the time the car was first registered including delivery and the price of extras but excluding the first registration fee or annual road tax.

For cars first registered after 31 December 1997 the charge, based on the car's "price", is graduated according to the level of the car's approved CO_2 emissions.

For zero emission cars

2021/22	2022/23
1%	2%

For petrol or diesel hybrid cars with an approved CO^2 emission figure of up to 50g/km.

	2021/22		2022/23	
ELECTRIC-ONLY RANGE (MILES)	NEDC: REGISTERED BEFORE 6/4/2020	WLTP: REGISTERED AFTER 5/4/2020	NEDC: REGISTERED BEFORE 6/4/2020	WLTP: REGISTERED AFTER 5/4/2020
LESS THAN 30	14%	13%	14%	14%
30-39	12%	11%	12%	12%
40-69	8%	7%	8%	8%
70-129	5%	4%	5%	5%
130 OR MORE	2%	1%	2%	2%

For petrol and RDE2° diesel cars with an approved CO^2 emission figure of more than 50g/km.

	2021/22		2022/23	
EMISSIONS G/KM	NEDC: REGISTERED BEFORE 6/4/2020	WLTP: REGISTERED AFTER 5/4/2020	NEDC: REGISTERED BEFORE 6/4/2020	WLTP: REGISTERED AFTER 5/4/2020
51-54	15%	14%	15%	15%
55 AND ABOVE	16%* - 37%	15%* - 37%	16%* - 37%	16%* - 37%

° For diesels not meeting RDE2 emission standards (which became mandatory for registrations from 1 January 2021), add 4%, maximum 37%.
* Calculated as 1% above 51-54g/km scale percentage for each extra 5g/km above 50g/km, subject to a maximum of 37%.

CAR FUEL BENEFITS

For cars with an approved CO2 emission figure, the benefit is based on a flat amount of £25,300 (£24,600 for 2021/22). To calculate the amount of the benefit the percentage figure in the above car benefits table (that is from 0% to 37%) is multiplied by £25,300. The percentage figures allow for a diesel fuel surcharge. For example, in 2022/23, a petrol car registered before 6 April 2020 emitting 118g/km would give rise to a fuel benefit of 28% of £25,300 = £7,084.

INHERITANCE TAX

	CUMULATIVE CHARGEABLE TRANSFERS [GROSS]		TAX RATE ON DEATH %	TAX RATE IN LIFETIME* %
	2021/22 £	2022/23 £		
Nil rate band+	325,000	325,000	0	0
Residence nil rate band¶	175,000	175,000	0	N/A
Residence nil rate band reduced if estate exceedsº	£2,000,000	£2,000,000	N/A	N/A
Excess above available nil rate band(s)	No limit	No limit	40∞	20

* Chargeable lifetime transfers only.
+ On the death of a surviving spouse on or after 9 October 2007, their personal representatives may claim up to 100% of any unused proportion of the nil rate band of the first spouse to die (regardless of their date of death).
¶ On the death of a surviving spouse on or after 6 April 2017, their personal representatives may claim up to 100% of any residence nil rate band of the first spouse to die (regardless of their date of death, but subject to the tapered reduction).
º The reduction is £1 for every £2 additional estate over £2,000,000. As a result, there is no residence nil rate band available if the total estate exceeds £2,350,000 (£2,700,000 on second death if the full band is inherited).
∞ 36% where at least 10% of net estate before deducting the charitable legacy is left to charity.

CAPITAL GAINS TAX

Main exemptions and reliefs

	2021/22 £	2022/23 £
Annual exemption	12,300*	12,300*
Principal private residence exemption	No limit	No limit
Chattels exemption	£6,150	£6,150
Business asset disposal relief	Lifetime cumulative limit £1,000,000. Gains taxed at 10%	Lifetime cumulative limit £1,000,000. Gains taxed at 10%

* Reduced by at least 50% for most trusts.

Rates of tax

Individuals:	10% on gains within UK basic rate band, 20% for gains in UK higher and additional rate bands
Trustees and personal representatives:	20%
Additional rate for residential property and carried interest gains	8%

STAMP DUTY LAND TAX, LAND AND BUILDINGS TRANSACTION TAX, LAND RESTRICTION TAX AND STAMP DUTY

England and Northern Ireland: Stamp Duty Land Tax (SDLT) from 1 October 2021 on slices of value

RESIDENTIAL PROPERTY	%	COMMERCIAL PROPERTY	%
Up to £125,000	0	Up to £150,000	0
£125,001 – £250,000	2	£150,001 – £250,000	2
£250,001 – £925,000	5	Over £250,000	5
£925,001 – £1,500,000	10		
Over £1,500,000	12		

- 15% for purchases over £500,000 by certain non-natural persons.
- First-time buyers: first £300,000 slice of value at 0% if property consideration is not more than £500,000.
- All rates increased by 3% for purchase of additional residential property if value is £40,000 or more.
- All rates increased by 2% for purchase of residential property by non-UK resident if value is £40,000 or more.
- For qualifying property in English Freeports, a 0% SDLT rate applies.

Scotland: Land and Buildings Transaction Tax (LBTT) from 1 April 2021 on slices of value

RESIDENTIAL PROPERTY	%¶	COMMERCIAL PROPERTY	%
£145,000* or less	0	£150,000 or less	0
£145,001* to £250,000	2	£150,001 to £250,000	1
£250,001 to £325,000	5	Over £250,000	5
£325,001 to £750,000	10		
Over £750,000	12		

¶ All rates increased by 4% for purchase of additional residential property if value is £40,000 or more.

- £175,000 for first-time buyers.

Wales: Land Transaction Tax (LTT) from 1 July 2021 on slices of value

RESIDENTIAL PROPERTY	%¶	COMMERCIAL PROPERTY	%
£180,000 or less	0	£225,000 or less	0
£180,001 to £250,000	3.5	£225,001 to £250,000	1
£250,001 to £400,000	5	£250,001 to £1,000,000	5
£400,001 - £750,000	7.5	Over £1,000,000	6
£750,001 to £1,500,000	10		
Over £1,500,000	12		

¶ All rates increased by 4% for purchase of additional residential property if value is £40,000 or more.

UK Stamp Duty (including SDRT)

Stocks and marketable securities:	0.5%

No stamp duty charge unless the duty exceeds £5.

CORPORATION TAX

	YEAR ENDING 31 MARCH	
	2022	2023
MAIN RATE	19%	19%

TAX-PRIVELEGED INVESTMENTS (MAXIMUM INVESTMENT)

	2021/22 £	2022/23 £
ISA		
Overall per tax year:	20,000	20,000
Maximum in cash for 16 and 17 year olds	20,000	20,000
Junior ISA (additional to overall limit for 16-17 year olds)	9,000	9,000
Lifetime ISA	4,000	4,000
Help to buy ISA°	200 a month	200 a month
ENTERPRISE INVESTMENT SCHEME (30% income tax relief)	2,000,000*	2,000,000*
Maximum carry back to previous tax year for income tax relief	2,000,000	2,000,000
SEED ENTERPRISE INVESTMENT SCHEME (50% income tax relief)	100,000¶	100,000¶
VENTURE CAPITAL TRUST (30% income tax relief)	200,000	200,000

° Closed to new investors from 1 December 2019. Existing investors may continue to contribute.

* Income tax-relieved investment above £1m must be in knowledge-intensive companies.
No limit for CGT reinvestment relief.

¶ 50% CGT reinvestment exemption in 2021/22 and 2022/23

PENSIONS

	2021/22	2022/23
Lifetime allowance*	£1,073,100	£1,073,100
Lifetime allowance charge: Excess drawn as cash Excess drawn as income	55% of excess 25% of excess	
Annual allowance	£40,000	£40,000
Annual allowance taper:¶ Threshold income limit Adjusted income limit Minimum annual allowance	£200,000 £240,000 £4,000	£200,000 £240,000 £4,000
Money purchase annual allowance	£4,000	£4,000
Annual allowance charge	20%-45% of excess	
Max. relievable personal contribution	100% relevant UK earnings or £3,600 gross if greater	

* May be increased under 2006, 2012, 2014 or 2016 transitional protection provisions.
¶ 50% taper down to the minimum allowance based on excess over adjusted income limit if threshold income limit is also exceeded.

NATIONAL INSURANCE CONTRIBUTIONS

CLASS 1 EMPLOYEE				
	2021/22		2022/23	
	Employee	Employer	Employee	Employer+
Main NIC rate	12%	13.8%	13.25%	15.05%
No NICs on first:				
Under 21*	£184 pw	£967 pw	£190 pw	£967 pw
21+ & over	£184 pw	£170 pw	£190 pw	£175 pw
Main NIC charged up to	£967 pw	No limit	£967 pw	No limit
Additional NIC rate on earnings over	2% £967 pw	N/A	3.25% £967 pw	N/A

* Under 25 for apprentices.
+ No employer NICs for veterans in first 12 months of civilian employment.
No employer NICs on the first £481 per week of earnings for employees in Freeports (Great Britain only) from 6 April 2022 for the first 36 months of employment.

EMPLOYMENT ALLOWANCE		
	2021/22	2022/23
Per business*	£4,000	£4,000

* Not available if a director is the sole employee or the previous tax year’s secondary NICs were £100,000 or more

Limits and thresholds	**2021/22**		**2022/23**	
	Weekly £	**Yearly £**	**Weekly £**	**Yearly £**
Lower earnings limit	120	6,240	123	6,396
Primary earnings threshold	184	9,568	190	9,880
Secondary earnings threshold	170	8,840	175	9,100
Upper secondary threshold – U21s*	967	50,270	967	50,270
Upper earnings limit	967	50,270	967	50,270

* Under 25 for apprentices.

Self-employed and non-employed	**2021/22**	**2022/23**
Class 2		
Flat rate	£3.05 pw	£3.15 pw
Small profits threshold	£6,515 pa	£6,725 pa
Class 4 (Unless over state pension age on 6 April)		
On profits	£9,568– £50,270 pa: 9%	£9,880 – £50,270 pa: 10.25%
	Over £50,000 pa: 2%	Over £50,270 pa: 3.25%
Class 3 (Voluntary)		
Flat rate	£15.40 pw	£15.85 pw

If you have any questions, please speak to your Wealth Manager in the first instance.

All tables regarding taxation are courtesy of information available from https://www.gov.uk/government/publications/autumn-budget-2021-overview-of-tax-legislation-and-rates-ootlar and have been provided by Technical Connection

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