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T: 01502 501922 E: IFA@norfolkandsuffolk.co.uk

W: www.norfolkandsuffolk.co.uk

3 Quay View Business Park, Barnards Way, Lowestoft, NR32 2HD

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Autumn Statement 2023

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"Our plan for the British economy is working"

Autumn Statement 2023

On 22 November, Chancellor of the Exchequer Jeremy Hunt unveiled the government's latest tax and spending plans saying *"we back British business"* announcing 110 growth measures which he said would boost business investment by £20bn a year. The Chancellor said the government had taken difficult decisions to put the economy *"back on track"* and claimed, *"our plan for the British economy is working."* He also stressed that *"the work is not done,"* before outlining his package of measures which he said would cut business taxes, raise business investment and get more people into work.

OBR forecasts

Mr Hunt started his statement by revealing updated economic projections produced by the Office for Budget Responsibility (OBR) which he said showed the government had delivered on all three of the Prime Minister's economic priorities: to halve inflation, grow the economy and reduce debt.

The Chancellor began with inflation, reiterating that recently released official data showed the Consumer Prices Index (CPI) rate had more than halved from a peak of 11.1% in October 2022 to 4.6% last month. He then detailed some of the latest OBR projections, which suggest inflation will fall to 2.8% next year and hit the government's 2% target in 2025.

Growth measures

In terms of growth, Mr Hunt said the OBR now expects the economy to expand by 0.6% this year, 0.7% in 2024 and 1.4% in 2025. While this year's figure is a considerable improvement on the OBR's previous prediction of a small contraction, the forecast for the following two years represents a relatively sharp downgrade from the previous forecast of 1.8% for 2024 and 2.5% for 2025.

The Chancellor acknowledged that the private sector is more productive in countries like the US, Germany and France and that, *"If we want those [growth] numbers to be higher, we need higher productivity."* He also said that the measures being announced today would help close the productivity gap by *"boosting business investment by £20bn a year."*

Backing British business

The 110 measures aimed at creating the right conditions for the private sector to thrive include:

- The 'full expensing' tax break for businesses has been made permanent, at a cost of £11bn a year – representing *"the largest business tax cut in modern British history"*
- Delivering energy security and the net zero transition by removing barriers to investment in critical infrastructure
- An extension to the 75% business rate discount for retail, hospitality and leisure businesses
- The simplification of Research & Development (R&D) tax



reliefs and lowering the threshold for additional support for R&D intensive loss-making SMEs

- To unlock investment, support levelling up and enable the UK to seize growth opportunities through the transition to net zero, the government is making £4.5bn available in strategic manufacturing sectors – automotive, aerospace, life sciences and clean energy – from 2025 for five years.

Turning his attention to the small business community, Mr Hunt said, *"I have always known that every big business was a small business once,"* as he announced a package of measures designed to support SMEs across the UK. Following consultation with the Federation of Small Businesses (FSB), Mr Hunt argued that tougher regulation was needed to stop the *"scourge of late payments."* He announced that businesses bidding for large government contracts over £5m will have to prove they pay their invoices within an average of 55 days, reducing progressively to 30 days. On business rates, he announced a freeze on the small business multiplier for a further year, amongst other measures.

Personal taxation, wages and pensions

As recently announced, the government will increase the National Living Wage for individuals from £10.42 an hour to £11.44 an hour, with the threshold lowered from 23 to 21-years-old, effective from 1 April 2024.

The commitment to the pensions Triple Lock remains, meaning that the basic State Pension, new State Pension and Pension Credit standard minimum guarantee will be uprated in April 2024 in line with average earnings growth of 8.5% (September 2023). The value of the new State Pension will increase in April 2024 from £203.85 per week to £221.20 per week, while the basic State Pension will rise from £156.20 to £169.50 per week.

Universal Credit and disability benefits will increase by 6.7% next tax year, equivalent to CPI inflation in the 12 months to September 2023, which is the typical basis for benefit uprating. This represents an average increase of £470 for 5.5 million households next year.

Changes to National Insurance contributions (NICs) were revealed:

- The main rate of Class 1 employee NICs is to be reduced from 12% to 10%. This will provide a tax cut for 27 million working people. Instead of taking effect on 6 April 2024, this will take effect from 6 January 2024
- To simplify NICs for the self-employed, from 6 April 2024, self-employed people with profits above £12,570 will no longer be required to pay Class 2 NICs (currently £3.45 a week), but will continue to receive access to contributory benefits, including the State Pension. In addition, Class 4 NICs will be cut by 1 percentage point to 8% from April 2024
- The government is extending the NICs relief for employers of eligible veterans for one year. Businesses pay no employer NICs on annual earnings up to £50,270 for the first year of a qualifying veteran's employment.

No changes were announced for the following allowances:

- The Income Tax Personal Allowance and higher rate threshold remain at current levels – £12,570 and £50,270 respectively – until April 2028 (rates and thresholds may differ for taxpayers in parts of the UK where Income Tax is devolved)
- Inheritance Tax bands remain at £325,000 nil-rate band, £175,000 residence nil-rate band, with taper starting at £2m – fixed at these levels until April 2028
- The 2024/25 tax year ISA (Individual Savings Account) allowance remains at £20,000 and the JISA (Junior Individual Savings Account) allowance and Child Trust Fund annual subscription limits remain at £9,000. The government will allow multiple subscriptions to ISAs of the same type every year from April 2024
- The Dividend Allowance will reduce to £500 from April 2024
- The annual Capital Gains Tax exemption will reduce to £3,000 from April 2024
- The government will legislate in the Autumn Finance Bill 2023 to remove the Lifetime Allowance to clarify the taxation of lump sums and lump sum death benefits, and the application of protections, as well as the tax treatment for overseas pensions, transitional arrangements, and reporting requirements. This will take effect from 6 April 2024.

The latest steps to deliver the Mansion House Reforms for pensions, announced in the days leading up to the Autumn Statement, include:

- A call for evidence on allowing individuals to consolidate pensions by having one pension pot for life
- New investment vehicles tailored to the needs of pension schemes, which allow investment into the UK's innovative companies.

Levelling up

Next, the Chancellor spoke about 'levelling up' measures designed to support growth and investment, starting with three new Investment Zones set to be introduced in Greater Manchester, the West Midlands and the East Midlands, focused on advanced manufacturing. Together, he said, these Investment Zones will generate £3.4bn of private investment and create 65,000 jobs over the next decade.

"An Autumn Statement for a country that has turned a corner. An Autumn Statement for Growth, which I commend to the House"

Also included in the measures:

- A second Investment Zone for Wales covering Wrexham and Flintshire
- Investment Zone and freeport tax reliefs to be extended from five to 10 years
- A new £150m Investment Opportunity Fund to support Investment Zones and freeports.

Back to work

The Chancellor then took the opportunity to reinforce his Back to Work Plan – worth £2.5bn over the next five years – which was published the previous week. In addition to helping over a million people with long-term health conditions, disabilities and long-term unemployment issues to find and stay in work, the Plan also imposes tough sanctions on those who can work but choose not to.

Other key points

Alcohol duty – frozen until 1 August 2024

Mortgage Guarantee Scheme – extended until the end of June 2025

Enterprise Investment Scheme (EIS) and Venture Capital Trust (VCT) extension – the government will legislate in the Autumn Finance Bill 2023 to extend the existing sunset clauses from 6 April 2025 to 6 April 2035

Apprenticeships – £50m funding for a 2-year pilot to explore ways to stimulate training in growth sectors and address barriers to entry in high-value apprenticeships

Support for affected communities within the UK following the conflict in Israel and Gaza – funding that the government has already provided to the Community Security Trust will be maintained in 2024/25

Housing and planning investment – an additional £32m to unlock development of thousands of homes across the country, including funding to tackle planning backlogs in Local Planning Authorities (LPA), alongside further reforms to streamline the system through a new Permitted Development Right to enable one house to be converted into two homes

Creative industries – £2.1m of funding for the British Film Commission and the British Film Institute Certification Unit for 2024/25.

Closing comments

Jeremy Hunt signed off his Statement saying, *"We are delivering the biggest business tax cut in modern British history, the largest ever cut to employee and self-employed National Insurance, and the biggest package of tax cuts to be implemented since the 1980s. An Autumn Statement for a country that has turned a corner. An Autumn Statement for Growth, which I commend to the House."*

A date for your diary...

5
April
2024

We're fast approaching the end of the 2023/24 fiscal year on 5 April 2024. Now is a good time to get to grips with any unused allowances and exemptions, so you can maximise your tax efficiency for the outgoing tax year and prepare for the new one.

We're here to help

It is important to take professional advice before making any decision relating to your personal finances. Information within this document is based on our current understanding of taxation and can be subject to change in future. It does not provide individual tailored investment advice and is for guidance only. **Some rules may vary in different parts of the UK;** please ask for details. We cannot assume legal liability for any errors or omissions it might contain. Levels and bases of, and reliefs from, taxation are those currently applying or proposed and are subject to change; their value depends on individual circumstances.

All details are believed to be correct at the time of writing (22 November 2023)