

Personal tax (Lecture P1281 – 13.03 minutes)

Tax rates and allowances for 2022/23

As already legislated for, the personal allowance of £12,570 and the basic rate limit of £37,700 are frozen at current levels up to and including 2025/26.

Basic rate, higher rate and additional rate income tax will remain at 20%, 40% and 45% respectively for 2022/23.

The additional rate threshold will remain at £150,000.

The capital gains tax (CGT) annual exempt amount will remain at £12,300 up to and including 2025/26. CGT rates are unchanged for 2022/23.

The main income tax rates and bands apply equally across the UK, except that Scotland has its own rates and rate bands, to be set for 2022/23 by the Scottish Parliament at its Budget on 9 December 2021, and the Welsh Parliament could also modify income tax rates for Welsh taxpayers at its Budget on 20 December 2021.

The starting rate for savings limit (applicable throughout the UK) will remain at £5,000 for 2022/23 and the starting rate itself at 0%. The Personal Savings Allowance also remains unchanged.

Inheritance tax thresholds and rates are unchanged and the nil rate band is fixed until April 2026.

Dividend tax rates

As announced to Parliament by the Prime Minister on 7 September 2021, the three income tax rates applied to dividend income will each increase by 1.25 percentage points for 2022/23 onwards. These rates have effect throughout the UK. The Dividend Allowance, also known as the nil rate band, will remain unchanged at £2,000. The increases are intended to help fund health and social care. HMRC's policy paper notes that they 'will also help to limit the incentive for individuals to set up a company and remunerate themselves via dividends, rather than as wages, to reduce their tax bill'.

The rates are:

	<u>2021/22</u>	<u>2022/23</u>
Dividend ordinary rate (dividends within the basic rate band)	7.5%	8.75%
Dividend upper rate (dividends within the higher rate band)	32.5%	33.75%
Dividend additional rate (dividends above the higher rate limit)	38.1%	39.35%

It is now confirmed that the dividend trust rate will also increase from 38.1% to 39.35%. The main trust rate is unchanged at 45%. It is also confirmed now that the increased dividend upper rate will apply for charging tax under Corporation Tax Act 2010, s 455 on loans to participants in close companies.

National Insurance contributions rates and thresholds

The government will use the September Consumer Prices Index (CPI) figure of 3.1% as the basis for uprating National Insurance limits and thresholds, and the rates of Class 2 and 3 National Insurance contributions, for 2022/23. However, as previously announced the Upper Earnings Limit and Upper Profits Limit will be maintained at 2021/22 levels, in line with the higher rate threshold for income tax.

The government has already legislated for a 1.25% Health and Social Care Levy (HSCL) from 6 April 2023, to fund investment in the NHS and social care. It will apply to all income to which Class 1 (both primary and secondary), Class 4, Class 1A and Class 1B NIC is charged as well as to employment income of those over the State Pension Age. For 2022/23, the relevant NIC rates will be raised by 1.25% for one year except for those over the State Pension Age

Van benefit charge and fuel benefit charges for cars and vans

The van benefit charge and the car and van fuel benefit charges for 2022/23 will increase by the September 2021 Consumer Price Index. The van benefit charge will increase to £3,600; the multiplier for the car fuel benefit will increase to £25,300; and the van fuel benefit charge will increase to £688.

Income tax treatment of Household Support Fund payments

Household Support Fund payments will help vulnerable households with essentials over the coming months, as the country continues its recovery from the COVID-19 pandemic. The government will legislate in Spring 2022 by Statutory Instrument to clarify that payments made through the Fund, and through similar schemes in the devolved administrations, will be exempt from income tax. No income tax will be collected on payments made from October 2021 to the date the legislation takes effect.

ISAs, Junior ISAs and Child Trust Funds

The annual subscription limits for ISAs, Junior ISAs and Child Trust Funds will remain unchanged for 2022/23, so the limit for ISAs will be £20,000 and the limit for Junior ISAs and Child Trust Funds will be £9,000.

Increase in normal minimum pension age

Legislation to be included in Finance Bill 2022 will increase the normal minimum pension age, the earliest age at which most individuals can access their pensions without incurring an unauthorised payments tax charge, from 55 to 57. The increase will have effect from 6 April 2028.

Top-up for low earners in Net Pay Arrangements

The government will introduce a system to make top-up payments directly to lower earners (those with taxable incomes below the personal allowance) who are saving in pension schemes using a Net Pay Arrangement (NPA) from 2024/25 onwards. These top-ups will be paid after the end of the relevant tax year, with the first payments being made in 2025/26 and continuing thereafter. This corrects an anomaly whereby employees contributing to Relief at Source schemes receive a top-up at 20% on their pension contributions, even if they pay no, or a lower rate of, income tax. In contrast, employees contributing to an NPA scheme receive tax relief at their marginal rate, which for low earners is 0%.

CGT reporting and payment window

At present, UK residents disposing of UK residential property have to report gains and pay CGT within 30 days after completion. A similar window applies to non-residents disposing of property in the UK. These windows will each increase to 60 days with effect for disposals that complete on or after 27 October 2021.

When mixed-use property is disposed of by UK residents, the legislation will at the same time be amended to clarify that the 60-day window only applies to the residential element of the property gain.

Discovery assessments Lecture

The Upper Tribunal case of *HMRC v Wilkes* ([2021] UKUT 150 (TCC)) reported on 30 June 2021 established that HMRC cannot raise a discovery assessment to collect tax due as a result of the High Income Child Benefit Charge (HICBC). This is because the HICBC amount is an amount chargeable to income tax and not, as currently required by the discovery legislation, an amount of income which ought to be assessed to income tax. Whilst it is known that HMRC are appealing the decision in *Wilkes*, legislation will be included in Finance Bill 2022 to put beyond doubt that HMRC can raise valid discovery assessments in these circumstances. This will have immediate and retrospective effect except that it will not apply retrospectively to individuals who submitted an appeal to HMRC on or before 30 June 2021 on the basis of the arguments considered by the Upper Tribunal (including those whose appeal was stood over by the Tribunal pending the final outcome of the litigation).

The legislation will apply equally to tax chargeable where there is insufficient income to cover Gift Aid relief and to certain pensions tax charges, to ensure that HMRC can recover all of these charges via discovery assessments.

The legislation will also make some minor technical changes, but without retrospective effect, to ensure that the requirement for an individual to notify chargeability to income tax in these circumstances operates as intended.

Air passenger duty

The following changes to air passenger duty are to take effect from 1 April 2023:

- a new domestic band for air passenger duty covering flights within the UK;

- a new ultra long-haul band, covering destinations with capitals located more than 5,500 miles from London.

The rates for the new domestic band will be £6.50 for those travelling in economy class, £13 for those travelling in all other classes, and £78 for those travelling on aircraft with an authorised take-off weight of 20 tonnes or more with fewer than 19 seats.

The rates for the new ultra long-haul band will be £91 for those travelling in economy class, £200 for those travelling in all other classes, and £601 for those travelling on aircraft with an authorised take-off weight of 20 tonnes or more with fewer than 19 seats.