

Autumn Statement 2023

Continuing the road to recovery?

23 November 2023

Agenda

- 01** Introduction / Economic overview
 - 02** Business Taxes
 - 03** Employment Taxes
 - 04** Indirect Taxes
 - 05** Personal Taxes
 - 06** Questions
-



01

Economic overview

Sam Miley



Economic outlook: Cebr presentation for BDO

November 2023

Inflation to continue downward trajectory but remain above target for some time

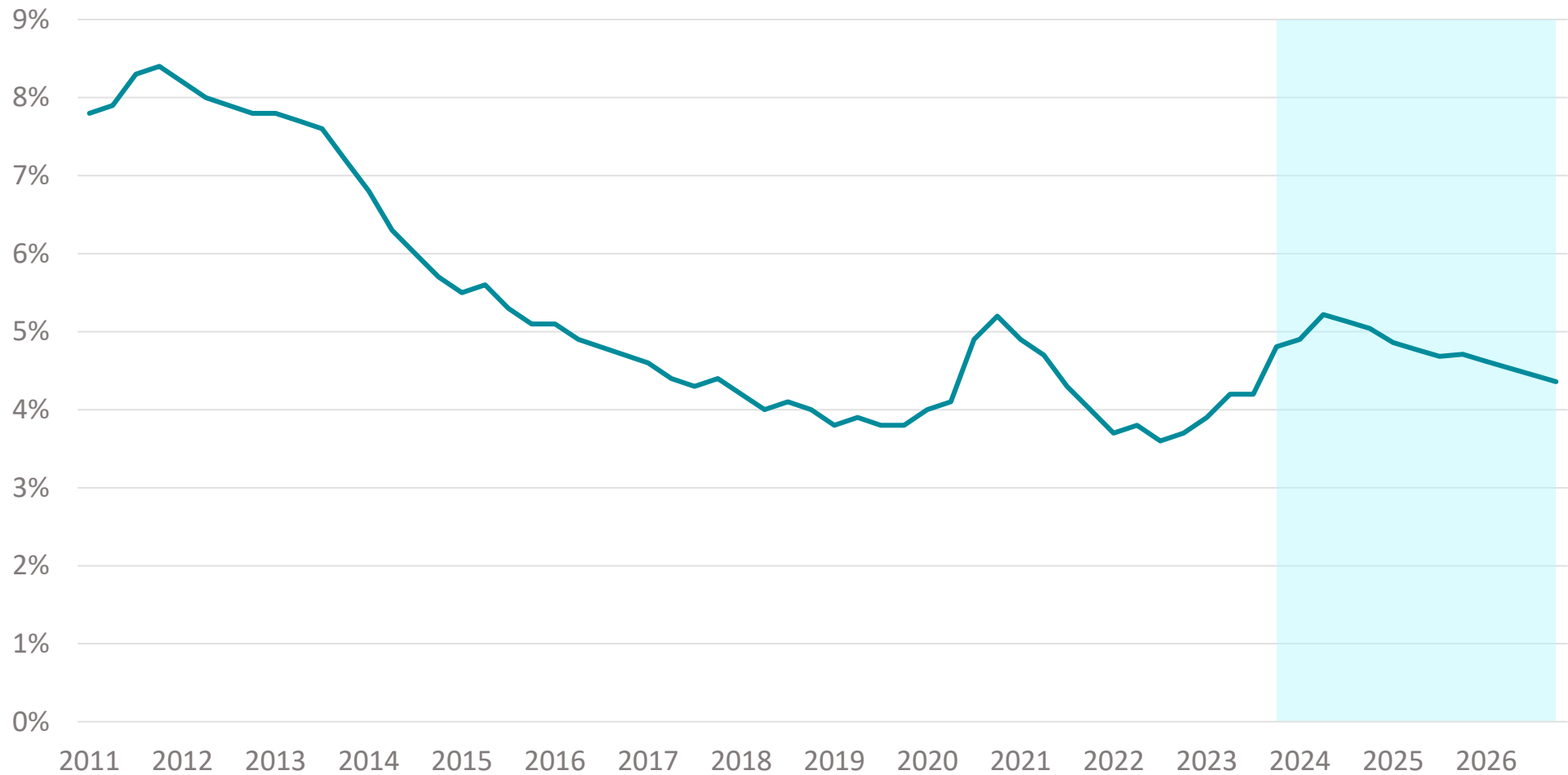
Consumer price inflation



Source: ONS, Cebr analysis

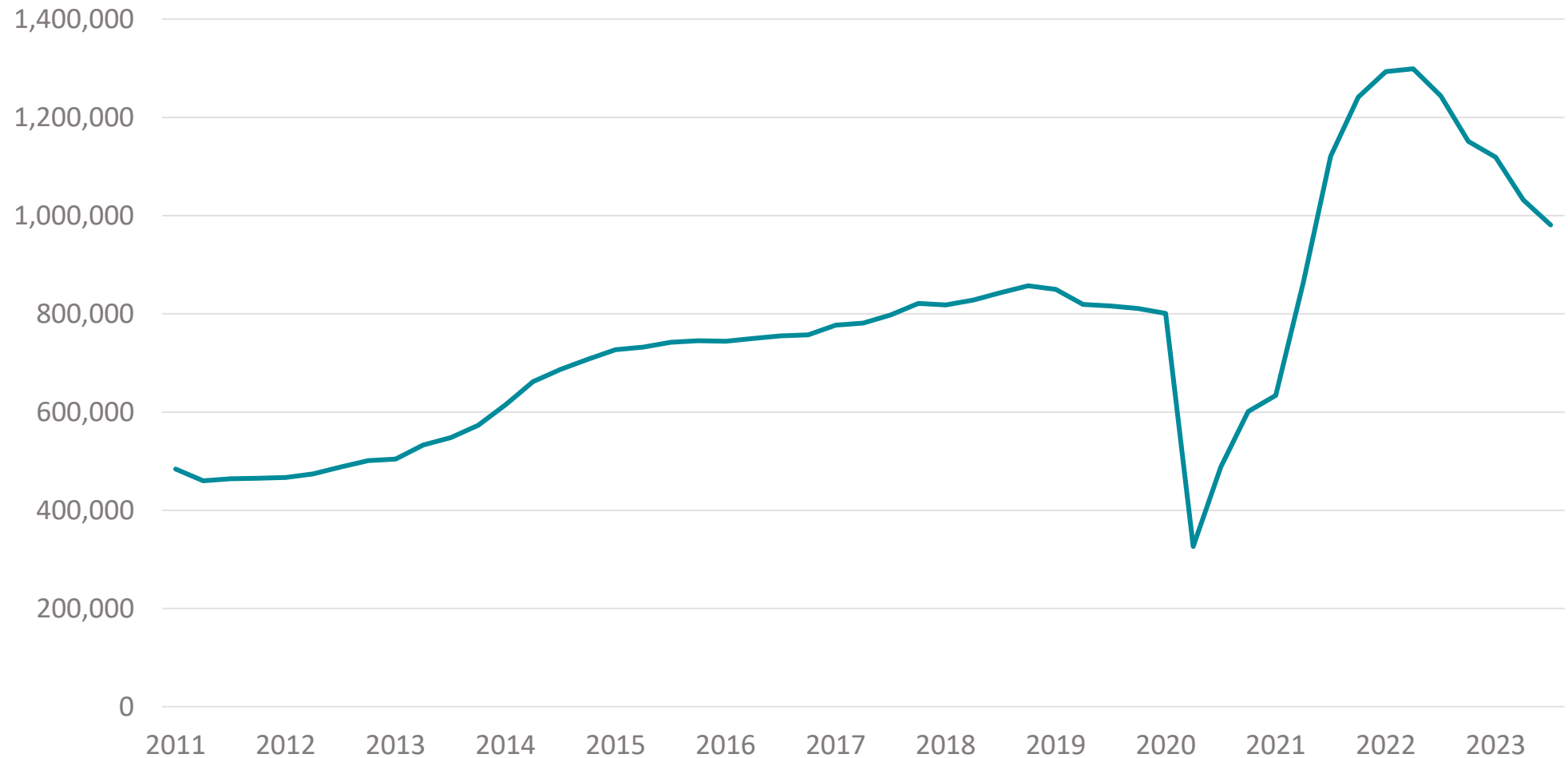
Unemployment rate on the rise amidst signs of cooling labour market

UK unemployment rate, %



Vacancy numbers on a clear downward trend having soared after the pandemic

Number of vacancies

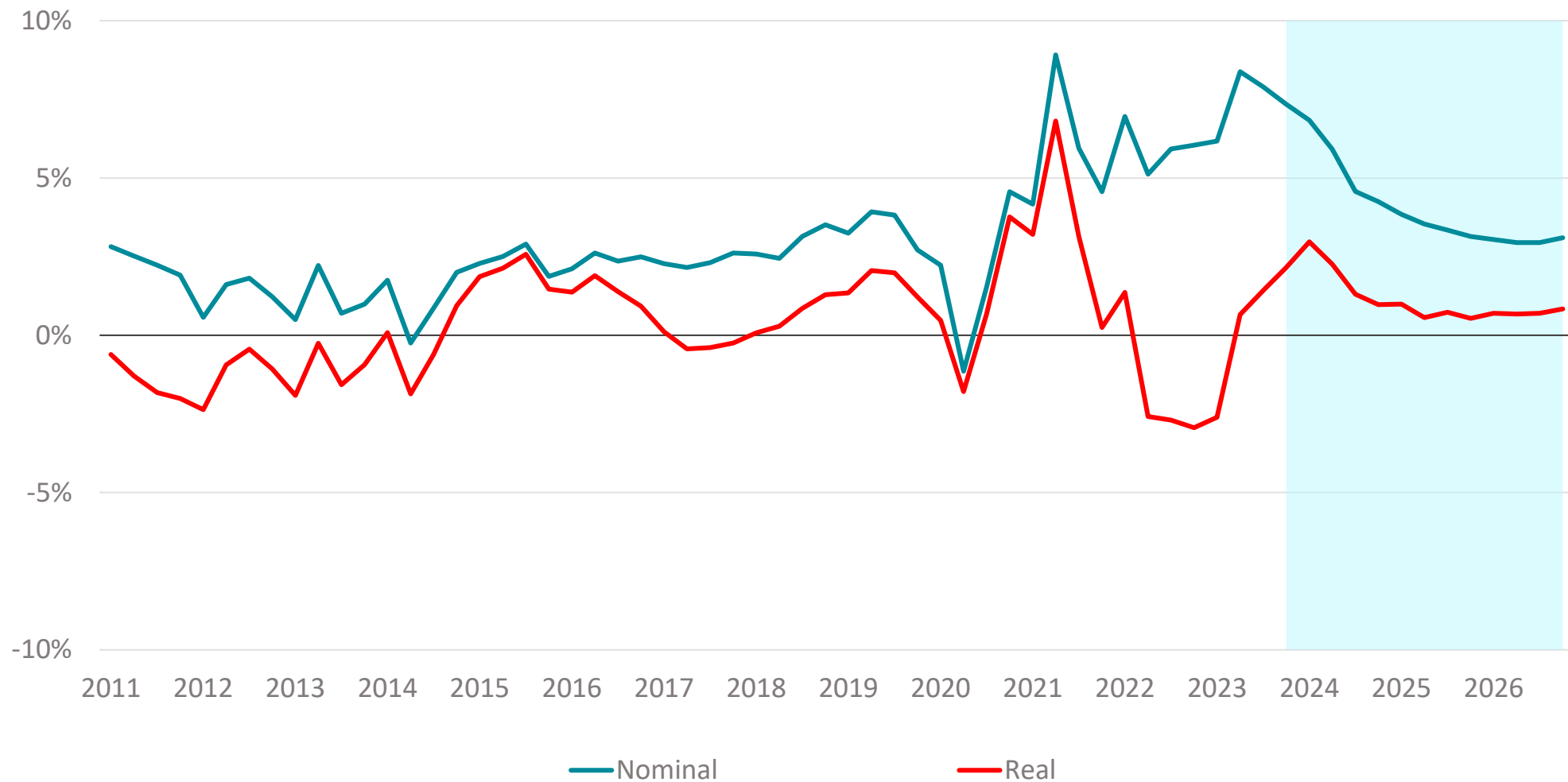


Source: ONS, Cebr analysis



Real wages have returned to growth, but slowdown expected looking ahead

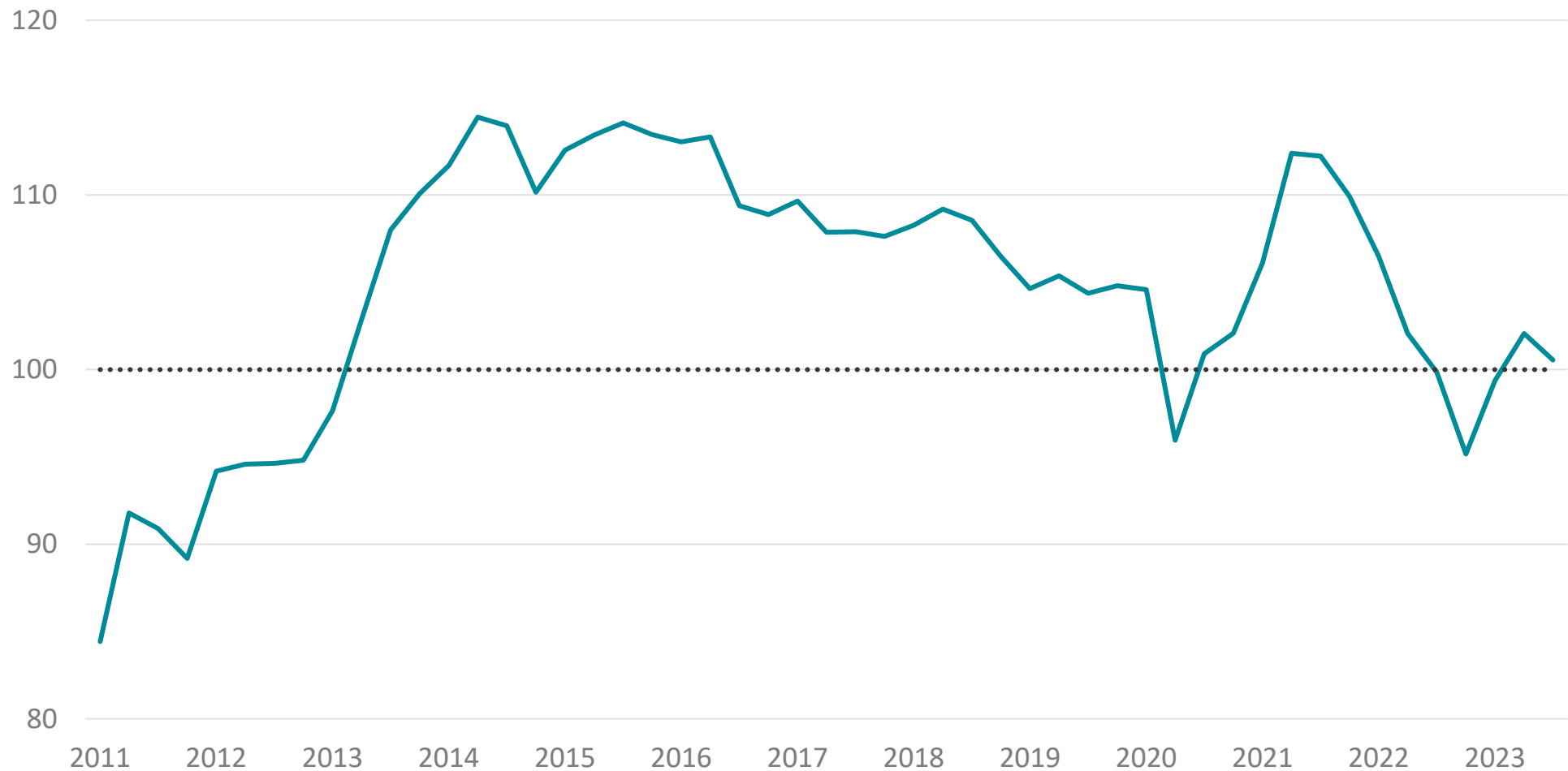
Average weekly earnings



Source: ONS, Cebr analysis

Consumer Confidence Index standing marginally in positive territory after slump last year

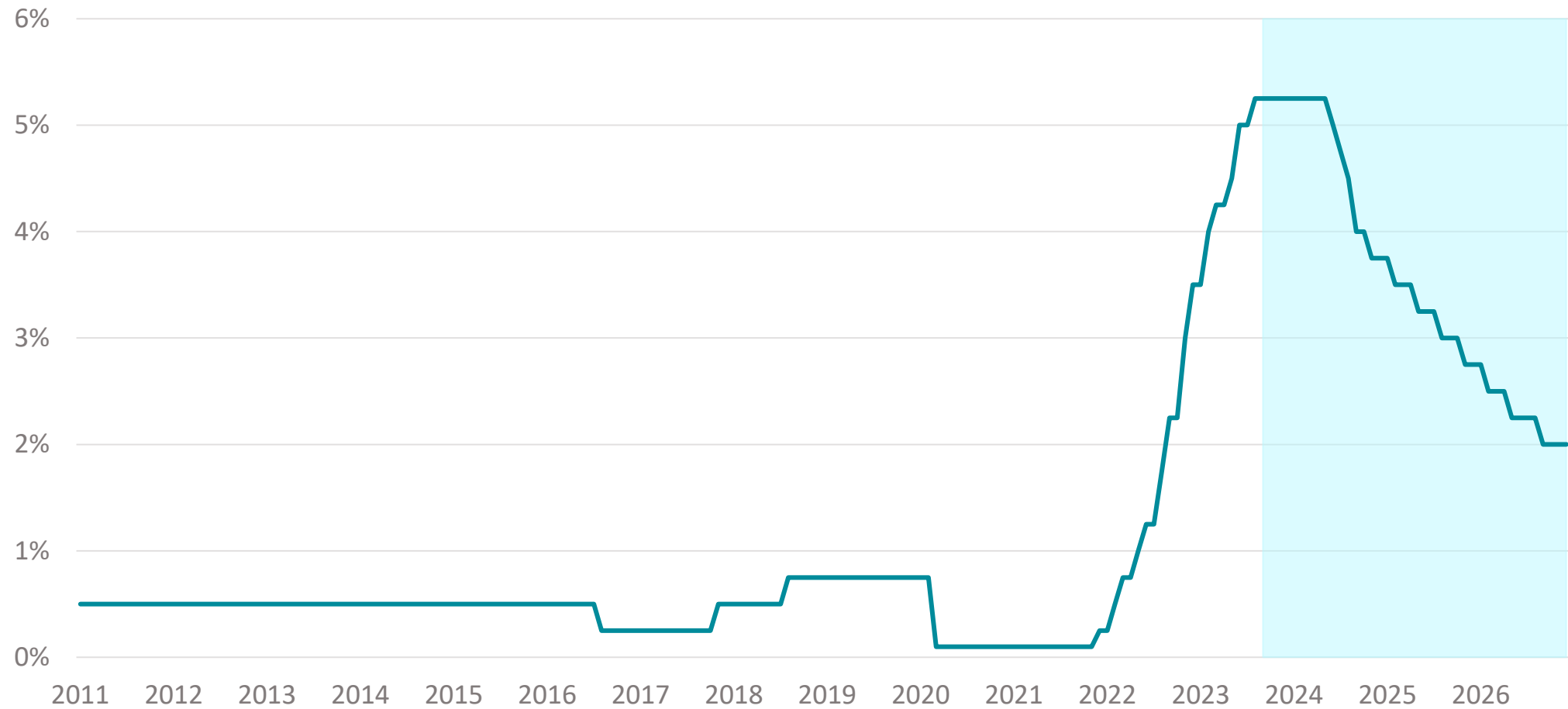
YouGov/Cebr Consumer Confidence Index



Source: YouGov, Cebr analysis

Interest rates expected to remain at current levels until mid-2024 before gradual cutting process

Bank of England base rate

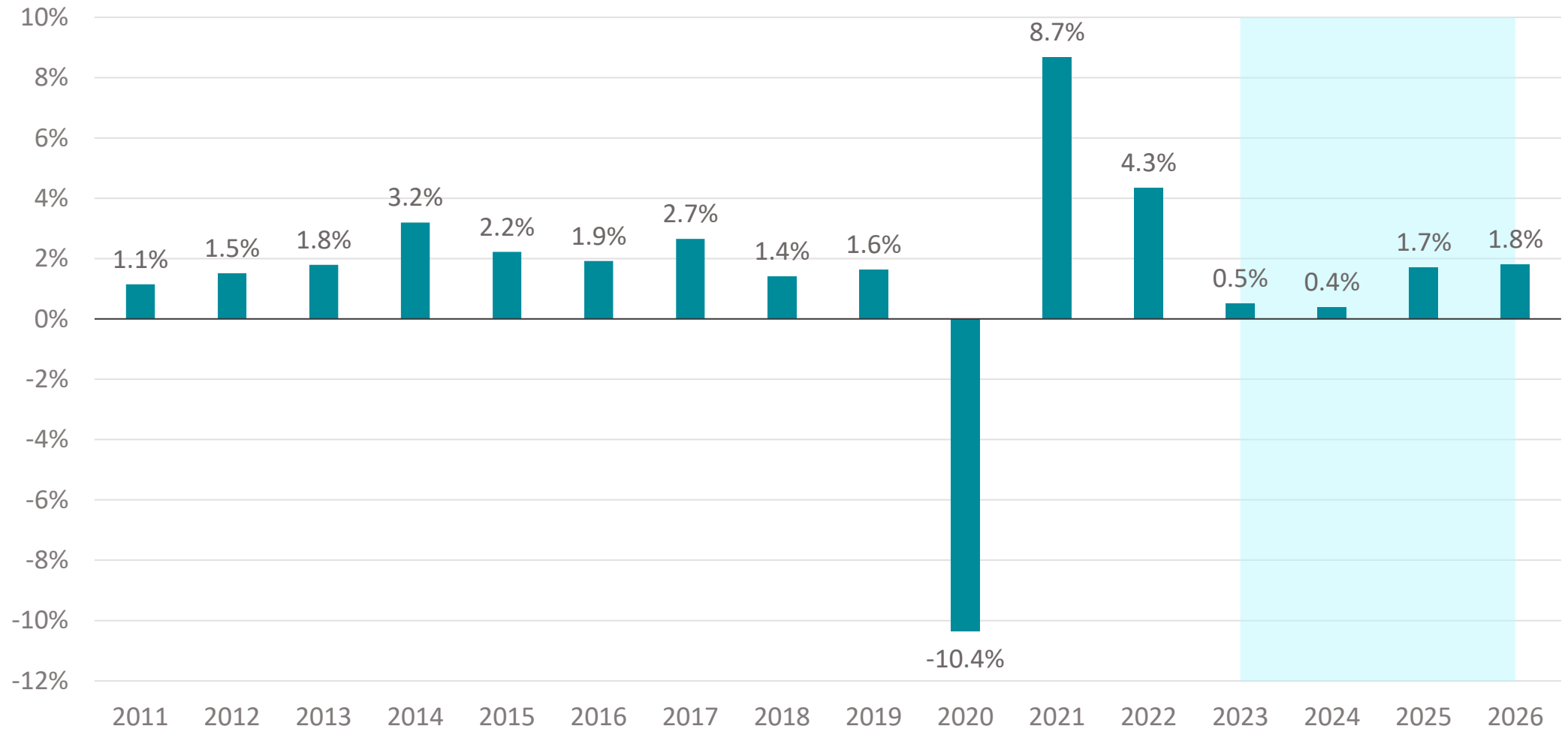


Source: Bank of England, Cebr analysis



UK economy facing sluggish growth prospects for 2024 after 2023's weak expected performance

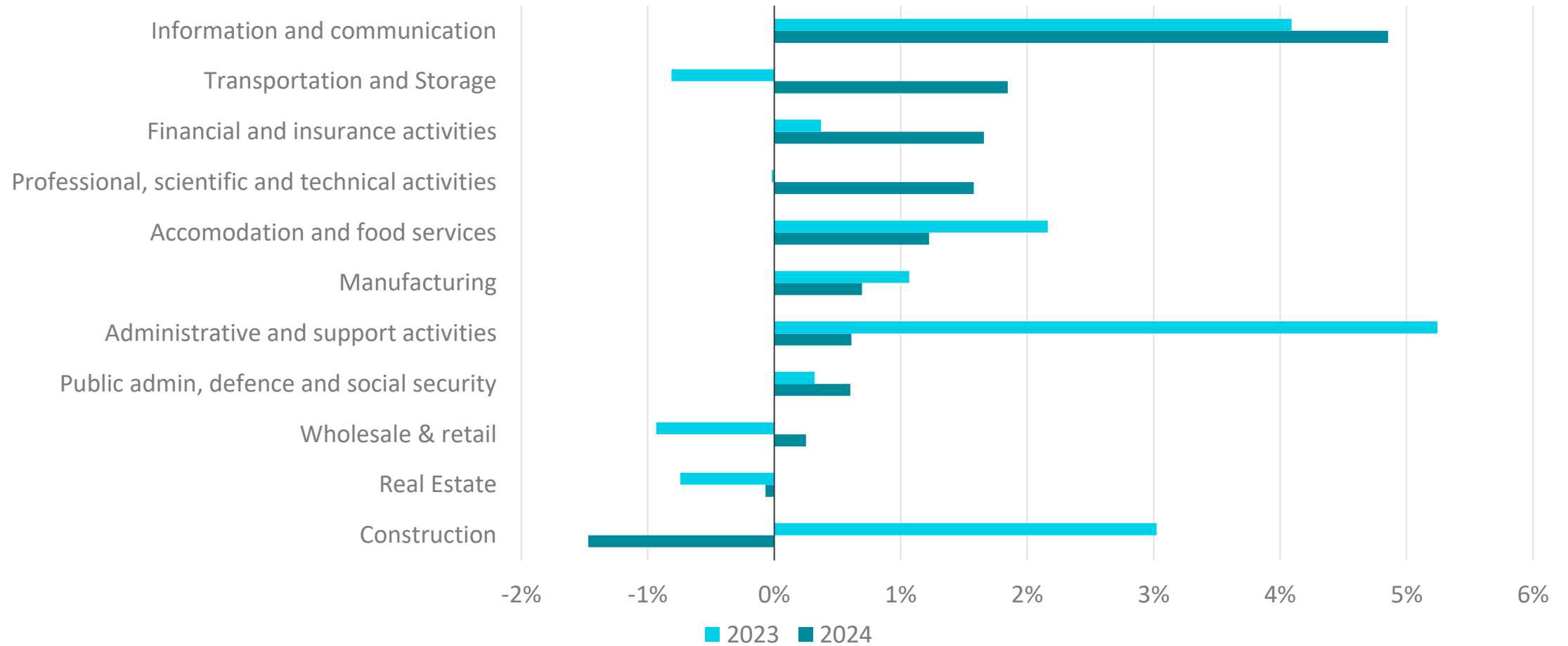
Annual GDP growth



Source: ONS, Cebr analysis

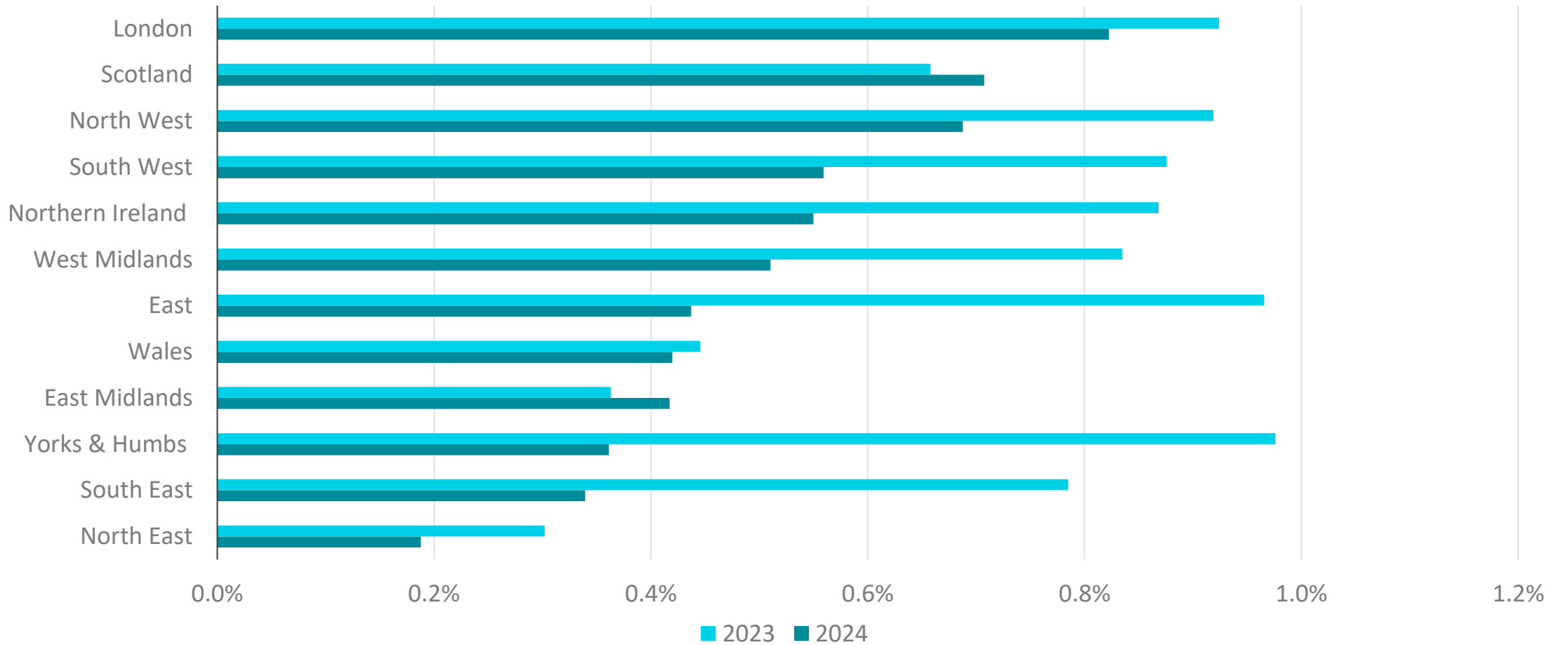
Construction and real estate sectors to be hit by tighter interest rates in 2024

Annual GVA growth



Growth slowdown expected for majority of regions in 2024

Annual GVA growth



Key policies announced at Autumn Statement

In a relatively light Autumn Statement, the following policy changes stood out:

- The **cut to the contribution rate on National Insurance** will likely have both demand- and supply-side effects by improving spending power and providing work incentives.
- The **rise in the National Living Wage and expansion of eligibility** will have similar demand- and supply-side effects. This policy does pose an upside risk to inflation, however, by increasing employment costs for businesses.
- The **uprating to Universal Credit payments** will support some of the poorest in society, limiting the extent to which living standards are eroded by inflation.
- Making the **full expensing of capital allowances permanent** will likely boost capital investment in the long term, by providing greater certainty.
- Various changes to **planning policy** will help to alleviate some of the blockage to housing and infrastructure investment.

02

Business Taxes

Liam O'Doherty

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Corporation tax 'Roadmap'

	2023/24	2024/25
Corporation tax rates		
Main rate	25%	25%
Diverted profits	31%	31%
Bank surcharge	3%	3%
Electricity Generator levy	45%	45%
Energy profits levy for oil and gas	35%	35%

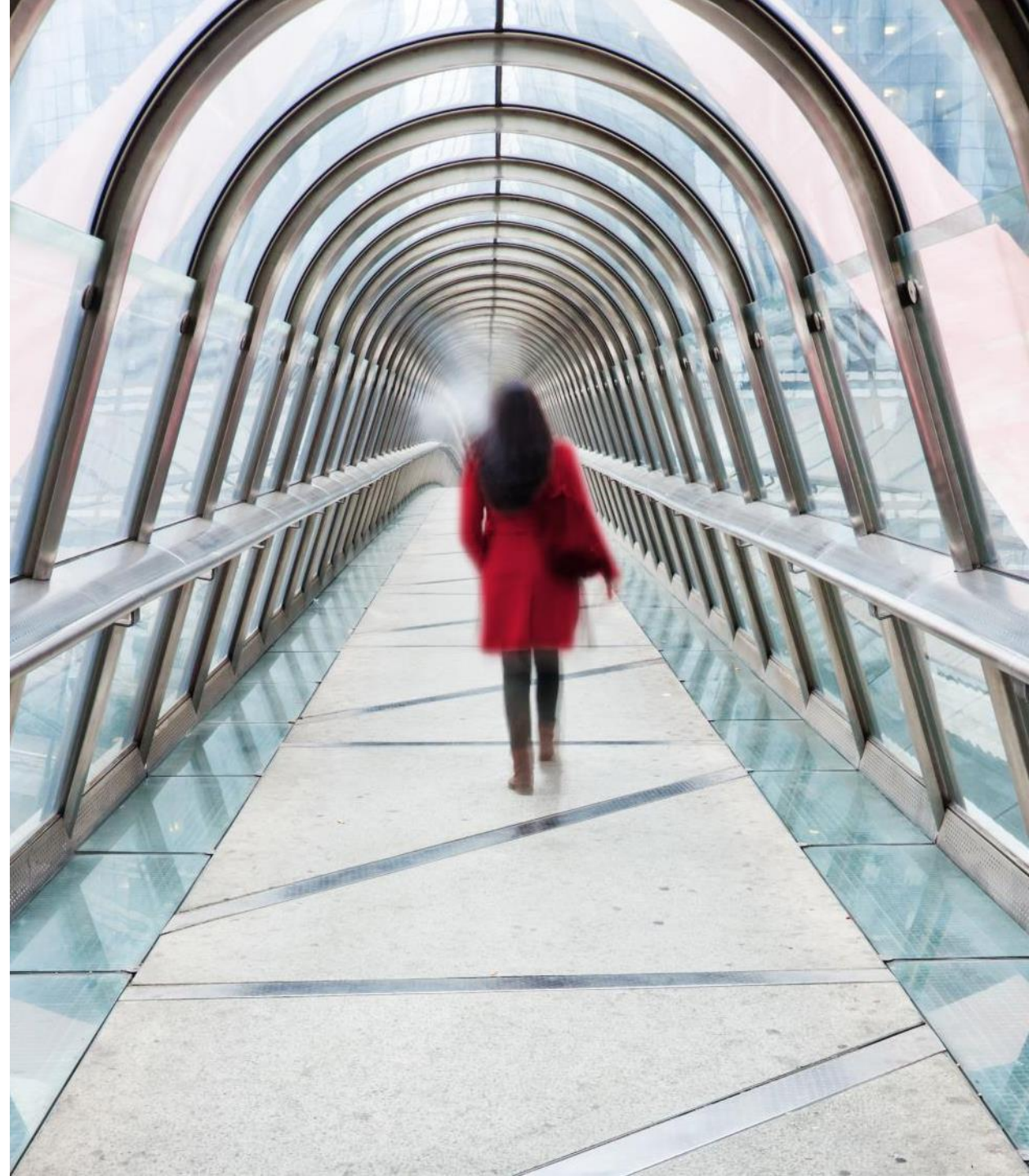
Small profits rate 2023/24 onwards

- ▶ 19% retained for companies whose profits are less than £50,000
- ▶ Tapered marginal rates for profits between £50,000 and £250,000 - (26.5% 2023/24)
- ▶ Associated companies rules reintroduced
- ▶ Close Investment Holding Companies rules reintroduced and pay main rate.

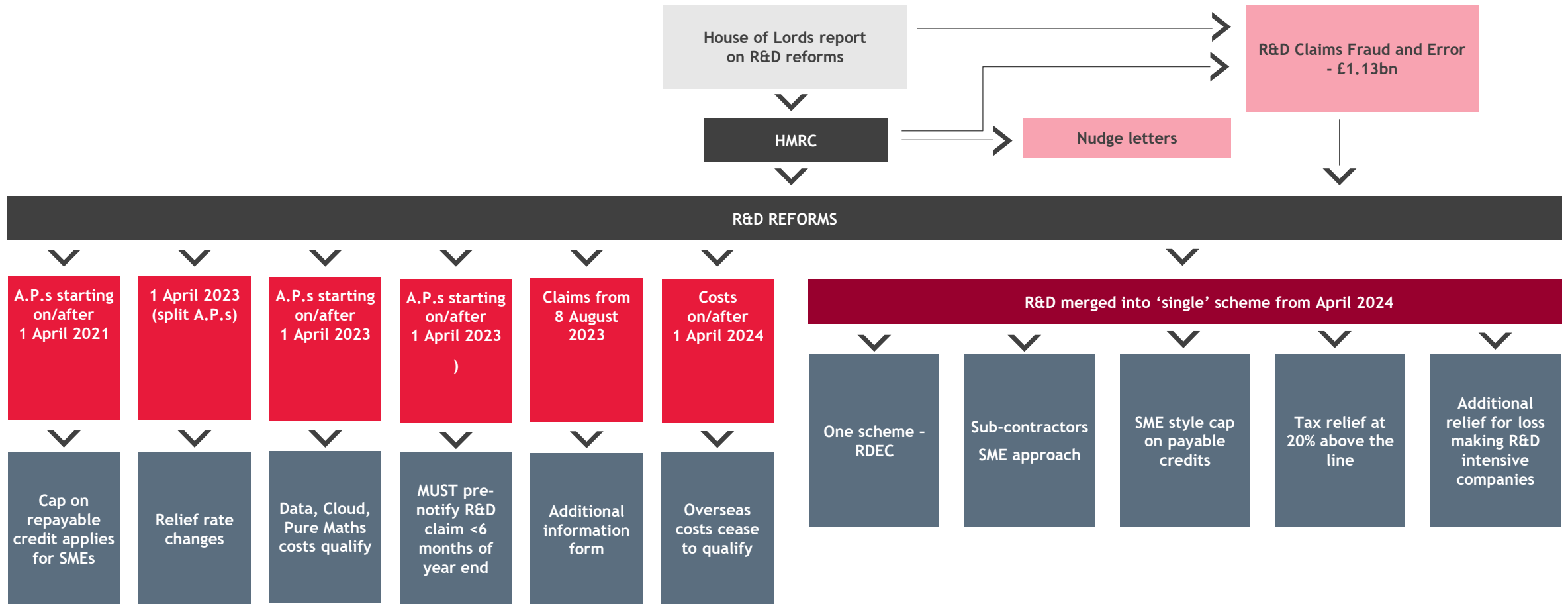
Capital Allowances

Full expensing - i.e. **100%** deduction for plant and machinery (general pool) investment will not end in March 2026 but will be made permanent

Companies will get **25%** of the investment back as tax relief



R&D ongoing reform



R&D tax credits - changes to relief rates under merged scheme

SMES	Up to 31 March 2023	From 1 April 2023	SMEs and Large Cos (apart from KICs) - From 1 April 2024	KICs (loss making) - From 1 April 2023 onwards
Profitable	130% uplift 24.7% net benefit	86% uplift 21.5% net benefit		NA
Loss making	14.5% repayable credit 33.4% subsidy	10% repayable credit 18.6% subsidy		14.5% repayable credit 26.97% subsidy
RDEC				
All companies	Headline 13% -10.5% benefit	Headline 20% - 15% benefit	Headline 20% - Profit making: 15% benefit - Loss making: 16.2% benefit	NA

- ▶ Split accounting periods to calculate relief
- ▶ KICs rules remain separate on rates but core R&D rules aligned with merged scheme
- ▶ KICs - qualifying expenditure = 40% (April 2023) or 30% (April 2024) of total expenditure.

R&D tax credits - merged scheme highlights

Benefits for large companies:

- ▶ Cap on repayable relief for loss making companies will follow current SME scheme rules

Benefits for SMEs:

- ▶ Claiming on subsidised expenditure (eg grants) should be permitted

- ▶ Subcontracted work - clarification to follow to combine existing rule

Extra complexity for SMEs:

- ▶ Operates as an above the line credit - brings accounting implications for SMEs
- ▶ 7 step calculation required for relief for all companies

HMRC's 13 'expectations' for claims compliance applies to all claimants

Business investment

Initiatives Areas

- ▶ Manufacturing sector
- ▶ Supporting financial services sector
- ▶ Supporting our scientists and innovators
- ▶ "Supercharging" growth in SMEs
- ▶ Investing in key sectors
- ▶ Boosting growth across the country
- ▶ Investing in housing supply

Investment zones

- ▶ Tax-breaks for investment zones extended from 5 to 10 years
- ▶ Freeport tax reliefs in England will also be extended until September 2031
- ▶ Investment zones named in Manchester, Birmingham, and East Midlands

Pension fund investment rules

- ▶ New fund launched by British Investment Bank that pension schemes can invest in
- ▶ Fund used to invest or lend to high growth businesses

Other Updates

Minimum global corporate tax rate (15%) - Pillar 2 will take effect from 1 Jan 2024

Implementation of Pillar 1 - rules still being debated

REIT reform - reforms from 1 April 2023

EIS and VCT - sunset clauses extend from April 2025 to 2035

Annual Tax on enveloped dwelling (ATED) - April 2024 increase of 6.7% in line with consumer price index

Business rates

COVID hangover business rates relief to continue.

- ▶ The government will introduce a business rates support package worth £4.3bn over the next five years to support small businesses and Retail, Hospitality and Leisure (RHL).
- ▶ This includes extending the **75% relief** for RHL for 2024-25, up to a cash cap of **£110,000**, and freezing the small business multiplier for a fourth consecutive year.
- ▶ The standard rate multiplier will be increased in line with CPI inflation.



03

Employment Taxes

Caroline Harwood

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'Back to Work' Plan - more stick than carrot?

- ▶ The Universal Credit Sanctions regime will be strengthened targeting disengaged claimants
- ▶ Enhanced support will be provided at Job Centres including coaching for 6 months, followed by 12 months of expanded and improved Restart. This will be followed by a mandatory work placement for those still unemployed. If refused, Universal Credit claim will be closed
- ▶ End to end reform of the Fit Note process is to be considered

- ▶ £2.5bn to be invested in individual placement and support for severe mental illness, talking therapies and other support back to work
- ▶ National living wage to increase from 1 April 2024 to:

Age 21 plus	£11.44 (9.8%/12.4% increase for 23+/21-23)
Age 18-20	£8.60 (14.8% increase)
Under 18 (apprentices under 19)	£6.40 (21.2% increase)

increase of >£1,800 pa for a full-time worker expected to benefit >2.7m low paid workers



Main NIC rates - changes

	2023/24 - up to 5 th January 2024		2024/25	
Lower earnings limit	£123 pw	Nil	£123pw	Nil
Employees - primary threshold	£242 pw	Nil	£242 pw	Nil
	Over £242	12% ⁽¹⁾	Over £242	10%
Upper earnings limit	Over £967 pw	2%	Over £967 pw	2%
Employers - secondary threshold	£175 pw	Nil	£175 pw	Nil
Employers - above secondary threshold	Over £175	13.8%	Over £175	13.8%
Employers - employees under 21	£175 - 967 pw	Nil	£175 - 967 pw	Nil
Employers - apprentices under 25	£175 - 967 pw	Nil	£175 - 967 pw	Nil
Employers - above upper secondary threshold (under 21, under 25 apprentice)	Over £967 pw	13.8%	Over £967 pw	13.8%
Employment allowance		£5,000		£5,000

(1) Rate reduces from 12% to 10% from 6 January 2024

(2) Maximum employee NIC reduction for 2023/24 equates to £188 (£50,270 - £12,570 * 2%/12 *3)

(3) Maximum employee NIC reduction for 2024/25 equates to £754 (£50,270-£12,570 * 2%/12)

Anti-avoidance measures

Construction Industry Scheme

Reforms to CIS include:

- ▶ Including VAT in the test for gross payments status
- ▶ Grounds for cancellation of gross payment status will include HMRC reasonably suspecting that the contractor has fraudulently provided an incorrect return or incorrect information re VAT, Corporation Tax Self-Assessment (CTSA), Income Tax Self-Assessment (ITSA) and/or PAYE
- ▶ Remove the majority of payments from landlords to tenants from the scope of CIS.

Exchequer Saving	£m
2024/25	+50
2025/26	+95
2026/27	+75
2027/28	+60
2028/29	+40



Company car benefits

- ▶ No change to planned increase in benefit in kind charge for electric and ultra-low cars from 2% to 3% of list price from April 2025
- ▶ Van Benefit, Car & Van Fuel Benefit Charges for non-electric and ultra-low emission vehicles are scheduled to rise from 6 April 2024 in line with CPI
- ▶ Salary sacrifice remain an attractive option with benefits for both employers and employees.



Other changes for employers

- ▶ Off-payroll labour - Calculation of PAYE in cases of non-compliance
 - Reduce the liability of deemed employer for tax and NIC paid by worker/intermediary in respect of that employment
 - Applies to amounts arising from an error in operating IR35 and assessed under PAYE from 6 April 2024
- ▶ Enterprise Management Incentives
 - time limit to notify HMRC of a grant of EMI options amended from 92 days following the grant to 6 July following the end of the tax year in which the grant was made
- ▶ Employers NIC relief for veterans extended to 5 April 2025



04

Indirect Taxes

Martyne Pearson



Indirect tax headlines

- ▶ VAT Gap increases
- ▶ Maintain VAT registration threshold at current level to 31 March 2026
- ▶ Maintain VAT de-registration threshold at current level to 31 March 2016
- ▶ No change to VAT rates
- ▶ No change to alcohol duty
- ▶ Tobacco duty rate will increase by 2% above RPI inflation
- ▶ Fuel duty frozen again (due to inflation pressures)



Indirect Tax Headlines

- ▶ **Women's Sanitary Products** - 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.
- ▶ **Energy Saving Materials** - The Government will, after consulting in this area, expand the (time limited to 2027) zero-rated relief for energy-saving materials to additional technologies, such as water-source heat pumps. The Government will also re-introduce a relief previously removed at the insistence of the EU for energy saving materials installed in buildings used solely for a relevant charitable purpose. More details are to be published soon, but the reforms are due to take effect in February 2024.

- ▶ **VAT Retail Export Scheme** - The government is grateful for industry submissions on the VAT Retail Export Scheme and the associated airside scheme (tax-free shopping). The government will continue to accept representations and consider this new information carefully, alongside broader data.
- ▶ **VAT Treatment of Private Hire Vehicles** - The government will consult in early 2024 on the impacts of the July 2023 High Court ruling in *Uber Britannia Ltd v Sefton MBC*.

Indirect Tax Headlines

Plastic Packaging Tax - The rate of Plastic Packaging Tax rate will rise in line with CPI, from 1 April 2024, from the present rate of £210.82 to £217.85 per tonne. Additionally, after a previous consultation on a 'mass balance approach', the government will publish an evaluation plan by the end of the year and gather further evidence to inform the future trajectory of the rate and recycled plastic content threshold.

Rebated Oil - the list of 'excepted machines', that can use rebated fuel (red diesel) will be expanded, from the date of Royal Assent to the Autumn Finance Bill 2023, to include machines and appliances that use heavy oil (other than gas oil), or bio-blends that do not contain gas oil, for commercial heating. This corrects an anomaly that arose when the rules were changed on 1 April 2022.



Indirect Tax Headlines

Tariff suspensions -The Government will retain around 2000 tariff suspensions on imported goods and will extend the relief for five years rather than the current one-year tariff suspension cycle. This covers goods ranging from vaccine components to ingredients used by UK food producers. The import relief is to provide continuity and avoid unnecessary costs to UK businesses.

Remote Gambling - The government will be consulting on proposals to bring remote gambling (gambling offered over the internet, telephone, TV and radio) into a new single tax.

Interpretation of VAT and excise law from 1 January 2024 - as announced in a technical consultation on 20 October 2023, The government will introduce legislation in the Autumn Finance Bill 2023 to clarify how VAT and excise law should be interpreted in the light of changes made by the Retained EU Law (Revocation and Reform) Act 2023 (REUL Act).

05

Personal Taxes

Ben Handley

Bringing you up to date on all the changes..

Income tax rates and reliefs

Capital gains tax rates and reliefs

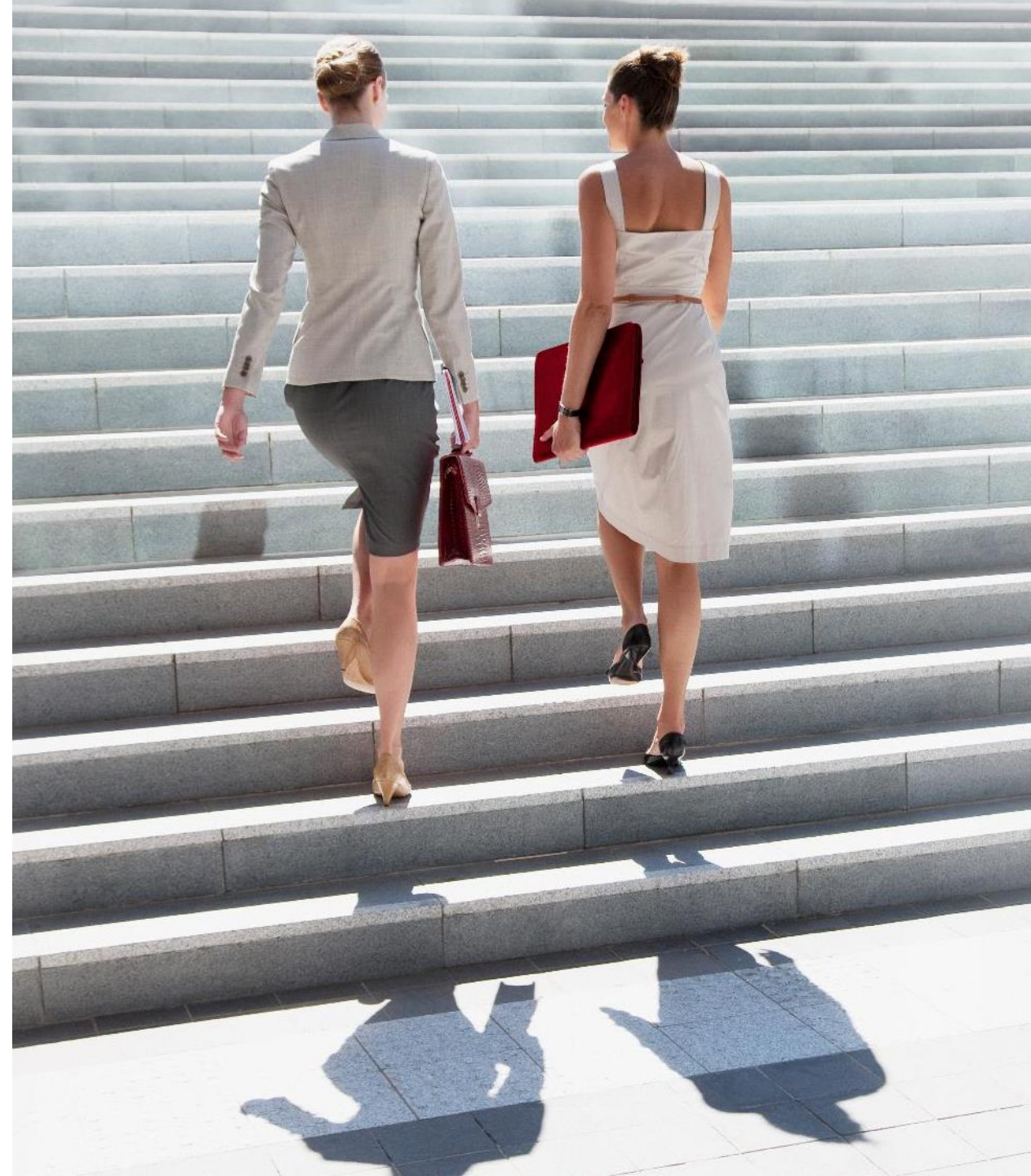
Inheritance tax rates and reliefs

ISA savings limits

Pension annual allowance and lifetime limit

Tax efficient investments (SEIS, EIS and VCT)

National Insurance



Bringing you up to date on all the changes..

Income tax rates and reliefs

Capital gains tax rates and reliefs

Inheritance tax rates and reliefs

ISA savings limits

Pension annual allowance and lifetime limit

Tax efficient investments (SEIS, EIS and VCT)

National Insurance

- ▶ NO CHANGE
- ▶ NO CHANGE
- ▶ NO CHANGE
- ▶ NO CHANGE
- ▶ NO CHANGE
- ▶ NO CHANGE
- ▶ **SMALL CHANGE**



Income Tax and allowances

		2023/24 to 2027/28	
Personal allowance		£12,570	
Dividend allowance		£1,000/£500	
Personal savings allowance (interest)		£1,000/£500/£0	
Trading & Property income allowances		£1,000	
Rates: all income in England, NI, and Wales (savings and dividend income in Scotland)			
Savings only	0% Divs 0%	0%	£0 - £5,000
Basic	20% Divs 8.75% net	20%	£0 - £37,700
Higher	40% Divs 33.75%	40%	£37,701 - £125,140
Additional	45% Divs 39.35%	45%	Over £125,140

Freeze in rates and allowances expected to collect additional £3billion per annum

Inheritance tax reform?

£7bn per annum

(less than 1% of total tax take / less than 4% of estates pay it)

Could collect £15bn per annum

(IFS 10 year forecast)

Will it stay or will it go?

(or change a bit or a lot)



07

Questions

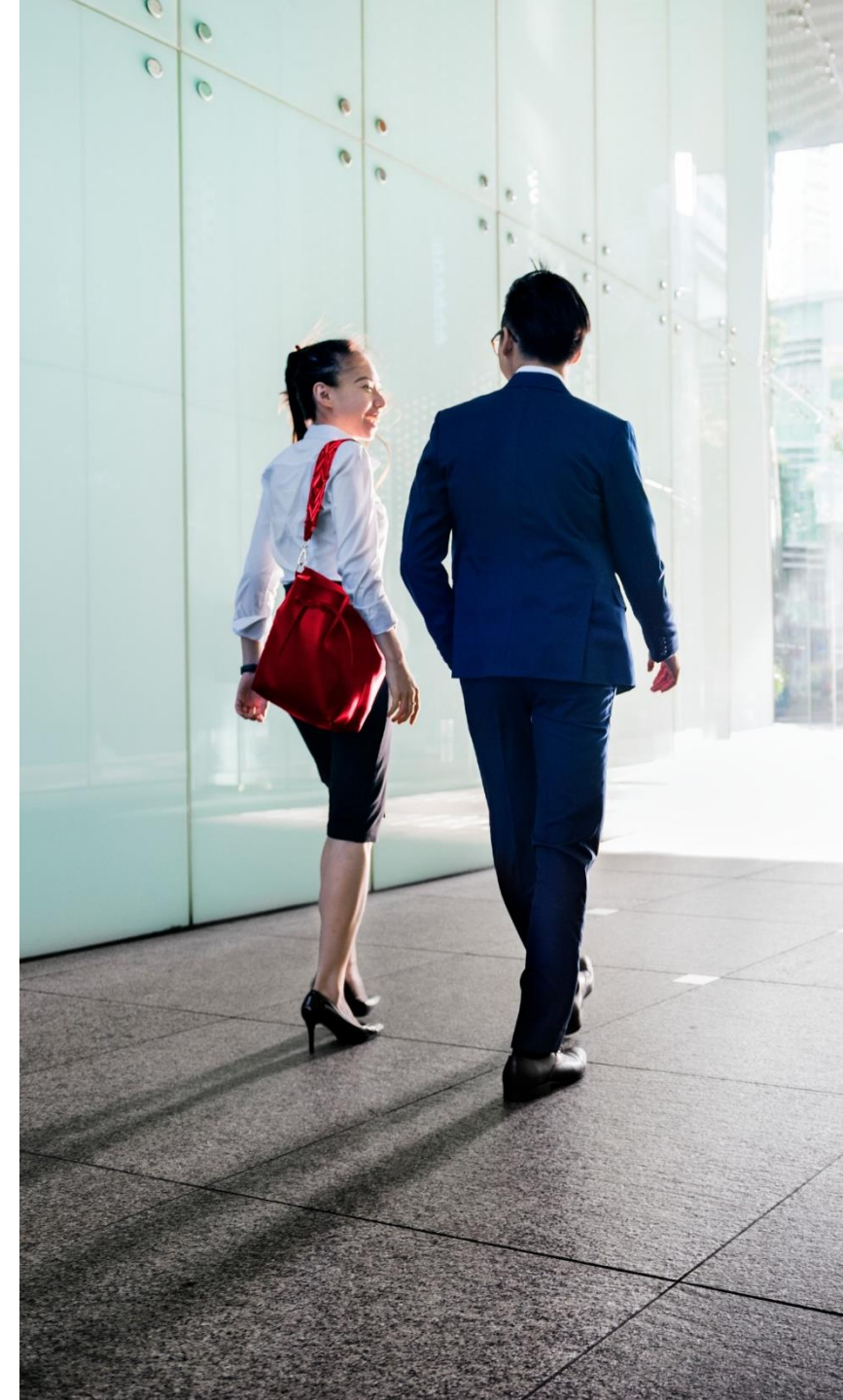
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A photograph of two men in dark suits walking away from the camera down a modern office hallway. The hallway has a polished floor and glass walls. The man on the left is holding a folder, and the man on the right is holding a red folder. The background is bright and out of focus.

IBDO

Upcoming Tax Webinars

- ▶ **Tax Automation and Innovation webinar - 29 November**
Learn about the rise of the Self-Service Automation Tools supporting your tax function.
 - ▶ **Global Mobility Update - 30 November**
Hear the latest on 'global employment companies and social security for teleworkers.
 - ▶ **Professional Services Webinars - Ireland update - 5 December**
Learn about common structures employed by UK-based firms for their business in Ireland.
 - ▶ **Pillar Two: Key upcoming requirements and actions - 6 December**
Explore the rules which will be introduced from 1 January 2024 and reporting obligation.
 - ▶ **Navigating Tax Risk & Governance for Investment Businesses - 6 December**
Delve into key aspects of tax risk management and governance for investment businesses
 - ▶ **Manufacturing outlook webinar with MAKE UK - 12 December**
Hear about the latest trends in manufacturing and key tax developments for the sector.
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