



The Premier Partnership Limited

Your Family Office

Autumn Statement Special



NEWS
LETTER

Tax and More Tax

For obvious reasons, this Newsletter will concentrate solely on the effects on financial planning from the changes made in the Autumn Statement - not the 'mini budget' from car crash Kwarteng.

Income Tax

These are the tax rates for 2023/24:

Starting Rate	0%
Basic Rate	20%
Higher Rate	40%
Additional Rate	45%

Personal Allowances (Nil Rate) £12,570 - £50,270 (40%) Frozen until 5 April 2028.

However! We also know that the limit for additional rate tax (45%) will now fall from £150,000 to £125,140. This means more tax payable for higher earners over the new limit.

As always with tax, the devil is in the detail.

The income limit for an individual to receive the full personal allowance is £100,000 based on 'adjusted net income', which is broadly net income (before personal allowance), less gross gift aid and gross relief at source pension contributions (paying into your pension is still extremely tax efficient).

The basic personal allowance is restricted for those whose income exceeds £100,000 per annum, when the allowance gets reduced by £1 for every £2 the individual's income is over the £100,000 figure. This means that if the income is large enough, the personal allowance will reduce to £Nil. By a quirk of the tax rules, this makes the effect tax rate for adjusted net income between £100,000 and £125,140 - 60%!

Planning Tip

If you are in the £100,000 plus zone per annum for income - consider the merits of pension contributions to reduce your adjusted net income.

Companies and Dividends

The Chancellor has dealt a real blow to the dividend allowance, particularly affecting business owners who pay themselves via a lower salary and dividends from the business.

From 6 April 2023 the dividend allowance (or more correctly, the dividend nil rate) will reduce to £1,000 reducing further to £500 on 6 April 2024. This blow is exacerbated by the fact that Rishi Sunak (when Chancellor) introduced a 1.25% dividend tax rise for 2022/23, that will be extended and maintained in 2023/24. Initially, this was badged as the 'social care contribution' by the Government, but clearly this is now just a National Insurance rise.

So dividends will now be taxed as follows:

Dividends in Basic Rate Tax

$$7.5\% + 1.25\% = 8.75\%$$

Dividends in Higher Rate Tax

$$32.5\% + 1.25\% = 33.75\%$$

Dividends in Additional Rate Tax

$$38.1\% + 1.25\% = 39.35\%$$

They are very slowly making dividend payments look like income taxed receipts in the hands of the individual, which has been a Treasury desire since Gordon Brown was Chancellor.

Planning Tip

Identify where your income arises and look at potential tax wrappers such as ISA's and Investment Bonds to obtain income more tax efficiently.



Capital Gains Tax

The changes here will, I believe, create problems for both individuals and Trusts.

Currently the Annual Exempt Allowance (AEA) is £12,300. This means, irrespective of the value of a transaction, if the actual capital gain made on disposal of the asset is less than £12,300 - no tax becomes payable. This AEA is now being reduced to £6,000 for 2023/24 and then £3,000 for 2024/25 onwards.

So a lot more care will be needed in assessing gains on disposals to avoid paying CGT. As an example, an investment portfolio of £120,000 will only need to make a gain of 5% to trigger a taxable gain. From 2024/25 that gain will be down to 2.5% of the value, again to trigger a taxable gain. Given that the long term average returns on equities for the last 125 years has been 6.7% per annum, you can see where the problem may lie.

For trustees, the position is even worse because currently, trustees are entitled to an annual exempt amount of half of that of individuals (currently AEA £6,150). This is now reducing to £3,000 for 2023/24 and £1,500 in 2024/25. These changes could easily cause tax increases for trustees, but claiming holdover relief on transfers out of the Trust should not be overlooked as a strategy to minimise CGT

Planning Tip

Consider investments that are not subject to CGT such as Investment Bonds held within the Trust. Investment Bonds can provide more flexibility around when gains arise and who they are assessable on.

National Insurance and Employers

The Chancellor made two statements to maintain the main National Insurance thresholds until April 2028, and will freeze the employers NIC threshold until April 2028 at its new higher level of £5,000. This is good news (at last).

Planning Tip

Whilst the overall National Insurance being paid will reduce, it's always worth considering a salary sacrifice arrangement, as this system can produce valuable savings still. Salary sacrifice can take place for allowable reasons such as pension contributions. Worth looking at if you are an employer in an SME business.



TAX PERIOD	2010 / 12
PAY DATE	26/03/2010
TAX CODE	603 L
PENSIONABLE PAY T/D	22048.96
PENSION SCHEME REF	
Tax	
PREVIOUS GROSS	0.00
PREVIOUS TAX	0.00
TAXABLE PAY T/D	22048.96
TAX PAID T/D	3201.80
NI	
GROSS NI PAY T/D	22048.96
EES NI TO DATE	1797.06
SSP T/D	0.00
SMP/SPP/SAP T/D	0.00

Inheritance Tax

Simple one this - no changes.

The Nil Rate Band (NRB) will continue at £325,000 per individual, and the Residence Nil Rate Band (RNRB) will continue at £175,000 per person. So a married or Civil Partnership couple can still pass on an estate value of up to £1 Million without an Inheritance Tax liability.

However, these levels of allowances have remained frozen since the 2009/10 Tax Year, and with asset values rising, now is always a good time to assess your IHT position. There are many options available to help families pass on more of their wealth, from simple to the more complex estates. Don't delay - act today!



Pensions

Again simple - no changes.

Whilst there are no changes to direct pension taxation, a cause and effect syndrome occurs with the reduction of the level at which the 45% tax band comes in. As previously advised, the level at which the 45% rate starts has been reduced from £150,000 to £125,140 in April 2023. So people who are currently not paying this rate, may now fall into this tax rate, and the use of correctly targeted pension contributions may bring an individual back below the £125,140 level and save the additional tax rate being paid.

Summary

This is our brief skip though the effects of the Autumn Statement. As always, if there is something contained herein that you wish to discuss further, please do not hesitate to contact us.

Please remember that past performance is not a guide to future performance. The value of investments and the income from them can go down as well as up and investors may not get back any of the amount originally invested. Exchange rate changes may cause the value of overseas investments to rise or fall.

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