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The Autumn Budget – taxed and spent

After already increasing taxes by £42 billion a year in 2021, the main focus of Chancellor Rishi Sunak's Autumn Budget was on spending.

The first Autumn Budget in three years – and Mr Sunak's third in less than 20 months – featured no significant increases in tax. The task of raising extra revenue had already been dealt with earlier in the year, with a range of measures, including allowance freezes and increased corporation tax.

The Budget's main highlights on the personal front were:

- There were no changes to inheritance tax and only one technical administrative change to capital gains tax. Both capital taxes had been the subject of extensive reports from the Office for Tax Simplification, so the Chancellor may have abandoned ideas of reform for the short term.
- A change to pension tax relief was announced, but not the one some had feared. It involved a potential increase in relief for low earners from 2024/25.
- The increases to National Insurance Contributions and dividend tax, announced alongside the NHS/Social Care package in September, were confirmed and will start to take effect from April 2022.
- The income tax personal allowance and higher rate threshold (outside Scotland) were left frozen, despite higher inflation effectively making the freeze a greater tax increase.
- The main ISA contribution limit was frozen at the £20,000 level originally set in April 2017.
- The increase to the new and old state pension will be in line with inflation to September 2021 (3.1%) rather than the Triple Lock, saving the Treasury (and costing current and future pensioners) over £5 billion a year.

Although the Chancellor said in his speech, "My goal is to reduce taxes", this will not happen next year. It is not too early to start thinking how you might start cutting tax through year-end tax planning.

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Positive news for business rates from the Chancellor

The Autumn Budget announcements included a series of measures to alleviate the burden of business rates in England. For 2022/23, 50% relief will be available for eligible retail, hospitality and leisure properties, and the business rates multipliers will again be frozen.

2022/23 measures

The business rates multipliers for the current year have already been frozen at 2020/21 levels, and this measure will continue until 31 March 2023, keeping the multipliers at 49.9p (small business) and 51.2p (standard).

Many businesses already pay no business rates due to small business rates relief, and retail, hospitality and leisure properties currently benefit from a 66% discount. For 2022/23, retail, hospitality and leisure properties not qualifying for small business rates relief will receive a 50% business rates discount, subject to a cash cap of £110,000 for each business.

Eligibility for the 2022/23 50% discount will not be as wide as the current 66% discount, although detailed guidance has not yet been published.

Longer term

The Budget announcements are a far cry from the hoped-for radical reform of business rates, although a raft of other measures effective from 2023 will help over the longer term. These include:

- Revaluations to take place every three years starting from the next revaluation in 2023 (recently, the interval has been longer than the scheduled five years);
- A 100% improvement relief will provide relief for 12 months from any additional rates charge where improvements increase a property's rateable value. Most plant and machinery has no impact on rateable value, but the new relief will help, for example, if CCTV is installed or bike sheds added.
- For green investments, an exemption from higher rates bills will apply where, for example, rooftop solar panels or electric charging points are installed. A 100% relief will also be provided for eligible low-carbon heat networks.

Details of current business rates relief for properties in England can be found here.

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CGT reporting and payment deadline extended

For disposals of UK residential property completed on or after 27 October 2021, the reporting and capital gains tax (CGT) payment deadline has been extended from 30 days after completion to 60 days. The previous 30-day time limit has proved to be quite challenging for taxpayers.

For UK residents, the government has clarified that where a gain is made on the disposal of a mixed-use property, the 60-day time limit only applies to the residential element.

Non-residents

The new deadline also applies to non-UK residents who have to report and pay CGT on the disposal of any type of UK property, whether it is residential or commercial.

Non-UK residents have faced particular problems because a Government Gateway login is required in order to set up a CGT on UK property account. Activation codes are sent by post, so they are often received outside the 30-day time limit. The alternative means having to complete a paper reporting form. The extra 30 days to report and pay should help but setting up a Government Gateway could still be problematic for those living overseas.

Ongoing issues

One of the biggest ongoing issues is that taxpayers are simply not aware of the reporting and CGT payment requirement when they make a property disposal.

- It seems that solicitors and estate agents are not mentioning the requirements.
- Accountants are often not informed until the tax return submission comes round. This could be up to 22 months after the completion date.

There is also a problem for self-assessment taxpayers who find they have overpaid CGT via their property account. In theory, the refund should be included within the self-assessment calculation, but this is not happening. It might be possible to obtain a CGT refund by amending the original property return, but otherwise it means having to phone HMRC.

If you believe you are affected, please get in touch with us as soon as possible so we can help you process your requirements. The start point for reporting and paying CGT on UK property can be found here.

Minimum wage to increase in 2022

From 1 April 2022, the rate of National Living Wage paid to workers aged 23 and over will rise by 6.6%, or 59p, to £9.50 an hour. Apprentices will benefit from an 11.9% uplift to their current hourly rate of National Minimum Wage.

For full-time workers, the 59p increase equates to extra annual salary of at least £1,000. Current and future rates of National Living/Minimum Wage are:

Age	Current	From 1 April 2022	Percentage increase
23 and over	£8.91	£9.50	6.6%
21 to 22	£8.36	£9.18	9.8%
18 to 20	£6.56	£6.83	4.1%
16 to 17	£4.62	£4.81	4.1%
Apprentices	£4.30	£4.81	11.9%

Apprentices receive the apprentice rate if they are either aged under 19 or in the first year of their apprenticeship. For example, a first-year apprentice aged 21 can be paid the apprentice rate.

The provision of accommodation is the only benefit that counts towards national minimum pay, with the maximum offset increasing to £8.70 a day (£60.90 a week).

Common misconceptions

HMRC has published a checklist of common causes of minimum wage underpayment:

- Making a wage deduction for something job-related, such as the provision of a staff uniform;
- Making a wage deduction where the employer benefits, such as employer-provided transport;
- Not paying for any additional time added on to a worker's shift;
- Not paying for travelling time; or
- Not paying for any time spent training.

Real Living Wage

National Living/Minimum Wage rates should not be confused with the Real Living Wage. This is independently calculated to reflect the cost of living and can be paid by employers on a voluntary basis; nearly 9,000 employers do so.

The current Real Living Wage rate is £9.50 an hour, with a London rate of £10.85. It is aimed at all workers aged 18 or over.

HMRC's checklist of common causes of minimum wage underpayment, along with links to detailed guidance, can be found here.

Import VAT confusion continues

The system of postponed VAT accounting for import VAT has been up and running since the start of the year, but there is still a lot of confusion. You may be experiencing some of these common problems.

Monthly statements

Some importers have had difficulty accessing their monthly import VAT statements. The trick is to start from the link here, rather than trying to directly log on via your Government Gateway.

Remember that import VAT statements are only available online for six months from the date of publication, so they should be downloaded and stored securely.

No feedback

Despite importing goods, you might not have paid any import VAT or received any paperwork. What has most likely occurred is the freight agent has defaulted to postponed VAT accounting without asking you. As a matter of urgency, you therefore need to enrol for the customs declaration service given the six-month statement availability. You can then declare, and normally reclaim, the import VAT on your VAT returns.

No import VAT shown

The lack of a VAT figure on an invoice for imported goods can be confusing, and different freight agents may well adopt different approaches.

Import VAT will generally be dealt with by VAT return entries under postponed VAT accounting, as explained above. However, the freight agent may have paid the VAT to release the goods, and you will then receive a form C79 from HMRC. This document is used to reclaim the VAT paid.

Form C79 not received

If you have not received a form C79 from HMRC, it may be because:

- The form is sent by post, so it might have got lost; or
- The freight agent may have defaulted to postponed VAT accounting without telling you.

Accounting software

Finally, there is also the common problem of accounting for the import VAT. The correct VAT coding will be particularly important for partially exempt businesses because they may not be able to recover all of the VAT. If in doubt, the best advice is to get help from your software provider; each accounting package may well have a different approach to dealing with import VAT.

You can check when it is possible to use postponed VAT accounting here and of course we're here to help.