The Autumn Budget 2021

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Chancellor Rishi Sunak's Autumn Budget statement outlined measures to support families and those business's hardest hit during the pandemic. He also confirmed that the UK economy had not suffered as much expected during the coronavirus pandemic, commenting that inflation is currently at 3.1% and is expected to increase due to the re-opening of economies and higher demand from consumers, the global demand for energy is also a key factor. Further to this he confirmed that the Office for Budget Responsibility (OBR) has good news for the UK as they expect to see a return to pre-COVID levels of demand by the end of the year and a 6% increase next year with continued increases in the next few years.

Some measures were announced in advance of the statement, including an increase to the minimum wage from £8.91 to £9.50 per hour and the end of the public sector pay freeze in 2022.

Tax

Starting rate band for savings income

The starting rate band for savings income will remain at the current level of £5000 for 2022/23.

Individual Savings Account (ISA) annual subscription limit

The adult ISA annual subscription limit for 2022 to 2023 will remain unchanged at £20,000.

Junior Individual Savings Account (ISA) annual subscription limit

The annual subscription limit for Junior ISAs for 2022 to 2023 will remain unchanged at £9,000.

Child Trust Funds annual subscription limit

The annual subscription limit for Child Trust Funds for 2022 to 2023 will remain unchanged at £9,000.

Increase of the rates of income tax applicable to dividend income

From April 2022 the rates will increase by 1.25% to 8.75%, 33.75% and 39.35%

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 to 2023. This excludes the Upper Earnings Limit and Upper Profits Limit which will be maintained at 2021 to 2022 levels, in line with the higher rate threshold for income tax.

The Government will legislate for these changes via a Statutory Instrument ahead of the start of the tax year.

Personal tax 5.28 The Health and Social Care Levy

As announced by the Prime Minister on 7 September 2021, the Government has legislated for a new 1.25% Health and Social Care Levy (the Levy), to fund investment in the NHS and social care. The Levy will apply UK wide, to the same population and income as Class 1 (Employee, Employer) and Class 4 (Self Employed) National Insurance Contributions (NICs), and to the main and additional rates. The Levy will not apply to Class 2 or 3 NICs. The Levy will be introduced from April 2022, when NICs for working age employees, self-employed people and employers will increase by 1.25% and be added to the existing NHS allocation. From April 2023, once HMRC's systems are updated, the 1.25% Levy will be formally separated out and will also apply to the earnings of individuals working above State Pension age, and NIC rates will return to their 2021-22 levels. From April 2023, receipts from the Levy will go to those responsible for health and social care across all parts of the UK.

Capital Gains Tax (CGT) payments on property disposal time limit extension

This measure extends from 30 days to 60 days, the time limit for making Capital Gains Tax (CGT) returns and the associated payments on account when disposing of UK land and property for disposals that complete on or after 27 October 2021.

Amendment to the reform of loss relief rules for Corporation Tax

This will apply retrospectively with effect for accounting periods beginning on or after 1 January 2019.

Legislation will be introduced in the Finance Bill 2021-22 to ensure companies adopting IFRS 16 continue to benefit from the exemption from the loss reform in certain circumstances.

Pensions

Change to the normal minimum pension age

The Government will legislate in Finance Bill 2021-22 to increase the earliest age at which most pension savers can access their pensions without incurring an unauthorised payments tax charge, the normal minimum pension age, from 55 to 57. This increase will have effect from 6 April 2028. The outcome of the recent consultation is expected on 4 November.

Pensions Tax Relief Administration: Top-up for low earners in Net Pay Arrangements

As announced at Autumn Budget 2021, and following the response to call for evidence on Pensions Tax Relief Administration (published at Autumn Budget 2021), the Government will introduce legislation in a future Finance Bill to make top-up payments directly to low-earning individuals saving in a pension scheme using a Net Pay Arrangement.

These top-ups will start to be paid from 2025 to 2026 in respect of contributions made in 2024 to 2025 onwards and will help to better align outcomes with equivalent individuals saving into pension schemes using relief at source – In 2025-26 the Government will introduce a system to make top-up payments in respect of contributions made in 2024-25 onwards directly to low-earning individuals saving in a pension scheme using a Net Pay Arrangement. These top-ups will help to better align outcomes with equivalent savers saving into pension schemes using Relief at Source. An estimated 1.2 million individuals could benefit by an average of £53 a year.

State Pension uprating

The Government is legislating to temporarily suspend the earnings element of the 'Triple Lock' used to uprate the State Pension and Pension Credit. Instead, for 2022-23 the new and basic State Pension, Pension Credit and survivors' benefits in industrial death benefit will increase by the higher of CPI or 2.5%, protecting pensioners from higher costs of living and protecting taxpayers from the significant additional fiscal pressure created by the statistical anomaly.

Pensions: Scheme Pays Reporting

As announced in the Government's Tax Policies and Consultations Command Paper published on 23 March 2021, the Government will introduce legislation to extend Scheme Pays reporting and payment deadlines. This will allow an individual to ask their pension scheme to settle their annual allowance charge of £2,000 or more from a previous tax year by reducing their future pension benefits. The changes will have effect from 6 April 2022.

Consultation into the Defined Contribution (DC) charge cap

The Government will consult on further changes to the regulatory charge cap for pension schemes, unlocking institutional investment while protecting savers.

Taxation of public service pension reform remedy (the 'McCloud' case)

The McCloud remedy addressed unlawful age discrimination found in public service pension schemes after the 2015 public service pension reforms. The Chancellor announced a series of measures to ensure public sector scheme members will not have to pay extra tax if they receive an uplift in their benefits due to the McCloud remedy.

Investments

Update on UK funds regime

The Government remains committed to its ongoing review of the UK's funds regime. In addition to the Asset Holding Companies (AHCs) and REITs reforms, the FCA has now published its rules for the new Long-Term Asset fund, a structure which will be supported by the recommendations of the Productive Finance Working Group, published last month. The Government will also publish its response to the call for input on the broader elements of the UK funds regime review, as well as a consultation on options to simplify the VAT treatment of fund management fees, in the coming months.

Real Estate Investment Trusts (REITs)

As announced on 20 July 2021, the Government will legislate in Finance Bill 2021-22 to make changes to the rules applying to Real Estate Investment Trusts (REITs). The changes remove certain constraints and administrative burdens which are no longer necessary.

Residential Property Developer Tax

As announced on 10 February 2021, the Government will legislate in Finance Bill 2021-22 to introduce a new tax on company profits derived from UK residential property development. The tax will be charged at 4% on profits exceeding an annual allowance of £25 million and will be included in the corporation tax returns of those companies liable to the new tax.

Following a consultation on the design launched in April 2021, and a technical consultation on the draft legislation on 20 September 2021, the Government published a consultation response at Autumn Budget 2021. The changes will take effect from 1 April 2022 for relevant profits arising on or after this date.

Regulatory

Economic Crime (Anti-Money Laundering) Levy

Following a consultation announced at Budget 2020, the Government will legislate in Finance Bill 2021-22 to establish an Economic Crime (Anti-Money Laundering) Levy. On 21 September 2021, the Government published draft legislation on the Economic Crime (Anti Money Laundering) Levy to raise approximately £100 million per annum to help fund anti-money laundering and economic crime reforms.

Entities subject to the Money Laundering Regulations will pay the levy as a fixed fee based on the 'size' band they belong to, as determined by their UK revenue for the relevant accounting period: medium (more than £10.2 million but not more than £36 million); large (more than £36 million but not more than £1 billion); very large (more than £1 billion). Higher bands will pay higher fees, whilst small entities (UK revenue for the relevant accounting period is less than £10.2 million) are fully exempt from the levy.

HMRC, the Financial Conduct Authority and the Gambling Commission will be responsible for the collection and management of the levy.

In scope entities will first be charged the levy during the year 1 April 2022 to 31 March 2023. The first payments of the levy will only be due after that year ends. This means the first set of levy payments will not be made until the year 2023 to 2024 (running 1 April 2023 to 31 March 2024).

The Economic Crime (Anti-Money Laundering) Levy tax information and impact note provides more information.

Clamping down on promoters of tax avoidance

As announced in the Government's Tax Policies and Consultations Command Paper published on 23 March 2021, and following consultation, the Government will legislate in Finance Bill 2021-22 for further measures to clamp down on promoters of tax avoidance.

The legislation, which will take effect following Royal Assent of Finance Bill 2021-22, will:

- Allow HMRC to freeze a promoter's assets so that the penalties they are liable for are paid
- Deter offshore promoters by introducing a new penalty on the UK entities that support them
- Provide for the closing down of companies and partnerships that promote tax avoidance schemes
- Support taxpayers to steer clear of avoidance schemes or exit avoidance quickly by sharing more information on promoters and their schemes

Important information

This summary has been prepared very rapidly and is for general information only. You are recommended to seek competent professional advice before taking or refraining from taking action on the basis of the contents of this publication. The guide represents our understanding of the law and HM Revenue & Customs practice as at 27th October 2021, which are subject to change.

It is important to note that VCT and EIS can be very high risk investments. There may be no market for the underlying shares at the time you wish to dispose of them, and there is a strong possibility of significant or complete capital loss. The tax reliefs available will depend on your personal situation, and are subject to change.

The Financial Conduct Authority does not regulate tax advice.

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