Autumn Statement 2021

The balance of announcements in the much leaked Autumn Statement were delivered to the House of Commons on 27 October 2021.

The statement was notable in what was predicted and not announced, as much as what was announced.

From a personal tax perspective there was no change in the capital gains tax rate. The Chancellor mentioned that he wanted to reduce not raise tax in his speech, so does that mean that future capital gains tax rate rises are now less likely?

The following measures were published on 27 October:

CGT payments on property time limit extension

In a change to the existing rules, from 27 October 2021, where individuals, trustees or personal representatives of deceased persons sell, or otherwise dispose of interests in UK land, the time limit for making the CGT return and associated payment on account will increase from 30 days to 60 days.

Annual Investment Allowance (AIA)

This is an allowance for the self-employed and companies that provides a 100% deduction for capital expenditure rather than claiming a proportion of that expenditure over a number of years.

It had previously been announced in the March 2021 Budget that the AIA would remain at £1,000,000 until 31 December 2021, reverting back to £200,000 on 1 January 2022.

It was announced that the AIA will now remain at £1,000,000 for qualifying expenditure on plant and machinery incurred up to 31 March 2023.

Trust Registration Service

The Trust Registration Service is an online service managed by HMRC that provides a single route for trustees and personal representatives of complex estates to comply with their registration obligations for money laundering purposes.

Due to changes in HMRC's systems the 30-day update period for trustees is to be extended by law to 90 days. HMRC will not be enforcing the 30-day rule in the interim.

For existing non-taxable trusts the registration period has been extended to 1 September 2022 from 10 March 2022. There is also likely to be an increase in the number of exemptions from registration, but these have yet to be published.

New trusts created from 2 June 2022 have to register within 90 days from their date of creation.

As a reminder, the following measures have already been announced to take effect from 6 April 2022:

Health & Social Care Levy

A new "Health & Social Care Levy" is intended to fund associated NHS and social welfare spending in the wake of the COVID pandemic.

The levy will be a 1.25% tax charge on earnings for employees, employers and the self-employed. Effectively, it will tax earnings in the same way as National Insurance Contributions (NICs) except that it will also apply to the earnings of individuals who are over the state pension age. It will officially come into force from 6 April 2023.

However, before the new levy is introduced, three classes of NIC (Class 1 primary, Class 1 secondary and Class 4) will temporarily increase by 1.25% from 6 April 2022. This increase will have the same effect as the levy, but will not apply to earnings over the state pension age.

From 6 April 2023, NIC rates will reduce to their current levels and the Health & Social Care Levy will remain as a stand-alone tax charge.

The table below illustrates the changes based on current thresholds:

	Class 1 primary (employee)	Class 1 secondary (employer)	Class 4 (self-employed)
Current NIC rates (2021-22)	12% 2% for earnings over £50,270	13.8%	9% 2% for profits over £50,270
Temporary NIC rates (2022-23)	13.25% 3.25% for earnings over £50,270	15.05%	10.25% 3.25% for profits over £50,270
NIC rate 2023-24	12% 2% for earnings over £50,270	13.8%	9% 2% for profits over £50,270
Health & Social Care Levy 2023-24	1.25%	1.25%	1.25%

Increases to dividend tax rates

Some people have the ability to flex how they receive monies from their companies. Therefore, in addition to the temporary increase to NIC rates, from 6 April 2022, there will be a 1.25% increase in dividend tax rates as follows:

Rate	2021-22 dividend tax rates	2022-23 dividend tax rates
Basic rate taxpayer	7.5%	8.75%
Higher rate tax payer	32.5%	33.75%
Additional rate tax payer	38.1%	39.35%

These increases are deliberately designed to mirror the Health & Social Care Levy so that individuals cannot avoid the new levy by taking more from their companies by way of dividends.

The Exchequer may see an acceleration in dividend tax revenue by this increase through individuals having dividends paid to them before 6 April 2022 to beat the increased tax rate.

Income tax personal allowance and tax bands

The income tax personal allowance will remain frozen £12,570 until 5 April 2026. The basic rate (20%) threshold will remain at £37,700, the higher rate (40%) threshold at £50,270 and the additional rate (45%) threshold at £150,000.

By not rising in line with inflation the effect of "fiscal drag" is likely to move a number of basic rate taxpayers into the higher rate threshold in the coming years.

Capital gains tax (CGT) annual exemption

The government did not make any announcements to changes to CGT rates, reliefs or exemptions.

CGT rates remain at 10% to the extent that gains fall into the basic rate band, and 20% thereafter. Disposals of residential property and carried interest are subject to an 8% surcharge in addition to the main CGT rates.

The CGT annual exemption remains frozen at £12,300 until 5 April 2026. The allowance for trustees remains at £6,150 but may be reduced depending upon the number of trusts that the settlor created.

2022-23 Inheritance tax (IHT) nil rate band

No announcements were made about potential reforms to IHT.

The nil rate band has been £325,000 since 6 April 2009 and will remain at this level until 5 April 2026.

Where an individual leaves their main residence (or the proceeds from the sale of their main residence) to their lineal descendants, their personal representatives may claim the residence nil rate band subject to certain criteria being met.

The maximum residence nil rate band available per individual is £175,000 and remains frozen at this level until 5 April 2026.

Corporation tax

The main rate of corporation tax remains at 19%.

From 1 April 2023 the main rate will increase to 25% for companies with taxable profits in excess of £250,000.

A small profits rate will be introduced for companies with taxable profits of £50,000 or less so that they continue to pay corporation tax at 19%.

Companies with profits between £50,000 and £250,000 will pay tax at the main rate, reduced by a marginal relief.

Basis period reform

From 6 April 2024, self-employed individuals, partners in partnerships, and other entities with trading income, will be charged to income tax on taxable profits arising on a "tax year basis" rather than on the profits arising in the accounting period that ends in the tax year.

Under current rules, individuals who draw up their accounts to an accounting date that is not 31 March or 5 April enjoy a timing advantage when it comes to making their tax payments through Self-Assessment. From 2024/25 an unincorporated business will be taxed on the profits or losses arising in the tax year regardless of when it draws up its accounting date.

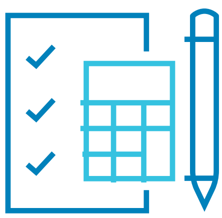
2023/24 will be a transition tax year where taxable profits may be reduced by any unused "overlap relief", primarily generated in the opening years of the business. Unincorporated businesses with higher profits in 2023/24 due to the change in the rules will be automatically allowed to spread the additional profits over a period of five tax years. Alternatively, they may elect out of spreading and accelerate the charge to treat additional profits arising as taxable in 2023/24.

Clamping down on tax avoidance

A new package of measures is targeted at "the most determined promoters and enablers" of tax avoidance.

New powers will be granted to HMRC to seek asset freezing orders that would prevent promoters from dissipating or hiding their assets before paying the penalties that are charged as a result in them breaching their legal obligations under the various anti avoidance regimes. New legislation will enable HMRC to "name and shame" promoters of tax avoidance schemes.

Handelsbanken Wealth Management does not sell or promote tax avoidance schemes or undertake aggressive tax planning which is contrary to the intentions of Parliament. As a signatory to the Code of Practice on Taxation of Banks, the Handelsbanken Group's actions regarding tax-related matters shall be responsible, transparent, and compliant with prevailing laws and regulations.



The value of investments and any income from them can fall and you may get back less than you invested.