

# Mobility: Tax alert

November 2022

## United Kingdom

### Autumn Statement 2022

#### Executive summary

On 17 November 2022, the UK Chancellor (Finance Minister) presented his Autumn financial statement for the forthcoming financial year starting in April 2023.

The most significant announcements impacting international mobility programmes are as follows:

- ▶ Freezing of the tax (20% and 40% rates) and social security thresholds. These are already fixed at their current levels until April 2026 and will remain the same for a further 2 tax years, to April 2028.
- ▶ The 45% tax rate will be payable on annual income above £125,140 (previously £150,000).
- ▶ There will also be no change to the tax-free personal allowance until April 2028.

Employers who operate tax equalization arrangements for their employees may wish to review forecasts for grossed up taxes payable on behalf of inbound assignees whose earnings were not previously taxable at the 45% rate.

For outbound assignees, hypothetical taxes should be increased if earnings exceed £125,140, impacting net pay.

#### Income tax and National Insurance (NI) rates

The income tax personal allowance and tax rates below will now remain frozen until 5 April 2028.

	2023/24 - 2027/28 tax year (£)
Personal allowance	12,570*
Basic rate 20%	12,571 - 50,270
Higher rate 40%	50,271 - 125,140
Additional rate 45%	Over 125,140

*\* This is phased out by £1 for every £2 of income over £100,000. However, individuals who elect to be taxed on the remittance basis generally lose their personal allowance in any event.*

The level at which employers start to pay NI will be fixed at £9,100 from April 2023 to April 2028. The employer upper threshold will remain at £50,270 per annum until April 2028. There are to be inflation increases to the rates of Class 2 and Class 3 NI which will be £3.45 per week and £17.45 per week respectively.

Self-Assessment taxpayers liable to make Payments on Account (POA) for the 2023-24 tax year may experience a higher than usual balancing payment up to £1,243 becoming due at 31 January 2025 since POAs will not account for the potential additional earnings taxable at 45%

### **Company Car Tax Rates**

Company Car Tax (CCT) percentages will increase by 1 percentage point for Electric Vehicles (EVs) and the <75g CO2 Ultra Low Emissions Vehicles (ULEV) band in 2025-26. Rates will increase a further 1 percentage point in 2026-27 and a further 1 percentage point in 2027-28, with rates for all other bands increased by +1% up to a maximum Appropriate percentage (AP) of 37%.

### **Capital Gains Tax**

The Capital Gains Tax Annual Exempt Amount will be reduced from £12,300 to £6,000 from April 2023 and to £3,000 from April 2024. This may increase the number of employees falling into scope of CGT based on participation in some employer share plans if they had previously fallen below the £12,300 threshold.

Changes are proposed to the capital gains legislation in respect of share-for-share exchanges. Draft legislation has been published to provide that non-UK domiciled individuals pay UK tax on the accumulated value in shares of a UK close company, even where they are exchanged for shares in a non-UK company. The measure deems securities in a non-UK company acquired in exchange for securities in a UK company to be located in the UK for the purpose of capital gains tax. Individuals will pay UK tax on gains or dividend and distribution income received in respect of those securities. The measure will have effect for share exchanges or schemes of reconstruction carried out on or after 17 November 2022. These measures are expected to come into effect from April 2023.

### **Dividend Allowance**

The Dividend Allowance will be reduced from £2,000 to £1,000 from April 2023, and to £500 from April 2024.

### **Married Couples' Allowance and Blind Persons Allowance**

The government will uprate the Married Couple's Allowance and Blind Person's Allowance by 10.1% for the 2023-24 tax year. The Married Couple's Allowance will be valued at between £4,010 and £10,375 and the Blind Person's Allowance will be valued at £2,870.

### **National Living Wage (NLW) and National Minimum Wage (NMW) 2023**

Following the independent Low Pay Commission (LPC) recommendation, the government will increase the NLW for individuals aged 23 and over by 9.7% to £10.42 an hour from 1 April 2023. The government has also accepted the LPC's recommendations for the other NMW rates that are applicable to younger individuals to apply from April 2023.

### **Taxation of individuals not domiciled in the UK**

There have been no further announcements concerning the taxation of individuals who are treated as not domiciled for UK tax purposes. Other than the proposed share-for-share exchange legislation mentioned above, there are no changes at this time to the taxation of their non-UK income and gains

### **Pensions**

The lifetime allowance governing what can be saved tax-free into an approved pension fund had already been frozen at £1.07m until 2026, but there is no indication yet whether this is to be frozen until 2028.

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#### David Lewis

Tel: +44 (0)118 928 1637

Email: [dlewis5@uk.ey.com](mailto:dlewis5@uk.ey.com)

#### Steve Wade

Tel: +44 (0)20 7951 6185

Email: [swade@uk.ey.com](mailto:swade@uk.ey.com)

#### Nicholas Yassukovich

Tel: +44 (0)20 7951 9517

Email: [nyassukovich@uk.ey.com](mailto:nyassukovich@uk.ey.com)

#### Mike Tee

Tel: +44 (0)118 928 1238

Email: [mtee@uk.ey.com](mailto:mtee@uk.ey.com)