Autumn Budget 2021
Analysis

INTRODUCTION

The October 2021 Budget and Spending Review was Rishi Sunak's second opportunity this year to 'shape the UK economy'. Unusually many of the Autumn Budget measures were announced in advance, on top of the tax raising that was revealed in the March 2021 Budget.

What we already knew:

- Main allowances, thresholds and exemptions for Income Tax, Capital Gains Tax and Inheritance Tax are frozen until April 2026.
- Lifetime Allowance of £1,073,100 is frozen until 2025/26.
- A temporary 1.25% increase in Class 1 and Class 4 National Insurance Contributions in 2022 to 2023 only to fund the Health and Social Care Levy.
- From April 2023 individuals, including those over the State Pension Age, will pay the new 1.25% Health and Social Care Levy.
- Full Corporation Tax Rate rising to 25% from 1st April 2023.
- The Office of Tax Simplification (OTS) reviews of Capital Gains Tax and Inheritance Tax have been published.

And what the Chancellor told us today:

- The government has provided £378 billion of direct support for the economy over the last year, including supporting 11.7 million jobs.
- The Chancellor has written to the Governor of the Bank of England reaffirming the 2% consumer price inflation target.
- Office of Budget Responsibility (OBR) expects economic growth to be faster than expected; 6.5% this year, 6.0% in 2022, then 2.1% in 2023, and 1.3% in 2024.
- First two Green Gilt issues have raised £26.1 billion, and the first NS&I Green Savings Bond has launched offering a 3-year fixed term at 0.65%.
- Focus on investment in R&D and innovation to deliver a high-wage, high-skilled, high productivity economy.
- Business rates reform has been published and a 50% business rates relief will apply to retail, hospitality and leisure businesses.
- A new 'business rates improvement relief' effectively deferring business rates reviews for 12 months after renovations.
- An £11.5 billion Affordable Homes Programme has been launched, with a target of 180,000 affordable houses.
- Low earners will benefit from the proposed correction in the Pensions net pay scheme as they currently do not receive tax relief on contributions.
- Apprenticeships and Lifetime Skills Guarantee received additional funding including a new 'Multiply' programme to improve adult numeracy skills.
- Universal Credit taper rate was reduced from 63% to 55%, as well as increasing work allowances, effectively increasing the net retained income.

Having announced the revenue raising prior to the Autumn Budget, the Chancellor was able to focus on spending. The measures show clear emphasis on supporting targeted individuals and businesses through the next phase of the pandemic. The rules for how much you can invest in tax efficient pensions and ISAs remain unaffected, and there are also many incentives to business for capital investment.

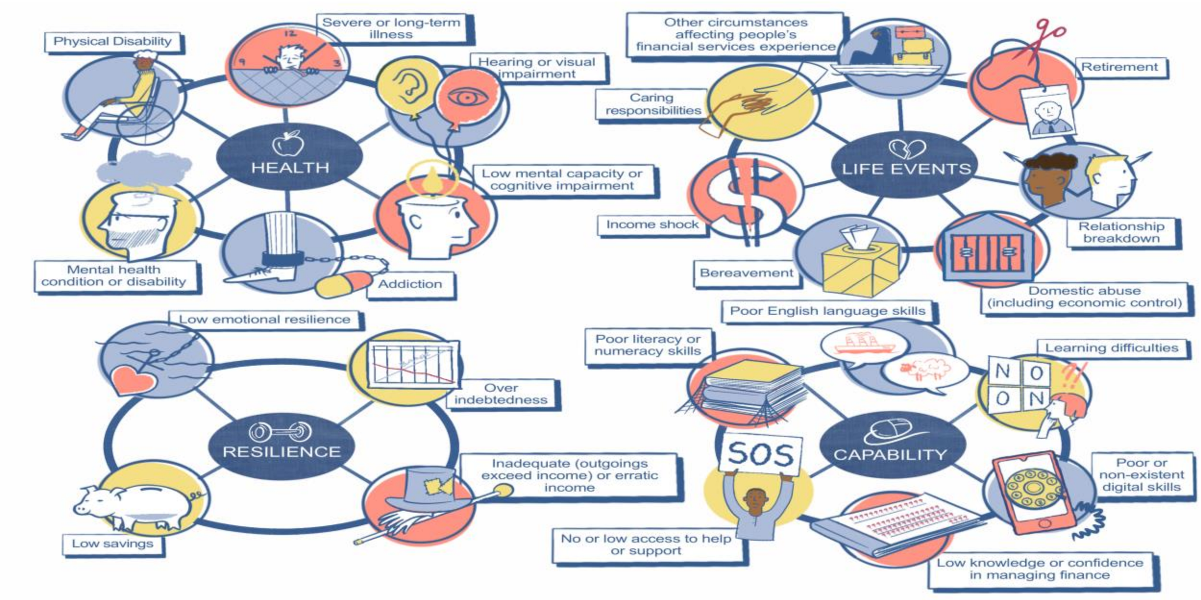
The Chancellor committed to reducing taxes by the end of this parliament, although individuals will first need to navigate through the increased cost of living predicted, and higher taxation previously announced.

Our Budget analysis focusses on changes announced in the Budget speech and supporting papers, and what they mean for financial planners and their clients. We supplement this with an Appendix setting out the 2022/23 tax rates and allowances.

YOUR GUIDE TO THE BUDGET ANALYSIS

CLIENTS IN VULNERABLE CIRCUMSTANCES

Vulnerability is driven by life events, poor health, financial resilience, and capability. It is evident across all ages and client groups, with the pandemic exposing client's needs across the UK population. The Financial Conduct Authority (FCA) Guidance, published in February 2021, available here, gives financial planners clear guidance on considering our client's vulnerabilities and any additional support they may require ensuring fair treatment.



"Millions of adults in the UK have numeracy skills lower than that expected of a nine-year-old"

The Budget had two key measures to support financial resilience and capability:

- Universal Tax Credit Taper
  - Reducing the taper rate in Universal Credit from 63% to 55%, meaning Universal Credit claimants will be able to keep an additional 8p for every £1 of net income they earn.
  - Increasing the amount that households with children or a household member with limited capability for work can earn before their Universal Credit award begins to be reduced – the Work Allowances – by £500 a year.

- Multiply Programme
  - Meeting the government's commitment to the National Skills Fund they will expand the Lifetime Skills Guarantee so more adults in England can access funding for in-demand Level 3 courses and scale up Skills Bootcamps. Additionally, the government is launching the innovative Multiply programme, providing opportunities for adults across the whole

of the UK to develop their numeracy skills. Flexible courses and an online platform will help people improve their confidence with numbers and learn around their busy lives. More can be found here.

Below we have highlighted where we believe clients in vulnerable circumstances may be impacted by the October 2021 Budget announcements.

Budget Announcement	**HEALTH** 	**LIFE EVENTS** 	**RESILIENCE** 	**CAPABILITY** 
Adult skills funding				✓
Asylum and Refugee support		✓	✓	✓
Affordable Homes Programme		✓	✓	
Business rates reform			✓	
Digital Technology	✓		✓	
Freezing the business rates multiplier			✓	
Increase the rates of income tax applicable to dividend income			✓	
National Insurance increases			✓	
National Living Wage		✓	✓	
NHS Diagnostics	✓			
Pensions Net Pay Scheme			✓	
Removal of the Public Sector pay freeze			✓	
UK Shared Prosperity Fund		✓	✓	✓
Universal Credit taper		✓	✓	

SYMBOL KEY

Links to relevant family tree persona types

What was the Budget announcement?

When does this come into effect?

What should financial planners do next?

Relevant topics on Techlink

1. INCOME TAXATION

Relevant Persona Type(s)

Established Investors	Maximum Outlay	Affluent Singles & Couples	Stable Reserves

What income tax changes have been announced since the last Budget?

As announced at the March 2021 Budget, the personal income tax allowance, basic rate limit and higher rate threshold will remain frozen at current levels for tax years up to and including 2025/26. This means that for tax year 2022/23:

- The personal allowance will remain at £12,570
- The basic rate limit will remain at £37,700
- The higher rate threshold will remain at £50,270

It was announced in September that, with effect from 6 April 2022, dividend income tax rates would rise by 1.25%. This will mean that for tax year 2022/23, dividend tax rates will be as follows:

First £2,000 of dividend income	0%
Dividend income falling within the basic rate band	8.75%
Dividend income falling within the higher rate band	33.75%
Dividend income falling within the additional rate band	39.35%
Dividend rate applicable to trusts	39.35%

These increases apply UK-wide.

What income tax changes have been announced today?

- Measures have been introduced to change the way trading income is allocated to taxable periods. The rules, which currently require apportionment of profits arising in a year to basis periods, will be amended to instead require apportionment of profits to tax years, in the same way as property and other income.

  There will be equivalence rules for businesses with accounting dates between 31 March to 5 April to prevent these businesses having to apportion small amounts of profit.

  The new rules will take effect for the 2024/25 tax year with a transition year in the 2023/24 tax year.

- It was also announced that legislation would be included in Finance Bill 2021-22 to allow HM Treasury to make secondary regulations for the purposes of providing temporary income tax and/or NICs relief on specific employee expenses or benefits-in-kind in certain circumstances. This will enable the Government to respond more quickly to support employed taxpayers in the event of another disaster or emergency of national significance such as COVID.

No further income tax changes were announced today other than minor increases in the married couple's allowance (which is only available where at least one spouse or civil partner was born before 6 April 1935) – please see below; and the blind persons allowance which increased by £80 to £2,600 for 2022/23.

Married couple's allowance*	**2021/22**	**2022/23**
Minimum amount	£3,530	£3,640
Maximum amount	£9,125	£9,415
Married couple's allowance reduced if total income exceeds ¶	£30,400	£31,400

* Relief available at 10%.

More detail on income tax rates and allowances for the 2022/23 tax year and beyond can be found in the Facts and Figures appendix.

What income tax-related messages should we be giving to clients?

- *The increases to dividend rates and national insurance (NICs) will impact remuneration strategies employed by salaried company directors/shareholders, tipping the scales away from salaried employment and towards dividend remuneration.*

- *Self-employed clients considering whether or not to incorporate will need to factor the NIC and dividend tax changes into their decision – not forgetting the changes to corporation tax rates due to apply from 1 April 2023.*

- *The increases in the dividend tax rates will also have an impact for investors who receive dividends totalling more than £2,000, increasing the value of wrappers that shelter profit from an immediate charge to tax.*

What can be done to mitigate the effects of these income tax changes?

- *As the increases in the dividend rates of tax do not take effect until 6 April 2022, clients have time to plan ahead. Director/shareholders with sufficient retained profits, may want to consider extracting further profits as dividends in 2021/22, rather than waiting until after 6 April 2022. This will enable advantage to be taken of the current, lower, rates of dividend tax- and will be especially advantageous for those who have not used up all of their basic rate band for 2021/22. Where possible, dividends can be tailored to take advantage of any unused dividend allowances and basic rate bands of other family shareholders as well.*

In deciding whether to extract additional dividends in 2021/22, clients will, however, need to take account of their marginal tax rates. If taking additional dividends now means that they will be taxed at the upper dividend rate of 32.5%, but taking those dividends in 2022/23 would mean that they will fall within the basic rate band, it will be better to take them in 2022/23 despite the rate increase as they will be taxed at 8.75% rather than 32.5%.

- *Investors should ensure that ISA allowances are fully utilised to take advantage of the extra saving of the 1.25% on dividend income above the £2,000 dividend allowance; while higher and additional rate tax-paying clients, with substantial direct holdings, may wish to consider 'bed-and-ISA-ing' to gradually move some of their portfolio across into an ISA wrapper, taking care to ensure that gains do not exceed their capital gains tax (CGT) annual exempt amount.*

- *Clients should also give consideration to investing into VCTs (which pay tax-free dividends) and investment bonds (for tax-deferral) to further mitigate exposure to extra tax on dividends in excess of £2,000 p.a.*

- *In terms of general planning, couples should aim to utilise both personal allowances, starting/basic rate tax bands and the dividend and personal savings allowances to the full (and ensure that they do not lose out on the ability to transfer the transferable marriage allowance where eligible to do so).*

Learn more about Income Tax

Income Tax Rates
Personal Allowances
Self-Assessment
Dividends
Budget 2021 Autumn

2. NATIONAL INSURANCE

Relevant Persona Type(s)

Maturing Families	Earning Potential	Affluent Singles & Couples	Financial Pressures

What changes to national insurance (NIC) rates and thresholds have been announced since the last Budget?

From 6 April 2022, there will be a temporary 1.25% increase in class 1 (employee) and class 4 (self-employed) NICs paid by workers, as well as a 1.25% increase in class 1 secondary NICs paid by employers (so 2.5% in total). The 1.25% increase will also apply to class 1A and class 1B NICs paid by employers.

The increase will apply to employed (include deemed employees) and self-employed individuals and partners earning above the class 1 primary threshold / class 4 lower profits limit (currently £9,568 in 2021/22). Employers will pay the additional 1.25% for employees earning above the class 1 secondary threshold (currently £8,840 in 2021/22). Existing reliefs and allowances from employer's secondary class 1 NIC will apply to the levy including the £4,000 employment allowance, reliefs for employers of apprentices, newly employed veterans and new employees in freeports.

From 6 April 2023, the increases will be legislated separately as a "health and social care levy" and NIC rates will return to 2021/22 levels.

For details of the main rates for 2022/23, please refer to the Facts and Figures appendix.

What changes to NIC rates and thresholds were announced today?

For details of increases to NIC rates and thresholds announced today please refer to the Facts and Figures appendix.

What NIC-related messages should we be giving to clients?

The increases to NICs and dividend rates will impact remuneration strategies employed by salaried company directors/shareholders, tipping the scales away from salaried employment and towards dividend remuneration. This is because, despite the increase in dividend tax rates, for anyone drawing a salary there were ***two*** *1.25% increases – one to primary (employee) class 1 NICs and the other to secondary (employer) class 1 NICs.*

Self-employed clients considering whether or not to incorporate will need to factor the NIC and dividend tax changes into their decision – not forgetting the changes to corporation tax rates due to apply from 1 April 2023. More on that here.

Consider salary sacrifice for pension contributions. Using salary sacrifice means that both the employee and the employer pay less NICs. This becomes even more valuable due to the increase in NICs for both employees and the employer.

What can be done to mitigate the effects of these NIC changes?

Company directors/shareholders drawing a salary from the business should review remuneration strategies for tax year 2022/23 to ensure that the amount drawn as salary remains tax-efficient in light of the NIC (and dividend tax) increases.

Self-employed individuals may wish to reconsider the benefits of incorporating in light of the extra 1.25% that they will now pay on their taxable profits as compared to the shareholding director who will only pay the extra tax on distributed profits net of corporation tax and any available dividend allowance.

If salary sacrifice is used, some or all of the employer's NICs saving could also be directed into the employee's pension, creating an increase retirement fund for your client.

Learn more about National Insurance contributions

National Insurance
Budget 2021 Autumn

3. DIVIDEND ALLOWANCE

Relevant Persona Type(s)

Established Investors | Maximum Outlay | Affluent Singles & Couples | Stable Reserves

Budget announcements

No changes were announced in the October budget in respect of the dividend allowance or the dividend tax rates. However, as announced by the Prime Minister on 7 September 2021, legislation will be introduced in the Finance Bill 2021-22 to increase the rates of income tax applicable to dividend income by 1.25%.

The changes are to fund the new Health and Social Care Levy and the table below outlines the changes:

	Current Tax Rate	Tax Rate from April 2022
Basic Rate	7.5%	8.75%
Higher Rate	32.5%	33.75%
Additional Rate	38.1%	39.35%

It is expected the tax rises will raise around £13 billion, creating an advice need for our clients.

When does this come into effect?

From 6 April 2022 the dividend tax rates will increase to 8.75% for basic rate taxpayers, 33.75% for higher rate taxpayers and 39.35% for additional rate taxpayers.

The dividend allowance will remain at £2,000 for all individual taxpayers.

There is no £2,000 dividend allowance for trusts. The dividend rate for trusts will match the additional rate tax level of 39.35% from April 2022. Dividend income that falls within the trust's £1,000 standard rate band is taxed at 8.75% from April 2022.

What should financial planners tell their clients?

The 0% dividend allowance means that, regardless of their tax rates, a married couple or civil partners can receive up to £4,000 of dividend income with no tax liability, provided that they each have sufficient dividend income to utilise their allowance. Utilising this allowance becomes even more important due to the increase in dividend tax.

Business owners should ensure they are drawing income in the most optimal way, taking into account the increase in dividend tax rates. A review, in conjunction with their accountant becomes extremely important for the future.

How can the impact of the changes be mitigated?

The attractiveness of ISAs has increased further as a consequence of the higher dividend tax rates. Ensuring your clients use their ISA allowances consistently is even more important where their dividend allowance is fully utilised.

Financial planners may wish to suggest to their clients, who are married or in a civil partnership, that they consider an unconditional transfer of an appropriate amount of their dividend producing investments to ensure each of a couple maximise use of their dividend allowance.

Restructuring remuneration to include greater pension contributions should be considered, especially with the planned increase to corporation tax.

Learn more about dividends

Dividends
Planning aspects of Dividend Tax Changes

4. CAPITAL GAINS TAX

Relevant Persona Type(s)

[Established Investors]   [Affluent Singles & Couples]

Budget announcements - Capital gains tax extension of time limit for making returns

The October 2021 Budget announced one small change for Capital gains tax (CGT) relating to disposals of rental property. The measure extends from 30 days to 60 days the time limit for making CGT returns and associated payments on account when disposing of UK land and property.

When does this come into effect?

The changes to property disposal rules come into effect for sales on or after 27 October 2021.

Budget announcements - Capital gains tax exemption

As announced in the March budget, the capital gains tax annual exemption will remain at its current level of £12,300 for individuals and personal representatives until the end of 2025/26.

The annual exemption available to trustees will remain at £6,150 until the end of 2025/26 – although this "per trust" limit is diluted where the settlor has created more than one trust subject to a minimum of £1,230 per trust.

When does this come into effect?

The annual exemption will remain at its current level until 5 April 2026 from the current tax year, as announced in the March 2021 budget.

Budget announcements - Capital gains tax rates

Changes to Business Asset Disposal Relief (previously Entrepreneur's Relief) were anticipated by many with some fears this would be removed. However, the relief was left unchanged by the Chancellor to the relief of many business owners.

Prior to the budget there was also some discussion of an increase of CGT rates, potentially bringing them in line with income tax. The good news for investors is the rates were unchanged at 10% and 20% (with 8% residential property surcharge) for basic and higher/additional rate taxpayers respectively.

When do these come into effect?

The current rates of CGT remain unchanged from the current levels with no changes to Business Asset Disposal Relief.

What should financial planners tell their clients?

The changes to property disposal rules will be of particular interest to buy to let investors and they should be made aware, however will be a relatively minor change and unlikely to change an investor's strategy.

Utilising the available annual CGT exemption is a core part of financial planning and should be undertaken for all eligible clients. An annual exercise to ensure available allowances and exemptions, including CGT, is being used should be part of the review agenda.

The impact of inflation means the true value of the annual exemption will be eroded and compound effect of annual use becomes even more important.

Being aware of the benefits of being able to create an "income" stream from capital disposals to benefit from the lower rates.

How can clients utilise Capital Gains Tax as part of their planning?

Making use of the annual exemption

The annual exemption is given on a 'use it or lose it' basis. Disposals driven by a desire to trigger gains within the exemption need to be such that they circumvent the "bed and breakfasting" anti-avoidance provisions. Naturally, in the ordinary course of ensuring that a portfolio adheres to a specified asset allocation model, investors may naturally use some or all of their annual exemption as a useful and tax effective "by-product" of re-balancing.

In some cases where a disposal is ascertained to be the right thing to do and we are close to the end of a tax year, phasing the disposal (e.g. of shares or collective investments) over two tax years can prove to be beneficial as it may then facilitate the use of two annual exemptions in close succession.

It may also be possible to maximise the tax-free element of any gain by ensuring that investments are held jointly with a spouse or civil partner, so that two annual exempt amounts are available to offset against any gain on disposal.

Retained lower rates

The Chancellor did not change the rates of CGT during the budget, resulting in gains continuing being taxed at a lower rate than income.

For investors with portfolios subject to CGT, such as share portfolios, DFMs, Unit Trusts and OEICs, creating an "income" through capital disposals could create some tax alpha. Having a maximum tax rate of 20% is far more advantageous than 45%, the highest rate of income tax.

Business Owners

The retention of Business Asset Disposal relief is positive news for business owners. However, there is always the lingering threat it is removed in future budgets. Where the full or partial disposal of a business is ascertained to be the correct course of action, securing this tax rate could be a prudent piece of planning.

Learn more about capital gains tax

Capital Gains Tax – Fundamentals
Capital Gains Tax – Reliefs
Capital Gains Tax - Planning
Capital Gains Tax - Computations

5. SAVINGS AND INVESTMENTS

Relevant Persona Type(s)

Golden Age *Established Investors* *Maximum Outlay* *Later Life* *Affluent Singles & Couples*

Stable Reserves *Financial Pressures*

Budget announcements - Individual Savings Accounts (ISAs)

The ISA subscription limit will remain unchanged at £20,000 for 2022/23.

Budget announcements - Junior ISA and Child Trust Funds

The annual subscription limit for Junior ISAs or CTF will remain unchanged at £9,000 in 2022/23.

Budget announcements – Starting rate for savings tax band

The band of savings income that is subject to the 0% starting tax rate will remain at its current level of £5,000 for 2022/23.

When does this come into effect?

The limits are already in place.

Previously announced recent developments – Green Gilt and New green NS&I account

Following the first announcement last year and the confirmation in the Spring Budget 2021 the government has made strong progress with its green financing programme, under which the UK will issue sovereign green bonds (‘green gilts’) via the DMO, and retail Green Savings Bonds via NS&I.

The UK successfully launched its inaugural green gilt on 21 September 2021. This green gilt, maturing in 2033, raised £10.0 billion, the largest ever inaugural sovereign green bond issuance. A second green gilt, maturing in 2053, followed on 21 October 2021, bringing total proceeds raised by both issues to £16.1 billion.

The retail Green Savings Bonds were brought on sale via the NS&I website on 22 October 2021. The retail Green Savings Bonds are a 3-year fixed-term product, offering an interest rate of 0.65%. Customers can invest between £100 and £100,000.

As with all NS&I products, the Green Savings Bonds come with a HM Treasury-backed 100% guarantee. A world-first, this innovative product will be closely linked to the UK Government Green Financing Framework and will provide UK savers with the opportunity to contribute towards the government's environmental agenda and take part in the collective effort to tackle climate change.

When does this come into effect?

The new Green Savings Bond is now available

What should financial planners do next?

Those clients who have not used their full ISA allowance should be reminded to do so before the end of the tax year.

By saving towards their future, families can give children a significant financial asset when they reach adulthood – helping them into higher education, training, or work. Junior ISAs (JISAs) and Child Trust Funds (CTFs) are tax-advantaged accounts for children, designed to encourage a long-term savings habit through tax efficiencies. No new CFTs can be set up but contributions can continue to the established ones.

JISAs can only be established by parents or legal guardians though anyone can then contribute. For parents who are not happy with the fact that the child will become (in effect) fully entitled to the JISA at age 18 an alternative of collective investments held in an appropriate trust could be considered. Properly structured these could deliver tax efficiency and control.

As for the Green Savings Bond, unfortunately at 0.65% the rate is very uncompetitive (even when compared to accounts investing in green/ethical assets) so the only advantage of it is the 100% guarantee without limit (c/f the £85,000 protection limit under the FSCS).

Learn more about savings and investments

Child Trust Fund
Enterprise Investment Scheme
ISAs
National Savings
Venture Capital Trusts

6. PENSIONS

Relevant Persona Type(s)

Golden Age	Established Investors	Maximum Outlay	Later Life	Affluent Singles & Couples
	Stable Reserves	Financial Pressures		

Budget announcements - Rates and allowances

There were no significant announcements in relation to pensions rates and allowances.

However, the government announced they will aim to fix an anomaly in the tax system that impacts low earners who are members of net pay pension schemes. Currently those earning less than the personal allowance do not receive tax relief on contributions made to a net pay scheme whereas those who contribute to a relief at source scheme do.

To resolve this anomaly a new system of top-up payments will be made directly to low earning individuals making savings to a net pay scheme. However, the top up payments will not apply until tax year 2024/25 onwards with the first payments being made in 2025/26.

The government estimates that up to 1.2m low earners, 75% of whom are women, will be eligible to receive an average top-up worth £53 in 2025/26.

As reminder the Chancellor announced in the March 2021 Budget that the Lifetime Allowance (LTA) will be frozen at £1,073,100 until April 2026.

All other pension tax reliefs and allowances remain unchanged

As announced in September 2021, there will be a new Health and Social Care levy which will apply from April 2022. This will initially be applied as a 1.25% increase in both employer and employee National Insurance rates. Dividend tax rates will also increase by 1.25%.

From April 2023 the Health and Social Care levy will be formally separated out as a distinct deduction and will also apply to the earnings of individuals working above the State Pension age. This separation may also impact salary sacrifice savings that should be available in the meantime.

When does this come into effect?

The top ups to low earners making contributions to net pay schemes takes effect from tax year 2024/25.

The increase in National Insurance rates take effect from April 2022. From April 2023 the National Insurance rates will revert to the current levels and a separate Health and Social Care levy of 1.25% will be applied.

What should financial planners do next?

In relation to low earners, advisers should consider whether a relief at source scheme is more appropriate for low earning clients until the top ups come into effect from tax year 2024/25. However, this will be dependent on any employer contributions, where the employer is willing to pay them and whether employer contributions require matching (or similar) employee contributions.

The new Health and Social Care levy will make salary sacrifice more attractive due to the additional National Insurance savings for both employers and employees. The good news is that there were no signs of any further restrictions on salary sacrifice arrangements within the Budget speech or documents.

The levy will also make employer pension contributions more attractive for shareholding directors looking to extract funds. Employer contributions will now be even more attractive than paying either additional salary or dividends. The corporation tax increases from April 2023 will also make pension contributions more favourable than dividend payments.

The Lifetime Allowance (LTA) is becoming an increasing issue for many savers. The announcement earlier in the year to freeze it coupled with the relative high inflation rates means that many more pension savers are likely to be hit with an LTA charge and charges will be considerably higher than if the LTA had kept pace with inflation.

Advisers with clients who have funds close to or exceeding the LTA may need to review any previous decisions in respect of continuing to fund their pensions and for those who have chosen to defer crystallising their benefits based on the expectation of inflationary increases.

Individual Protection 16 and Fixed Protection 16 are still available where the client is eligible and can offer a protection LTA of up to £1.25m.

The good news is that all the other benefits or pensions remain. Personal contributions can benefit from income tax relief at the client's highest marginal rates, employers can benefit from corporation tax relief, the funds grow free of income tax and capital gains tax, 25% tax free cash is still available and most pension funds sit outside of the estate for inheritance tax purposes.

Budget announcements – pensions regulation

The government announced it will consult on changes to the regulatory charge cap for defined contribution qualifying workplace pension schemes. The government will consider options to amend the scope of the cap to allow savers the potential to benefit from higher return investments and allow institutional investment to support innovative businesses.

When does this come into effect?

The consultation document is due before the end of the year.

Learn more about the Lifetime Allowance charge

Lifetime Allowance

7. INHERITANCE TAX

Relevant Persona Type(s)

Golden Age	Established Investors	Later Life	Stable Reserves

Budget announcements

There was no change in the Budget to the inheritance tax thresholds which will be maintained at their existing level until April 2026.

The inheritance tax nil-rate band will continue at £325,000 and the residence nil-rate band at £175,000.

The residence nil-rate band taper will continue to start at £2 million.

When does this come into effect?

This is continuation of the current position.

What should financial planners do next?

This means that qualifying estates with qualifying beneficiaries can still pass up to £500,000 free of IHT and married couples or civil partners up to £1m. The nil rate band threshold has been frozen since 2009 and the freeze continues for the next five years at least.

IHT receipts for April 2021 to September 2021 are £3.1 billion, which is £0.7 billion higher than in the same period a year earlier.

This means that as clients estates increase the frozen IHT allowances will result in client's estates paying more in tax. It is therefore important to ensure your clients are aware that as the value of their assets rise so does the liability to IHT. Making use of the available IHT allowances each year in conjunction with trust planning can alleviate the cost of IHT for your clients.

We are still waiting for the Chancellor to respond to several of the reports from the Office of Tax Simplification (OTS) especially around the restructuring of IHT and the proposed reforms to Business Relief.

Learn more about Inheritance Tax

Inheritance tax fundamentals
Inheritance tax planning

8. TRUST TAXATION

Relevant Persona Type(s)

Golden Age	Established Investors	Later Life	Stable Reserves

Budget announcements

There have been no announcements in the Budget in relation to trusts.

The annual CGT exemption affects trustees and remains at the current level of £6,150 for trusts in 2022/23. This limit will be diluted according to the number of trusts created by the same settlor but will not be less than £1,230 per trust.

As previously announced, the annual exemption will remain at the present level until April 2026.

When does this come into effect?

This is continuation of the current position.

Previously announced changes affecting trusts

The changes to dividend rates announced by the Prime Minister on 7 September 2021, which increase the rates of income tax applicable to dividend income by 1.25% will affect all trusts which receive dividend income which is taxed at the trust rate. This will increase from the current 38.1% to 39.35%. Where trustees of an interest in possession trust are taxed on dividend income they receive (i.e. which is not mandated directly to the income beneficiary), the rate they pay will increase from 7.5% to 8.75%.

When does this come into effect?

This is effective from 6 April 2022.

What should financial planners do next?

Given that, unlike individual taxpayers, trustees do not benefit from Dividend Allowance, trustees of discretionary trusts who receive dividend income and will therefore be affected by the tax increase may well need to review their current choice of trust investments. In some cases, where trust income is regularly paid over to trust beneficiary(ies), it may be appropriate for the trustees to grant a revocable interest in possession to such beneficiary(ies). This would have no IHT consequences but would *mean that the income is taxed on the beneficiary at their marginal rate and with the benefit of the Dividend Allowance.*

While the Budget does not provide any other immediate planning points, financial planners need to be aware of the ongoing review of trusts being carried out by the Government as well as the extension of the Trust Registration Service which means that all express trusts other than those specifically excluded need to be registered with HMRC using its online TRS by 1 September 2022 or 90 days from the trust creation if later.

Learn more about trust taxation

[Trust taxation]

9. EMPLOYEE BENEFITS

Relevant Persona Type(s)

Maximum Outlay   Affluent Singles & Couples   Stable Reserves

Budget announcements

The National Living Wage (NLW) is increasing to £9.50 with effect from 1 April 2022 which applies to individuals over age 23 and over giving them a 6.6% increase.

The National Minimum Wage (NMW) for young people and apprentices is also increasing as follows:

Age	***Percentage increase***	***New hourly rate***
16 -17	*4.10%*	*£4.81*
18 - 20	*4.10%*	*£6.83*
21 - 22	*9.80%*	*£9.18*

The rate for apprentices is increasing by 11.9% to £4.81 with the accommodation offset rate increasing by 4.1% to £8.70 per hour.

The Chancellor also confirmed for company vehicles that the van benefit charge and the car and van fuel benefit charges will increase in line with CPI from 6 April 2022.

When does this come into effect?

- *The NLW and NMW come into force with effect from 1 April 2022.*
- *The company vehicle charge increase comes into force from 6 April 2022.*

What should financial planners do next?

Make sure clients are aware of the up to date position

10. CORPORATION AND BUSINESS TAX

Relevant Persona Type(s)

None

Budget announcements – Corporation tax

No major changes were announced in this Budget as the Chancellor previously announced that corporation tax would rise to 25% for some companies from 1 April 2023.

Companies with profits of up to £50,000 will continue to pay corporation tax at 19%. The rate of corporation tax will be tapered “upwards” so that it is charged at 26.5% on profits between £50,000 and £250,000 and the full 25% tax rate will apply on profits above that.

When does this come into effect?

The changes come into effect from April 2023.

What should financial planners tell their clients?

Financial planners should always seek to be at the heart of planning for SME owners in relation to their business and personal tax planning. This will be even more so ahead of the announced tax changes taking effect from 1 April 2023.

Where the increased rate of corporation tax will apply (and maybe even more so in relation to profits that fall to be taxed at a higher marginal rate between the £50,000 and £250,000 profit levels) then there will be a heightened need to review:

Consideration of tax changes will offer great opportunities to collaborate with the client’s accountants, opening a broad discussion around remuneration.

How can the impact of the changes be mitigated?

Expenditure to generate corporate tax relief (commercial and non-tax considerations permitting of course). Deductible contributions to registered pension arrangements immediately spring to mind, with increased “front end” relief when the higher rates of corporation tax are in point.

Remuneration strategies. The dividend/salary comparison will need to be completely reviewed in order to be sure that a strategy to deliver optimum outcomes is decided and implemented.

Research and Development (R&D) tax relief and AIA extension and the "Super Deduction"

R&D tax reliefs will be reformed following the consultation launched at the Spring 2021 Budget. Qualifying expenditure will include cloud and data costs, to more effectively capture the benefits of R&D.

It was announced in the March 2021 Budget that the previous 'temporary' increase in the Annual Investment Amount (AIA) to £1,000,000 would be extended until 31 December 2021. This cap was originally due to revert to £200,000 on 1 January 2021. The AIA is available to companies, individuals and partnerships consisting only of individuals. The October Budget extended this increased level of the AIA for qualifying expenditure on plant and machinery incurred during the period from 1 January 2022 to 31 March 2023.

The "Super-Deduction" was announced in the March Budget and re-iterated by Mr Sunak in October. Where a company makes qualifying expenditure, they can reduce their taxable income by 130% of the cost. With the corporation tax rate at 19% this would mean that qualifying expenditure of £100,000 would deliver a tax reduction of 19% of £130,000 = £24,700, roughly 25% of the amount actually spent.

When does this come into effect?

The R&D changes will be legislated for in Finance Bill 2022-23 and take effect from April 2023. Further details of these changes and next steps for the review will be set out as part of the government's further tax administration and maintenance announcements later in the autumn.

The AIA changes are already in place following the March Budget and will now continue until 31 March 2023.

The "Super Deduction" will be available for qualifying capital expenditure incurred from 1 April 2021 up to and including 31 March 2023.

What should financial planners tell their clients?

Ensure your business owning clients are aware of the various tax breaks available to business owners, especially those looking at growing their businesses.

This represents a unique opportunity for business growth in a very tax efficient manner.

How can the impact of the changes be beneficial?

The Super Deduction was described as "The biggest business tax cut in modern British history" by the Chancellor when delivering the March 2021 Budget. It was *created to encourage business growth, something we can support our business owning clients with.*

Utilising the allowances and deductions to create growth will ultimately help building capital, income, growth and larger exits for our clients.

Budget announcements – New exemptions related to renewable energy generation to be introduced from 2023

The Chancellor announced that from 2023, the government will introduce exemptions for eligible plant and machinery used in onsite renewable energy generation and storage, and a new 100% relief for eligible heat networks, to support the decarbonisation of buildings.

When does this come into effect?

Full details of this relief are yet to be announced.

What should financial planners do next?

Businesses involved in energy generation and storage will also welcome the new exemptions announced by the Chancellor. Additional allowances and deductions will ultimately help building capital, income, growth and larger exits for our clients.

Budget announcements - Residential Property Developer Tax (RPDT) and Online Sales Tax consultation (OST)

As announced in February 2021, the government will introduce a new tax from 1 April 2022 on the profits that companies and corporate groups derive from UK residential property development, to ensure that the largest developers make a fair contribution to help pay for building safety remediation. The tax will be charged at 4% on profits exceeding an annual allowance of £25 million. Please see 'Property Related Tax Changes' for more information.

The government will continue to explore the arguments for and against a UK-wide OST. The government will publish a consultation shortly. If introduced, the revenue from an OST would be used to reduce business rates for retailers in England. The block grants of the Devolved Administrations would be increased in the usual way.

When does this come into effect?

The RPDT comes into effect on 1 April 2022. The OST is subject to further exploration by the government.

What should financial planners do next?

Maintaining an awareness of these taxes is important.

Learn more about corporation and business tax

Corporation Tax
Trading Income

11. TAXATION OF SHAREHOLDER DIRECTORS

Relevant Persona Type(s)

Maximum Outlay   Affluent Singles & Couples   Stable Reserves

Budget announcements – Income tax thresholds and rates

At the March 2021 Budget, the Chancellor announced that the income tax Personal Allowance would rise with CPI as planned to £12,570 from 6 April 2021 but will then remain at this level until 5 April 2026. The income tax higher rate threshold rose as planned to £50,270 from 6 April 2021 and will remain at this level until 5 April 2026. The additional rate threshold will remain at £150,000.

However, as announced on by the Prime Minister on 7 September 2021, legislation will be introduced in the Finance Bill 2021-22 to increase the rates of income tax applicable to dividend income by 1.25%.

	Current Tax Rate	Tax Rate from April 2022
Basic Rate	7.5%	8.75%
Higher Rate	32.5%	33.75%
Additional Rate	38.1%	39.35%

When does this come into effect?

From 6 April 2022 the dividend tax rates will increase to 8.75% for basic rate taxpayers, 33.75% for higher rate taxpayers and 39.35% for additional rate taxpayers.

Budget announcements - National Insurance changes

At the same time as the dividend tax changes were announced, detail of the National Insurance contributions (NICs) increase was also provided.

From 1 April 2022, there will be a 1.25% increase in class 1 (employee) and class 4 (self-employed) NICs paid by workers, as well as a 1.25% increase in class 1 secondary NICs paid by employers (so 2.5% in total). The 1.25% increase will also apply to class 1A and class 1B NICs paid by employers.

When does this come into effect?

The changes come into effect from April 2022.

Budget announcements - Dividend Allowance and Personal Allowance

The dividend allowance will remain at £2,000 for the 2022/23 tax year. As noted above, the rates of tax on dividend income above the £2,000 threshold will increase to 8.75%, 33.75% and 39.35% for basic, higher and additional rate tax payers respectively.

What should financial planners tell their clients?

Ensuring an efficient remuneration strategy is agreed and implemented is important and something to pay close attention to each year. With the current changes, this is especially important.

Utilising all available allowances and exemptions, especially pensions as part of a remuneration strategy, will be even more important in a higher tax environment.

How can the impact of the changes be mitigated?

At an appropriate time before the new corporation tax rates are introduced, shareholding directors whose companies will be affected by the new rates should give careful consideration (with their professional advisers) to the tax efficiency of their remuneration strategy.

For couples where one is a shareholder in a private, "owner managed company" and the other is not, then, subject to any non-tax considerations and provided that fully participating shares are used, thought should be given to the income tax (and potential longer term) capital gains tax (CGT) benefits that a transfer of shares could deliver if the transferee's income tax rate is lower than that of the transferor.

Learn more about the taxation of shareholder directors

Share Purchase for Private Company Shareholders
Corporate Investment
Dividends

12. PROPERTY RELATED CHANGES

Relevant Persona Type(s)

Established Investors	*Earning Potential*	*Affluent Singles & Couples*

What property-related changes have been announced since the last Budget?

The government announced on 10 February 2021 that it would introduce a new Residential Property Developer Tax on company profits derived from UK residential property development. The government consulted on the design of the tax from 29 April to 22 July and consulted on the draft legislation from 20 September to 15 October.

The temporary increase in the residential Stamp Duty Land Tax (SDLT) ‘nil rate band’ to £250,000 has now ended although a ‘nil rate band’ of £300,000 remains in place for first-time buyers in England, Wales and Northern Ireland buying a property worth no more than £500,000. First time buyers paying between £300,000 and £500,000 will pay SDLT at 5% on the amount of the purchase price in excess of £300,000.

What property-related changes were announced today?

The Chancellor announced an extension to the deadline for payment of capital gains tax in respect of gains made on disposals of UK residential property. The deadline for payment will now be 60 days after completion rather than the 30-day deadline that has applied since 6 April 2020. The extended deadline will apply for disposals that complete on or after 27 October 2021.

Legislation to be introduced in Finance Bill 2021-22 will also make it clear that where a gain arises to a UK resident in relation to a mixed-use property, only the portion of the gain that is the residential property gain needs to be reported and paid within the 60-day timeframe.

Following the consultation on Residential Property Developer Tax (see above), the government has today published further detail on how the tax will operate. The tax will be charged at 4% on company profits derived from residential property development that exceed an annual allowance of £25 million and will be included in the corporation tax returns of those companies liable to the new tax.

The tax will apply from 1 April 2022 to residential property development profits recognised in accounting periods ending on or after that date.

What property-related messages should we be giving to clients?

Landlord/property investor clients will welcome the news that they now have more time to report and pay capital gains tax on the properties they sell.

The new residential property developer tax will only apply if the company or group's profits from residential property development exceed £25 million per year. Where this allowance is not exceeded, there will be no need to report residential property development profits.

What can be done to mitigate the effects of property-related taxes?

Few clients will be adversely affected by property-related changes announced since the last Budget.

From a general perspective, property investor clients will want to continue to consider the merits of holding buy-to-let properties jointly (if married or in a civil partnership) to make use of two capital gains tax annual exempt amounts on disposal, and potentially the personal allowance and basic rate band of a lower-earning spouse/civil partner in relation to rental income.

Clients who are considering buying new properties may want to consider purchasing those properties within a corporate structure to take advantage of lower rates of corporation tax.

Bespoke tax advice will be essential as the most tax-efficient approach will depend on the circumstances and objectives of the client.

Learn more about Property tax

Property Investments
Private Residence
Stamp Duty

13. TAX AVOIDANCE

Relevant Persona Type(s)

None

Autumn Budget announcement - HMRC to be provided with funding to enable it to combat non-compliance and help fund vital public services

According to the latest figures published by HMRC, the tax gap is estimated to be £35bn in 2019/20, up from £33bn in 2018/19 and is composed of a range of behaviours: non-payment, use of avoidance schemes, legal interpretation of the tax effects of complex transactions, error, failure to take reasonable care, evasion, the hidden economy and criminal attacks on the tax system.

An additional £292 million across three years is intended to tackle the tax gap and ensure that those who should pay, do, and £55 million, available next year, will be for the Taxpayer Protection Taskforce announced at Spring Budget 2021, expanding HMRC's compliance work whilst continuing to pursue those who have abused the government's COVID-19 support schemes.

Autumn Budget announcement – Interest harmonisation and reform of penalties for late submission and late payment of tax

As announced on 23 September 2021, the new regime of penalties for the late filing and late payment of tax for Income Tax Self-Assessment (ITSA) will now come into effect on 6 April 2024 for those taxpayers required to submit digital quarterly updates through Making Tax Digital (MTD) – i.e. those with business or property income over £10,000 per year - and 6 April 2025 for all other ITSA taxpayers. The new regime of penalties for VAT will come into effect for VAT taxpayers from periods starting on or after 1 April 2022, as announced at Budget 2021.

Under the new penalties regime, there is no penalty at all if the taxpayer pays the tax late but within 15 days of the due date. The first penalty is set at 2% of the outstanding amount if they pay between 16 days and 30 days after the due date. If there is any tax left unpaid 30 days after the due date it is set at 2% of the outstanding amount at day 15 plus 2% of the outstanding amount at day 30. In most instances this will amount to a 4% charge at day 30. A second late payment penalty is charged at a rate of 4% per annum, calculated on a daily basis on the total unpaid tax incurred from day 31. To avoid penalties, the taxpayer will need to either pay or approach HMRC to agree a 'time to pay' arrangement.

The VAT interest rules will change and will be similar to those that currently exist in ITSA.

Autumn Budget announcement – Tackling promoters of tax avoidance

Following a consultation published on 23 March 2021, the government, this summer, published detailed legislation targeted at "the most persistent and determined promoters and enablers of tax avoidance". The measures include:

- a new power for HMRC to seek freezing orders that would ring-fence the assets of promoters and enablers of tax avoidance schemes so as to prevent them from escaping the financial consequences of their non-compliance;
- new rules that would enable HMRC to make a UK entity, who facilitates the promotion of tax avoidance by offshore promoters, subject to a significant additional penalty;
- a new power enabling HMRC to present winding-up petitions to the Court in relation to companies operating against the public interest. This measure would disrupt the business activities of such companies and ultimately remove them from the market;
- new legislation that would enable HMRC to name promoters, details of the way they promote tax avoidance, and the schemes they promote, at the earliest possible stage, to warn taxpayers of the risks and help those already involved to get out of avoidance.

In the Autumn Budget, the government confirmed that this package of measures will take effect following Royal Assent of Finance Bill 2021-22.

Announcement made since the March 2021 Budget – Tax avoidance using unfunded pension arrangements

In June 2021, HMRC issued new guidance in the form of Spotlight 58 setting out why disguised remuneration using unfunded pension arrangements are considered as tax avoidance with tough penalties for promoters.

The arrangements involve a company creating an unfunded pension obligation to pay one or more of their directors a pension. This is to create an expense in the company accounts to reduce the company's profit. The intended result of this step is to reduce the amount of corporation tax payable. The company enters into an agreement with its director to give that director the rights to receive a pension from the company in the future. However, due to the structure of the arrangements, HMRC believes that the pension is never likely to be paid to the director. The company then claims a corporation tax deduction. This deduction is equal to, what is claimed to be, the current value of the total future pension to be paid to the director. With many of these arrangements, the company then transfers the pension obligation to a closely associated third party. The third party is usually a relative or colleague of the director due to receive the pension. The intended result of this step is a payment to the director or a closely associated third party, with no immediate liability to income tax and national insurance contributions.

HMRC strongly believes these arrangements do not work and said that it would 'seek to challenge anyone promoting or using these arrangements and we'll make sure the correct tax is paid'. Users of these arrangements may be charged a penalty for submitting an inaccurate tax return to HMRC.

The tax authority is also reviewing whether this avoidance measure falls under the General Anti-Abuse Rule (GAAR) if arrangements were entered into after 16 July 2013. Where the GAAR applies and the arrangements were entered into after 14 September 2016, taxpayers could be subject to a 60% GAAR penalty, representing a proportion of the avoidance. Users will also be charged interest on any tax paid after the statutory due date.

Promoters will also be targeted by HMRC with threats of penalties amounting to the level of fees charged for joining a scheme.

Announcement made since the March 2021 Budget – Raising standards in the tax advice market

The Government published a consultation on 23 March 2021 seeking views on the definition of tax advice and proposals to introduce a requirement for tax advisers to hold professional indemnity insurance, including minimum levels of cover, and how the policy could be enforced and implemented. This consultation ended on 15 June, so details of the outcome are expected in due course.

What should financial planners do next?

A robust package of targeted anti-avoidance measures has become the standard offering at Budget time. This year's Budget contains fewer than past years. Few, if any, of those measures listed above (though that list is not exhaustive) will have a major impact on the financial planning strategies created and implemented by most financial planners. The constant flow of TAARs, the GAAR, successful litigation, extended DOTAS provisions and constant negative publicity against aggressive avoidance have, on the whole, helped to ensure that the market for aggressive tax planning has all but disappeared. Against that background financial planners have a very positive message to deliver surrounding the tried and tested strategies deployed by the sector, including tax efficient pensions, ISAs, EIS and VCT investments, collective investments and investment bonds plus the wide range of inheritance tax plans - to name just a few - none of which, used in the way the legislation intended, are subject to any threat from the latest swathe of anti-avoidance provisions.

Learn more about tax avoidance

[Tax avoidance]

14. SOCIAL SECURITY BENEFITS

Relevant Persona Type(s):

Golden Age	*Established Investors*	*Maximum Outlay*	*Later Life*	*Affluent Singles & Couples*
	Stable Reserves	*Financial Pressures*		

Budget announcements - Universal Credit

Although the Budget was tinged with the air of optimism for economic recovery, the expected rates of inflation inevitably meant a need to address the issues facing low income households.

Therefore, it was not unexpected that press coverage earlier in the day had concentrated on potential changes to the taper rate in Universal Credit. However, the Chancellor's 'rabbit out of a hat', for this Budget, was how much this rate was reduced.

The Chancellor announced a reduction of the taper rate in Universal Credit from 63% to 55%. The means that anyone on Universal Credit will be able to keep an additional 8 pence for every one pound of net income they earn.

In addition, the government will be increasing, by £500 per year, the amount that households with children or a household member with limited capability for work can earn before their Universal Credit award begins to be reduced.

The government will also continue the temporary increase in the surplus earnings threshold to £2,500 for Universal Credit claimants until April 2023, when the threshold will then be reduced to £300.

When do these changes come into effect?

1st December 2021

What should financial planners do next?

Ensure affected clients are fully aware of the changes.

Budget announcements – National Living Wage and National Minimum Wage

These changes are explained in the 'Employee Benefits' section of this report.

Budget announcements – State Pension

The State Pension and new State Pension are usually increased each April by the "Triple Lock". However, because of the recent bounce back of earning levels the government is applying the "Double Lock".

The State Pension and new State pension will increase by 3.1% from April 2022, which means that the New State pension will increase to £185.15 per week, and the old basic State Pension will increase to £141.85 per week.

When do these changes come into effect?

April 2022.

What should financial planners do next?

Ensure affected clients are fully aware of the changes.

Budget announcements – Social Care and the Health and Social Care Levy

Proposed reforms to social care were announced by the Prime Minister in September 2021. Details of the proposed changes were summarised in a Techlink bulletin available here.

The Health and Social Care levy rates have been confirmed in the Budget. In 2022 to 2023 only, the Health and Social Care Levy will be delivered through a temporary 1.25% increase in the main and additional rates of Class 1 and Class 4 NICs.

When do these changes come into effect?

April 2022.

What should financial planners do next?

Ensure affected clients are fully aware of the changes.

Budget announcements – Social security benefit rate changes

Following the publication of CPI figures for September, the government will conduct a review of benefits rates for 2022 to 2023. The outcome of this review, and any subsequent changes to rates, will be announced in November 2021 and implemented in April 2022.

When do these changes come into effect?

April 2022.

What should financial planners do next?

Be aware that rates will be announced in November, and to ensure any clients affected by these rate changes are made aware at that time.

Budget announcements – Other welfare related announcements

The following welfare related announcements were also made:

- The government will invest £500 million over the next three years to transform 'Start for Life' and family help services in council areas across England. This will fund a network of Family Hubs, Start for Life services, perinatal mental health support, breastfeeding services and parenting programmes.

- The government will expand the Supporting Families programme, providing up to 300,000 families with multidisciplinary support

- The government will provide over £200 million per year to continue the holiday activities and food programme.

- As announced in July, the government will extend eligibility for both Bereavement Support Payments and Widowed Parents Allowance for people with children who were cohabiting with a partner but who were not married or in a civil partnership.

- Individuals affected by COVID-19 will continue to benefit from temporary changes to new style Employment and Support Allowance (ESA) until 24 March 2022. These changes enable eligible individuals to claim new style ESA from the first day of absence from work, rather than the eighth day.

- The government's plans to create a new housing element of Pension Credit, replacing pensioner Housing Benefit, are now intended to take effect in 2025, to align with the full rollout of working-age Housing Benefit into Universal Credit.

- In July 2021, the government published the Health and Disability Green Paper, which aims to tackle issues with the disability benefits system. Two changes announced in it are being scored at this Budget.

    - The first expands the Special Rules for Terminal Illness (SRTI) so that people are eligible if they are reasonably expected to be in their final 12 months of life, rather than 6 months as currently.

- The second change removes the proposed 18-month minimum award period for those receiving Personal Independence Payment (PIP), which will allow for more targeted efforts to meet the government commitment to reduce the frequency of assessments.

Learn more about social security benefits

State Benefits
Planning for care costs

15. GOALS BASED PLANNING – VOYANT

Relevant Persona Type(s):

Golden Age	Established Investors	Maturing Families	Maximum Outlay	Earning Potential
Later Life	Affluent Singles & Couples	Stable Reserves	Financial Pressures	

Budget announcements – Tax rates and allowances

Following the 2021 October Budget announcements any changes to tax allowances, thresholds and rates will be updated in Voyant. This means that for the 2022/23 tax year, the previously *assumed** increases to allowances and thresholds from the 2021/22 tax year levels will be replaced with the *actual* increases applicable.

* In Voyant the assumed increases are based on either the 'Default Tax Table Assumption' or the CPI assumption found in the Plan Settings.

Budget announcements – State pension increase

The government plans to temporarily suspend the earnings element of the 'Triple Lock' used to increase the State Pension. Instead, for 2022-23 the State Pension, will increase by the higher of CPI or 2.5%. In Voyant this means the State Pension will increase at a lower rate than previously assumed as the assumption for NAE (3%) currently takes precedence over the CPI assumption (2.5%).

When does this come into effect and what will be updated?

The implementation date for the budget updates has not yet been communicated but we would expect these to be released into the live version of the system within 6 – 8 weeks.

Once the release has been delivered users will be able to see the changes documented in Voyant's 'release notes'. The release notes can be accessed via the following link:

https://www.planwithvoyant.co.uk/content/releasenotes/uk/advisor/releaseNotes.html

What should financial planners do next?

The changes to dividend tax rates, NICs and state pension increase may result in an adverse impact to client plans. If these changes are of particular relevance to any *clients, it may be prudent for planners to revisit the client's plan in Voyant to assess the impact.*

OUR SERVICES

Continue to stay up to date with all aspects of the Budget and our other content through the following channels.

Budget coverage on Techlink

To access our continuing Budget coverage please refer to the Budget section of Techlink.

Technical Connection Social Media

LinkedIn

Follow us on LinkedIn: 'Technical Connection Limited' where we post our latest videos, articles and summaries of content posted on Techlink.

Instagram

Follow us on Instagram 'technical_connection_ltd' where we post our top 5 bulletins, facts of the week and more.

Twitter

Follow us on Twitter 'tecconn' for regular updates, videos and podcasts.

Blog

Check out our blog where we post insightful articles from our specialist consultants.

Techlink in Conversation podcast

Techlink in Conversation podcast series offers a regular in-depth conversation with the Techlink authors, who take a deeper dive into a relevant topical area.

The podcast is an ideal way for you to listen on the move, and is available on itunes, Spotify and Google to download as well as Podbean.

ASK

ASK is a premium add on service to Techlink that allows subscribers to ask case-related or more generalised questions through a secure area of Techlink. Questions asked by other users are available to view on an anonymous basis making this section of Techlink an expanding question and answer database.

To register your interest in the ASK service please contact:
web.enquiries@technicalconnection.co.uk

Communicator

Communicator is a premium add on service to Techlink that includes FYI and Newsletters.

FYI

FYI is highly focussed content that you can email your clients to keep them up to date on financial planning developments and opportunities that are likely to be of interest.

FYI Professional offers content more appropriate for your professional clients, but with the same aim of updating them on any key developments and opportunities.

Newsletter

Each quarter we produce a client and professional facing newsletter. These newsletters feature articles on relevant developments in tax, tax planning, trusts, pensions and financial planning with retail investment and protection products. These articles include a commentary on how these developments will affect your clients and professional connections.

To register your interest in Communicator please contact:
web.enquiries@technicalconnection.co.uk

APPENDIX 1: FACTS AND FIGURES

MAIN INCOME TAX ALLOWANCES

	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 have yet to be announced.

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 benefit

For cars with an approved CO_2 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 exceeds°	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/civil partner 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/civil partner to die (regardless of their date of death).
¶ On the death of a surviving spouse/civil partner on or after 6 April 2017, their personal representatives may claim up to 100% of any residence nil rate band of the first spouse/civil partner to die (regardless of their date of death, but subject to the tapered reduction).
° 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 assets 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 TRANSACTION TAX AND STAMP DUTY

England and Northern Ireland: 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.*

Scotland: 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: LTT from 1 July 2021

Residential (on slice of value)	% ¶	Commercial (on slice of value)	%
£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 PRIVILEGED 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 capital gains tax reinvestment relief.

¶ 50% capital gains tax 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 (NICs)

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* 21* & over	 £184 pw £184 pw	 £967 pw £170 pw	 £190 pw £190 pw	 £967 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 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 Small profits threshold	£3.05 pw £6,515 pa	£3.15 pw £6,725 pa
Class 4 (*Unless over state pension age on 6 April)*		
On profits	£9,568– £50,270 pa: 9% Over £50,000 pa: 2%	£9,880 – £ 50,270 pa: 10.25% Over £ 50,270 pa: 3.25%
Class 3 (Voluntary)		
Flat rate	£15.40 pw	£15.85 pw

APPENDIX 2: CONSULTATIONS

The government published a range of tax consultations and calls for evidence on 23rd March 2021. With this in mind, only a few consultations were announced on the day of the Autumn Budget.

List of the tax consultations announced at Autumn Budget 2021

The new alcohol duty system: consultation - sets out how the government intends to reform the alcohol duty system.

Corporate re-domiciliation - seeking views on the introduction of a corporate re-domiciliation regime to support companies seeking to relocate to the UK.

Previously announced consultations

For an update on all current and previously announced tax related consultations, please see HMRC's guide 'Check the status of tax policy consultations' here.