The Spring Statement 2022

Tax | Pensions | Investments

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 main surprises in the Spring Statement related to the increase in the National Insurance Primary Threshold (employees) and Lower Profits Limit (self-employed) to £12,570 from July this year, and the plan to reduce basic rate income tax to 19% in 2024. We have summarised the main points, together with confirmation of tax and other allowances for the new tax year.

Tax

Income tax

The Chancellor announced in the Spring Statement that the basic rate of income tax will reduce to 19% (from 20%) in 2024. There will be a three-year transition period for Gift Aid relief to maintain the income tax basic rate relief at 20% until April 2027.

The personal allowance remains at £12,570 until April 2026. The income limit, above which personal allowance is reduced, remains at £100,000. The Marriage Allowance amount remains at £1,260 (allowing this element of the personal allowance to be transferred between spouses where neither pays tax at more than basic rate).

Personal allowance	0 - £12,570 (assuming full personal allowance available)	0%
Basic rate band	Next £37,700 (so up to £50,270 with full personal allowance)	20%
Higher rate band	£50,271 - £150,000	40%
Additional rate band	Over £150,000	45%

The tax bands are also frozen until 2026 for taxpayers in England, Wales, Northern Ireland and for the savings and dividend income of Scottish taxpayers.

The married couple's allowance figures increased slightly but only apply where at least one of the couple was born before 6 April 1935 and give a tax credit of 10% of the allowance (minimum amount of allowance £3,640, maximum amount £9,415, income limit £31,400).

Starting rate band for savings income

Remains at the current level of £5,000 for 2022/23 (can be used to achieve up to £5,000 of taxfree savings income (bank interest, unit trust/OEIC interest, offshore bond gains) where earned and pension income aren't above £17,570. Each £1 of earned and pension income above the £12,570 personal allowance effectively removes £1 of the £5,000 starting rate band.

Personal savings allowance

Remains at £1,000 for basic rate taxpayers, £500 for higher rate taxpayers and £0 for additional rate taxpayers. Can be used to achieve tax free savings income (same definition as for the starting rate band above). As with dividends within the dividend allowance, savings income within the personal savings allowance still forms part of the income cumulation and uses up part of the tax band it falls into.

Dividend income

For 2022/23 each dividend rate increases by 1.25 percentage points as shown below:

	Current rate (2021/22)	New rate (2022/23)
Basic rate band	7.5%	8.75%
Higher rate band	32.5%	33.75%
Additional rate band	38.1%	39.35%

The dividend allowance remains at £2,000 in 2022/23 so the first £2,000 of dividend income is tax free regardless of which tax band it falls into. Do bear in mind that dividends within the dividend allowance still form part of the overall income cumulation and do use up part of which ever tax band they fall into, even though they are tax free.

Discretionary trusts pay the 39.35% rate on dividend income with no dividend allowance. If dividends fall within the trust's standard rate band (up to £1,000) they will be taxed at the 8.75% rate.

The changes to dividend tax and National Insurance rates (see below) may mean a reassessment of remuneration strategies for business owners.

Tax

National Insurance (NI)

The surprise announcement in the Spring Statement was that the Primary Threshold (PT) for Class 1 NI and Lower Profits Limit (LPL) for class 4 NI will both increase to £12,570 on 6 July 2022 bringing them into line with the income tax personal allowance. The Government said that these NI thresholds will remain aligned with the personal allowance.

The Government is also reducing Class 2 NI payments for lower earning self-employed individuals. From April 2022 self-employed individuals will not pay Class 2 NICs on profits between the Small Profits Threshold (£6,725) and Lower Profits Limit, but they will continue to be able to build up NI credits.

National Insurance rates (class 1 and class 4) are increasing by 1.25 percentage points from April, then from April 2023 NI rates will revert to their current levels and a 1.25% Health and Social Care Levy will be introduced instead (the latter will also apply to the earned income of those over state pension age).

	Summary for 2022/23
Lower earnings limit (LEL)	£6,396
Primary threshold (PT)	32.5%
Secondary threshold (ST)	£9,100
Upper earnings limit (UEL)	£50,270
Class 1 NI (employees)	13.25% on earnings between the PT and the UEL (NI is credited but not paid where earnings are above the LEL but below the PT), plus 3.25% on earnings above the UEL
Class 1 NI (employers)	15.05% on earnings above the ST
Class 2 (self employed)	£3.15 per week on profits above £6,725
Class 4 (self employed)	10.25% on profits between £9,880 (rising to £12,570 on 6 July 2022) and £50,270, plus 3.25% on profits above £50,270

Existing reliefs and allowances from employer NI such as the employment allowance (increasing from £4,000 to £5,000), reliefs for employers of apprentices, newly employed veterans and new employees in freeports, continue to apply.

Capital Gains Tax (CGT)

The annual exempt amount remains at £12,300 until 2026. Taxable gains are added to income and taxed according to the tax band(s) they fall into – 10% for gains falling no higher than the basic rate band and 20% for gains, or parts of gains, falling above the basic rate band (for taxable residential property gains the rates are 18% and 28% respectively). The personal allowance can't be used to achieve tax free capital gains.

For trusts the annual exempt amount is £6,150 where the settlor has only set up one trust(otherwise the £6,150 is divided by the number of trusts created by the same settlor but can't be less than £1,230 per trust). The trust CGT rate is 20% (or 28% for residential property gains).

The deadline for reporting and paying the CGT on residential property gains increased from 30 to 60 days for disposals from 27 October 2021. The standard CGT deadline for other types of gain is 31 January following the relevant tax year although the CGT can be paid sooner if the 'real time' CGT service is used.

Inheritance tax

The inheritance tax nil rate band is frozen at £325,000 and residence nil rate band at £175,000 until April 2026. The residence nil rate band taper threshold remains at £2 million until April 2026.

Corporation tax

The corporation tax rate remains at 19% in 2022/23.
It increases to 25% in 2023/24 but for companies with profits of no more than £50,000, the rate will remain at 19%. There will be a tapering of the rate for companies with profits over £50,000 but less than £250,000 so only companies with profits above £250,000 will suffer the full 25% rate. Companies with profits between £50,000 and £250,000 will be taxed at the main rate of 25% but will be able to claim marginal relief.

Residential Property Developer Tax (RPDT)

The Government introduces this new tax on 1 April 2022 on the profits that companies derive from UK residential property development. The tax is 4% on profits exceeding an annual allowance of £25 million.

Pensions

Pension allowances

The various pension allowances remain frozen until 2026 as shown below.

Annual allowance
£40,000

Tapered annual allowance income limits
£240,000 adjusted income and £200,000 threshold income, and minimum tapered annual allowance of £4,000 (minimum applies once adjusted income reaches £312,000)

Money purchase annual allowance
£4,000

Lifetime allowance
£1,073,100

Normal Minimum Pension Age (NMPA)

The NMPA is increasing to 57 from 6 April 2028. Those who already have a pension plan with aprotected pension age of 55 (or less) can still access their funds from that age even after 5 April 2028.

Net Pay schemes and tax relief for lower earners

At the moment, members of occupational schemes operating tax relief on the 'net pay' basis don't receive tax relief on their contributions that are paid out of non-taxable income, i.e. income falling within the personal allowance (unlike members of GPP/PPP arrangements). In respect of the 2024/25 tax year onwards, the Government intends to make top-up payments directly to affected members. These top-ups will start to be paid from 2025/26.

State Pension uprating

The 'triple lock' increase method is temporarily suspended for 2022/23 due to the distortion of the National Average Earnings increase rate caused by the pandemic. Instead the increase rate will be the annual CPI rate to September last year of 3.1%.

Scheme Pays (annual allowance charges)

Scheme Pays reporting and payment deadlines are to be extended from 6 April 2022 (but will apply retrospectively to 6 April 2016). This measure will require the scheme to pay the annual allowance charge if it arises because of a retrospective change of facts in the previous six years,the charge is £2,000 or more, and an individual asks the scheme to pay it within the new deadlines. If a member receives a revised pension savings statement showing a new pension input amount for a previous tax year, the member must give notice to the pension scheme that they wish to use Scheme Pays within new deadlines - where the revised statement is given before 2 May in the year after the end of the tax year (so for 2021/22 tax year, by 2 May 2023), the original Scheme Pays deadline of 31 July applies (so 31 July 2023 in this example) and where it is received after this date, the member would have a deadline of three months.

Public service pension reform remedy (the 'McCloud' case)

All members will join the new 2015 public sector schemes from April 2022. Affected members are being returned to their older public sector schemes for the 'remedy period' (2015 to 2022) but will have a choice at retirement of whether they wish to have their benefits based on the old scheme or the 2015 scheme for the remedy period.

Investments

Individual Savings Account (ISA) subscription limits

These remain unchanged, as shown below.

Adult ISA
£20,000

Lifetime ISA£
4,000 (out of the £20,000 above)

Junior ISA
£9,000

Child Trust Fund (CTF)
£9,000

EIS, SEIS and VCT

All limits remain unchanged:

EIS

Investment limit £2,000,000 per tax year (anything above £1,000,000 must be invested in knowledge-intensive companies). Possible to carry back to previous year and treat as having been invested then. Income tax relief rate 30% (capped at the investor's income tax bill for the relevant tax year).

VCT

Investment limit £200,000 per tax year. Income tax relief rate 30% (capped at the investor's income tax bill for the relevant tax year).

SEIS

Investment limit £100,000 with 50% income tax relief (capped at the investor's income tax bill for the relevant tax year).

Miscellaneous

Fuel duty

Fuel duty for petrol and diesel is being cut by 5 pence per litre across the whole of the UK for 12 months starting at 6pm today (23 March 2022).

Employment Allowance

Employment Allowance is increasing from £4,000 to £5,000 from July 2022. Employment Allowance is a relief which allows eligible businesses to reduce their employer National Insurance contributions bills each year

Exemption on business rates for green technology

Green technology, including solar panels and heat pumps, will be exempt from business rates from April 2022. A 100% relief for eligible low-carbon heat networks which have their own rates bill will also be available.

Reforming R&D tax credits

From April 2023, businesses will be able to claim relief on the storage of their vital data and pure maths research. This is set to boost sectors where the UK is a world-leader, including AI, robotics, manufacturing, and design. Draft legislation will be published this summer.

Capital allowances regime

Ahead of April 2023, the Government is considering a series of potential policy changes to the UK's existing capital allowances regime. These policies will aim to encourage business investment once the super-deduction ends to drive forward productivity growth. The Government will be engaging with business organisations and other interested parties from now until the Autumn.

Resources

Tax rates and allowances
https://www.gov.uk/government/publications/autumn-budget-2021-overview-of-tax-legislation-and-rates-ootlar/annex-a-rates-and-allowances

Benefits and pension rates 2022/23
https://www.gov.uk/government/publications/benefit-and-pension-rates-2022-to-2023/proposed-benefit-and-pension-rates-2022-to-2023

Income tax in Scotland
https://www.gov.scot/publications/changes-scottish-income-tax-2022-2023-factsheet/

Factsheet on personal tax
https://www.gov.uk/government/publications/spring-statement-2022-factsheet-on-personal-tax

Fuel duty factsheet
https://www.gov.uk/government/publications/temporary-cut-to-fuel-duty/spring-statement-2022-fuel-duty-factsheet

Employment Allowance
https://www.gov.uk/government/publications/employment-allowance-increases-to-5000-from-april-2022/employment-allowance-increases-for-national-insurance-from-april-2022

NI limits changes
https://www.gov.uk/government/publications/national-insurance-primary-threshold-and-the-lower-profits-limit-increase-and-associated-class-2-changes-in-2022-to-2023-tax-year/national-insurance-increase-to-primary-threshold-and-the-lower-profits-limit-and-reduction-in-class-2-liability-of-those-earning-between-the-small-pr

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 24th March 2022, 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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