

## Tax Guide 2022-23



### Tax on residential property purchase

Stamp Duty Land Tax (SDLT) in England and Northern Ireland; Land and Buildings Transaction Tax (LBTT) in Scotland; Land Transaction Tax (LTT) in Wales

Residential property (first property only):

| SDLT - England & Northern Ireland | Rate |
|-----------------------------------|------|
| Up to £250,000                    | Nil  |
| £250,001 – £925,000               | 5%   |
| £925,001 – £1,500,000             | 10%  |
| Over £1,500,000                   | 12%  |

- The SDLT cut announced on 23 September 2022 is a temporary measure which will remain in place until 31 March 2025
- First time buyers are exempt from SDLT for purchases up to £425,000 and for the first £425,000 of purchases up to £625,000
- A 2% supplement applies where a property is purchased by a non-resident
- A 15% flat rate SDLT applies to 'non-natural persons' purchasing residential properties (enveloped properties) valued above £500,000 unless relief is available
- Higher rates for additional properties - a 3% supplement is payable on top of the SDLT rates if buying a new residential property means you'll own more than one.

### Capital Gains Tax (CGT)

- The annual CGT exemption for 2022-23 is £12,300
- The annual CGT exemption will fall from £12,300 to £6,000 in April 2023 and then to £3,000 in April 2024
- For individuals the flat rate of CGT that applies to gains in excess of the annual exemption is 10% up to the higher rate tax threshold
- Surcharge for residential property and carried interest of 8%
- Chargeable gains in excess of the higher rate threshold: 20% (2022-23)
- £6,150 CGT exemption for trusts, 20% rate applies thereafter
- Lifetime Allowance on gains eligible for Entrepreneurs' Relief is £1m.

### Personal Allowances

|   | 2022-23 |
|---|---------|
| Personal Allowance                                | £12,570 |
| Personal Savings Allowance (basic rate taxpayer)  | £1,000  |
| Personal Savings Allowance (higher rate taxpayer) | £500    |
| Dividend Allowance                                | £2,000  |

- The Personal Allowance for those with adjusted net income over £100,000 reduces by £1 for every £2 of income
- Interest on savings is tax-free to a threshold of £1,000 for basic rate taxpayers and £500 for those who pay higher rate tax
- Married Couple's Allowance is given at 10%, claimants must be born before 6 April 1935; the full allowance is £9,415
- Spouses or civil partners are able to transfer £1,260 of their unused Personal Allowance to their partner; this is available provided neither partner pays tax at the higher rate and is not available if the couple are in receipt of Married Couple's Allowance.

### Income Tax rates

The following allowances and rates will apply in 2022-23 for the UK (excluding Scotland)

| Rate of tax                         |        | 2022-23                            |
|-------------------------------------|--------|------------------------------------|
| Starting rate (savings income only) | 0%     | £0-£5,000                          |
| Basic rate                          | 20%    | £0-37,700                          |
| Higher rate                         | 40%    | £37,701-£150,000                   |
| Additional rate                     | 45%    | £150,000+                          |
| Basic rate on dividends             | 8.75%  |                                    |
| Higher rate on dividends            | 33.75% | Over the £2,000 Dividend Allowance |
| Additional rate on dividends        | 39.35% |                                    |

- Income Tax is paid on the amount of taxable income remaining after allowances have been deducted
- From April 2023, the Dividend Allowance will be cut from £2,000 to £1,000 and then fall further to £500 from April 2024
- The Income Tax additional rate threshold (ART) at which 45p becomes payable will be lowered from £150,000 to £125,140 from 6 April 2023
- The ART for non-savings and non-dividend income will apply to taxpayers in England, Wales and Northern Ireland. The ART for savings and dividend income will apply UK-wide.

## National Insurance

- National Insurance contributions (NICs) Upper Earnings Limit (UEL) and Upper Profits Limit (UPL) frozen for a further two years until April 2028
- The National Insurance Secondary Threshold for employers is frozen at £9,100 until April 2028
- From July 2022 the NICs Primary Threshold (PT) and Lower Profit Limit (LPL) were increased to align with the Personal Allowance and will be maintained at this level from April 2023 until April 2028.
- The Class 2 Lower Profits Threshold (LPT) will be fixed from April 2023 until April 2028 to align with the LPL
- The Lower Earnings Limit (LEL) will remain at £6,396 per annum (£123 per week) and the Small Profits Threshold (SPT) will remain at £6,725 per annum
- The Upper Secondary Threshold, Apprentices Upper Secondary Threshold, and Veteran Upper Secondary Threshold, will stay fixed at £50,270 per annum until April 2028, to remain aligned with the UEL and UPL.

## Pension Allowances

- The Annual Allowance for 2022-23 is £40,000. Pension funding exceeding the allowance in a tax year can be offset against any unused Annual Allowance from the previous three tax years
- Individuals with threshold income in excess of £200,000 and adjusted income of more than £240,000 in a tax year will be subject to a tapered Annual Allowance in that tax year. £1 of Annual Allowance is lost for every £2 of adjusted income over £240,000. Individuals with total earnings over £300,000 could see their Annual Allowance fall to £4,000
- The standard Lifetime Allowance remains at £1,073,100 until April 2026.

## Tax-free savings for individuals

- Overall ISA limit £20,000
- Junior ISA allowance £9,000
- Lifetime ISA £4,000.

## Some tax relief options for individuals

### Venture Capital Trusts (VCTs)

- Relief on investment in certain qualifying companies up to £200,000 per annum
- Income Tax relief at 30%, provided shares held at least five years
- Capital gains exemption on disposal (only if Income Tax relief received)
- Dividends received from VCTs may be exempt from Income Tax

### Enterprise Investment Schemes (EIS)

- Relief on investments in certain unquoted trading companies up to £1m per annum (or £2m as long as at least £1m of this is invested in knowledge intensive companies)
- Income Tax relief at 30%
- Capital gains exemption on disposal
- Unlimited amounts of capital gains from the disposal of other assets may be able to be deferred by making an EIS investment.

## Corporation Tax

- Corporation Tax for company profits up to £50,000 is 19%. An effective rate of 26.5% is applied to profits between £50,001 and £250,000.
- A planned increase in the Corporation Tax rate to 25% for companies with over £250,000 in profits will go ahead in April 2023.

## Inheritance Tax (IHT)

- The nil-rate IHT band is £325,000, with 40% IHT payable above this threshold
- A lower rate of IHT (36%) applies if you leave 10% of your net assets to charity
- Residence nil-rate band of £175,000 where a residence is passed on death to a direct descendant

The proportion of the threshold 'unused' on the first death of husband or wife (or civil partners) is effectively transferable to the surviving partner and serves to increase his or her threshold by a corresponding percentage.

Chargeable lifetime transfers and potentially exempt transfers attract taper relief, if made up to seven years before death, on the amount of gift over the nil-rate band.

### Certain gifts are IHT-free however soon death occurs, including:

- Gifts between UK domiciled husband and wife or between civil partners
- Total gifts up to £3,000 in a year (can be carried forward one year)
- Small gifts to other recipients (up to £250 each in year)
- Gifts in consideration of marriage or civil partnership ranging from £5,000 from each parent of the couple, to £1,000 from anyone else.

## State Pension entitlement

- A flat rate, single tier State Pension of £185.15 per week is payable from 6 April 2022 (35 qualifying years of National Insurance contributions needed for full rate), available to those reaching State Pension age (SPA) on or after 6 April 2016. This increases to £203.85 per week in April 2023.
- For those who reached SPA before 6 April 2016, the basic State Pension of £141.85 applies (30 qualifying years needed for full rate), plus any additional State Pension. This increases to £156.20 per week in April 2023.

## Principal state benefits

| Weekly benefits                                      | 2022-23               |
|--|-----------------------|
| Statutory Sick Pay                                   | £99.35                |
| Statutory Maternity Pay – first 6 weeks              | 90% of weekly earning |
| Statutory Maternity Pay – next 33 weeks              | £156.66*              |
| Ordinary Statutory Paternity Pay – 2 weeks           | £156.66*              |
| Additional Statutory Paternity Pay – variable period | £156.66*              |

\* or 90% of earnings, if lower

## Self Assessment dates

- 31 Jan 2022** Deadline for filing 2020-21 returns, balancing payment due for 2020-21, first payment due for 2021-22
- 31 Jul 2022** Second payment on account for 2021-22 due to HMRC
- 05 Aug 2022** Deadline to notify chargeability and advise HMRC of need to register for Self Assessment
- 31 Oct 2022** Deadline for submitting paper Self Assessment returns to HMRC
- 30 Dec 2022** Deadline for filing online return with HMRC if tax is to be collected through PAYE
- 31 Jan 2023** Deadline for filing 2021-22 returns, balancing payment due for 2021-22, first payment due for 2022-23

### NOTE:

The information contained in this leaflet is based on our understanding of the Spring Forecast 2022, Growth Plan 2022 and Autumn Statement 2022, proposals, which are subject to change. No action should be taken without further advice being sought. We can accept no responsibility for any errors or omissions.

**Information is based on our current understanding of taxation legislation and regulations. Any levels and bases of, and reliefs from taxation, are subject to change. Tax treatment is based on individual circumstances and may be subject to change in the future.**