



On 22 November 2023, Jeremy Hunt delivered the 'Autumn Statement for Growth'. Against an improving economic backdrop, the Chancellor is keen to stimulate economic growth and highlighted 110 measures for businesses. In addition, there were significant statements relating to National Insurance changes and also the reform of work-related state benefits.

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Income tax

Income tax rates

The government has stated that the basic rate will remain at 20%, the higher rate at 40% and the additional rate at 45% for 2024/25.

The government reduced the point at which individuals pay the additional rate of 45% from £150,000 to £125,140 for the current tax year and this will continue for 2024/25.

Income tax allowances

The income tax personal allowance and basic rate limit are fixed at their current levels until April 2028. They are £12,570 and £37,700 respectively. For those entitled to a full personal allowance, the point at which they will pay income tax at the higher rate will continue at £50,270.

Dividends

The government has also confirmed that, from 6 April 2024, the rates of taxation on dividend income will remain as follows:

- the dividend ordinary rate - 8.75%
- the dividend upper rate - 33.75%
- the dividend additional rate - 39.35%.

As corporation tax due on directors' overdrawn loan accounts is paid at the dividend upper rate, this will also remain at 33.75%.

The government will reduce the Dividend Allowance from £1,000 to £500 from 6 April 2024.

Comment

It is estimated that the reduction in the Dividend Allowance will affect £4.4 million individuals in 2024/25 with the average loss to those affected being around £155.

The Scottish and Welsh governments will make their announcements on the devolved elements of taxation policy in due course.

National Insurance contributions

The Chancellor announced major changes to the National Insurance contributions (NICs) system.

Employees and NICs

The government will cut the main rate of Class 1 employee NICs from 12% to 10% from 6 January 2024 so that employees can benefit as soon as possible.

Comment

According to the government, this will provide a tax cut for 27 million working people with the average worker on £35,400 receiving a cut in 2024/25 of over £450.

The self-employed and NICs

The self-employed generally have to pay two forms of NICs: Class 2 and Class 4.

Firstly, the government will abolish Class 2 self-employed NICs from 6 April 2024. This means that, from 6 April 2024:

- Self-employed people with profits above £12,570 will no longer be required to pay Class 2 NICs but will continue to receive access to contributory benefits, including the State Pension.
- Those with profits between £6,725 and £12,570 will continue to get access to contributory benefits, including the State Pension, through a National Insurance credit without paying NICs.
- Those with profits under £6,725 and others who pay Class 2 NICs voluntarily to get access to contributory benefits including the State Pension, will continue to be able to do so.

The government will set out the next steps on Class 2 reform next year.

Comment

This will mean that a self-employed person who currently pays Class 2 NICs will save at least £192 per year.

Secondly, the government will cut the main rate of Class 4 self-employed NICs from 9% to 8% from 6 April 2024.

Comment

This will benefit around two million individuals, recognising the contribution of the self-employed to the economy and ensuring that work pays for all.

Extension of NICs relief for hiring veterans

The government is extending the employer NICs relief for businesses hiring qualifying veterans for a further year from April 2024 until April 2025. This means that employers will continue to pay no employer NICs up to annual earnings of £50,270 for the first year of a qualifying veteran's employment in a civilian role.

National Living Wage and National Minimum Wage

The government has accepted in full the recommendations of the Low Pay Commission and announced increased rates of the National Living Wage (NLW) and National Minimum Wage (NMW) which will come into force from April 2024. In addition, from April 2024 the NLW will be extended to 21 and 22 year olds. The rates which will apply from 1 April 2024 are as follows:

Age	NLW	18-20	16-17	Apprentices
From 1 April 2024	£11.44	£8.60	£6.40	£6.40

The apprenticeship rate applies to apprentices under 19 or 19 and over in the first year of apprenticeship. The NLW applies to those aged 21 and over.

Comment

The Department for Business and Trade estimates 2.7 million workers will directly benefit from the 2024 National Living Wage increase.

Individual Savings Accounts

The government is freezing the limits on Individual Savings Accounts (ISAs) (£20,000), Junior Individual Savings Accounts (£9,000), Lifetime Individual Savings Accounts (£4,000 excluding government bonus) and Child Trust Funds (£9,000) for 2024/25.

However, a number of changes will be made to allow multiple subscriptions to ISAs of the same type every year and to allow partial transfers of ISA funds in-year between providers from April 2024.

Pension tax limits

A number of changes were made to the tax regime for pensions for 2023/24 and these include the following, which will remain at their 2023/24 levels for 2024/25:

- The Annual Allowance (AA) is £60,000.
- Individuals who have 'threshold income' for a tax year of greater than £200,000 have their AA for that tax year restricted. It is reduced by £1 for every £2 of 'adjusted income' over £260,000, to a minimum AA of £10,000.
- No Lifetime Allowance (LA) charge.

In addition, as previously announced the LA of £1,073,100 will be abolished from 2024/25. Changes will be made to clarify the taxation of lump sums and lump sum death benefits, and the application of protections, as well as the tax treatment for overseas pensions, transitional arrangements, and reporting requirements.

Backing British business

To increase business investment, the government has announced a number of measures which could raise around £20 billion per year from businesses in a decade's time. The changes include:

- Full Expensing will be made permanent.
- The removal of barriers to critical infrastructure by reforming the UK's inefficient planning system and speeding up electricity grid connection times.
- A package of pension reform and driving private investment from insurers into infrastructure by legislating for key reforms to Solvency II.
- Making £4.5 billion available in strategic manufacturing sectors such as auto, aerospace, life sciences and clean energy from 2025 for five years.
- New Investment Zones.
- From April 2024, firms bidding for government contracts over £5 million will have to demonstrate that they pay their own invoices within an average of 55 days, tightening to 45 days in April 2025 and then 30 days in future years.
- Changes to Research and Development.

Business Rates

The small business multiplier will be frozen for another year, while the 75% Retail, Hospitality and Leisure relief will be extended for 2024/25. The standard multiplier will be uprated in line with September's Consumer Prices Index. These changes will take effect from 1 April 2024 in England.

Freeports and Investment Zones

Both regimes allow businesses in specific locations to benefit from a number of reliefs including Stamp Duty Land Tax relief, enhanced capital allowances, structures and buildings allowances and secondary Class 1 NIC relief for eligible employers.

Both regimes were originally to run for five years but the Chancellor has announced that they will both now run for ten years.

Capital allowances

The new Full Expensing rules for companies allow a 100% write-off on qualifying expenditure on most plant and machinery (excluding cars) as long as it is unused and not second-hand. The rules were originally designed to be effective for expenditure incurred on or after 1 April 2023 but before 1 April 2026. Similar rules apply to integral features and long life assets at a rate of 50%. The government has announced that both allowances will now be made permanent.

The Annual Investment Allowance, which gives a 100% write-off on certain types of plant and machinery, remains at £1 million per 12-month period.

Research and Development (R&D)

The existing Research and Development Expenditure Credit (RDEC) and SME schemes will be merged, with expenditure incurred in accounting periods beginning on or after 1 April 2024 being claimed in the merged scheme. The rate under the merged scheme will be set at the current RDEC rate of 20%. The notional tax rate applied to loss-makers in the merged scheme will be lowered from 25% to 19%.

A number of other changes will apply to the new regime from April 2024, including that R&D claimants will no longer be able to nominate a third-party payee for R&D tax credit payments, subject to limited exceptions. In addition, no new assignments of R&D tax credits will be possible from 22 November 2023, meaning that, in most circumstances, payments of R&D tax reliefs will be paid directly to the company that claims for the R&D.

Comment

Further action may be needed to reduce the unacceptably high levels of non-compliance with the R&D rules and HMRC will be publishing a compliance action plan.

Corporation tax rates

The government has confirmed that the rates of corporation tax will remain unchanged, which means that, from April 2024, the rate will stay at 25% for companies with profits over £250,000. The 19% small profits rate will be payable by companies with profits of £50,000 or less. Companies with profits between £50,001 and £250,000 will pay tax at the main rate reduced by a marginal relief, providing a gradual increase in the effective corporation tax rate.

VAT

The VAT registration and deregistration thresholds will not change for a further period of two years from 1 April 2024, staying at £85,000 and £83,000 respectively.

In addition, the government will extend the scope of the current VAT zero rate relief on women's sanitary products to include reusable period underwear from 1 January 2024.

Other business measures

A number of other measures have been announced:

- Making the cash basis of accounting the default position for the self-employed from 2024/25, with an alternative to opt for the accruals basis, together with technical changes to the regime.
- A number of changes to strengthen the Construction Industry Scheme from April 2024.

Other taxation matters

Capital gains

The capital gains tax annual exempt amount will be reduced from £6,000 to £3,000 from April 2024.

Comment

It is estimated that around 570,000 individuals and trusts could be affected in 2024/25.

Inheritance tax

The inheritance tax nil-rate bands will stay fixed at their current levels until April 2028. The nil-rate band will continue at £325,000, the residence nil-rate band will continue at £175,000 and the residence nil-rate band taper will continue to start at £2 million.

Back to work

The government is introducing a Back to Work Plan, which includes investment of over £2.5 billion over the next five years. It will significantly expand available support and transform the way people interact with the benefits system. It has been designed:

- To support those who are long-term unemployed to find work.
- To ensure that those with long-term sickness and/or disabilities are better equipped to manage their conditions and participate in work, if they are able to do so.

As part of the Back to Work Plan, the government will invest over £1.3 billion over the next five years to help tackle long-term unemployment by establishing an end-to-end process that supports and incentivises unemployed Universal Credit claimants to find work. These policies, which include expanding Additional Jobcentre Support and strengthening Restart, build on previously announced changes.

The government will also strengthen the Universal Credit sanctions regime to enforce the government's expectation that those who can work must engage with the support available or lose their benefits. As a result, no claimant should reach their claimant review point at 18 months of unemployment in receipt of their full benefits if they have not taken every reasonable step to comply with Jobcentre support.

State benefits

From April 2024, the government is increasing working age benefits in line with inflation by 6.7%. The government is also maintaining the Triple Lock and the basic State Pension, new State Pension and the Pension Credit standard minimum guarantee will be uprated by 8.5%.

Making Tax Digital

The government has announced the outcome of the review into the impact of Making Tax Digital (MTD) for Income Tax Self Assessment (ITSA) on small businesses which includes maintaining the current MTD threshold at £30,000 and design changes to simplify and improve the system. These changes will take effect from April 2026. The government will also ensure taxpayers who join MTD from 6 April 2024 are subject to the government's new penalty regime for the late filing of tax returns and late payment of tax.