# Autumn Statement 2023

**The Chancellor, Jeremy Hunt, presented his Autumn Statement to the House of Commons on 22 November 2023.**

**He announced some immediate relief from tax for many through a reduction in the level of National Insurance contributions for both the employed and self-employed, and also made some changes to Individual Savings Accounts (ISAs) and to the portability of pensions.**

**The Chancellor's healthy reserve allowed him to spend heavily on both personal and business taxation measures but to still retain a buffer of approximately £13bn. Further tax reduction measures may be expected in the Spring Budget 2024.**

The reduction in the level of National Insurance contributions will take effect from 6 January 2024, rather than the new tax year in April which is the more usual date for new tax measures to begin. The key changes to Individual Savings Accounts (ISAs) will commence from 6 April 2024. Savers will be able to open multiple ISAs within a single tax year; currently, individuals are restricted to one cash ISA and one stocks and shares ISA each year. The ability to ask for a partial transfer of an ISA fund to another provider will also be introduced. With some attractive cash deposit rates on offer, this increased flexibility should create greater competition and allow savers to 'vote with their feet' and switch providers, however, the measure may increase the risk of duplicate subscriptions.

As part of a tidying-up exercise the minimum age for ISA applications has been harmonised at 18. At present, a minor can have a £9,000 Junior ISA annual subscription until age 18 as well as a cash ISA from age 16, allowing 16 to 18 year olds (or their parents on their behalf) to save a total of £29,000 in each of the two years. This has been a welcome anomaly which will cease on 5 April 2024.

The government will also consult on making pensions more portable, a 'pot for life' where each individual has their own pension scheme and where employers would be required to contribute to each employee's own 'pot'. This would avoid savers having multiple pension plans relating to their various employments throughout their careers. This is what was originally intended when personal pension legislation was introduced in 1988. Some questions arise though: will employers be permitted to offer different levels of contribution depending on whether the employee joins a group scheme or opts for their own arrangement? How about costs? A group scheme with potentially hundreds of employees can administer the arrangement and negotiate fund charges resulting in potentially far lower costs than an individual could achieve alone. These are just two of the issues that will need to be considered.

Finally, we note that the much anticipated reform of the inheritance tax (IHT) regime did not materialise, perhaps because any changes would be felt by only a small proportion of the population - approximately 4% of estates pay IHT.

**Below we provide more detail on some of the key tax measures that may be of interest.**

## Personal taxation and savings measures

### National Insurance Contributions (NIC) reforms:

#### Class 2 NIC

Class 2 NICs are currently payable by self-employed individuals at a flat rate of £3.45 per week where profits exceed £12,570 per year. Payment provides access to certain contributory state benefits including the state retirement pension. The Chancellor announced that Class 2 NICs will be abolished from 6 April 2024 thus providing affected self-employed individuals with a modest annual tax saving of £179.40.

The government will set out more details about the measure next year and will set out how those lower-paid self-employed individuals, who may currently pay Class 2 NICs voluntarily, will build entitlements to their state retirement pension.

#### Class 4 NIC

Class 4 NICs are currently payable by self-employed individuals at a rate of 9% on profits between £12,570 and £50,270 and at a supplementary rate of 2% on profits over £50,270. The main rate of 9% will drop by one percent to 8% from 6 April 2024.

#### Class 1 NIC

Class 1 NICs are currently payable by employed individuals at a rate of 12% on earnings between £242.01 and £967 per week. This will reduce to 10% from 6 January 2024. The government has forecast that this will save 'average workers' over £450 per year.

### Future guidance changes for tax relief for the self-employed

HMRC will publish new guidance around the deductibility of training costs for sole traders and the self-employed. It is expected that costs incurred in updating skills as well as maintaining pace with technological advances and industry practices will now benefit from full tax relief.

### Expanding the cash basis

The cash basis is a simplified method of accounting that unincorporated businesses may use to calculate their trading profits as an alternative to using the traditional 'accruals basis' of accounting. Using the cash basis usually reduces the complexity involved in calculating trading profits whilst providing an acceptable measure of them for tax purposes.

Under the current rules, businesses are only able to adopt the cash basis where turnover is below £150,000. Furthermore, many are forced to adopt the accruals basis of accounting where turnover grows to exceed £300,000. The cash basis imposes restrictions about the deductibility of certain expenses as well as the practical use of trading losses.

From 2024/25 the turnover thresholds and restrictions will be removed so that cash basis accounting will not only become the 'default' method of calculating trading profits for unincorporated businesses, but will also benefit from some of the advantages of the accruals basis.

### Abolishing the lifetime allowance (pensions)

Although previously announced; the Autumn Statement re-confirmed that the lifetime allowance will be abolished from 6 April 2024. In its place will be two new allowances; one which maximises the amount pension scheme members may receive in tax free lump sums during their lifetime and another which places a cap on the amount of tax free death benefits. The new allowances will limit the tax free amounts to the same levels as currently apply under the lifetime allowance regime.

It is understood the government intends that individuals with lifetime allowance protections, which entitle them to higher tax free lump sums or death benefits, will retain their entitlements to higher tax free amounts.

### ISA investment limits

The government will freeze the current ISA (£20,000) Junior ISA (£9,000) Lifetime ISA (£4,000 excluding government bonus) and Child Trust Fund (£9,000) subscription limits at their current level for the 2024-25 tax year.

### Enterprise Investment Scheme (EIS) and Venture Capital Trusts scheme extension

The current rules that govern the EIS and VCT scheme were due to expire on 6 April 2025. These 'sunset clauses' in the tax legislation will now be extended until 6 April 2035.

### Anti-avoidance measures

The government will introduce new rules to 'get tougher' on promoters of tax avoidance schemes. A new criminal offence will be introduced to target those who HMRC has ordered to stop promoting schemes and new powers will be granted to HMRC to bring disqualification action against directors involved in their promotion.

### Reforming requirements to submit a Self-Assessment tax return

As part of the government's plan to create a 'simpler and fairer tax system' taxpayers whose only source of income is entirely taxed under PAYE will no longer be required to submit an annual tax return. The new measure will take effect from the 2024/25 tax year onwards.

However, care must be taken where high earning taxpayers receive other taxable income (such as bank interest) as the requirement to submit a tax return will likely remain.

### Making tax digital (MTD) for Income Tax Self-Assessment

Following a review of smaller unincorporated businesses, those under the £30,000 turnover threshold will remain outside of MTD for the time being, but the position will remain under review. Those businesses with a turnover exceeding £50,000 will be mandated to join MTD from April 2026 followed by those with turnover exceeding £30,000 from April 2027.

The date for partnerships being mandated into MTD is yet to be determined but the government remains committed to their eventual inclusion as part of its digital tax administration strategy.

If you have questions about taxation, or our wealth planning services, please contact the Marketing team:

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## Business taxation measures

In the 2023 Spring Budget, the government introduced two new temporary first year allowances.

For qualifying expenditure on plant and machinery incurred between 1 April 2023 and 1 April 2026 companies may claim a 100% first year allowance for main rate expenditure ('full expensing') or a 50% first year allowance for special rate expenditure (such as on thermal insulation).

The Chancellor announced that these temporary first year allowances will now become permanent for qualifying expenditure incurred on or after 1 April 2023.

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