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ANGLO INTERNATIONAL
PERSONAL FINANCIAL MANAGEMENT

INVESTMENTS MORTGAGES PENSIONS PROTECTION

HUNT FOR RED NOVEMBER

Autumn Statement 2022

The Chancellor, Jeremy Hunt, set out his autumn statement to increase personal and corporate taxes and reduce government spending.
Clearly the thrust of this autumn statement was about reassuring the markets by demonstrating fiscal responsibility.
There were no surprises as most of its content had already been leaked and unlike the infamous mini budget and it was accompanied by growth forecasts from the Office for Budget Responsibility (OBR).
Here we highlight the key announcements and what impact they may have on you.

Capital Gains Tax (CGT)

What has changed?
Annual exemption of £12,300 will be slashed in 2023/24 to £6,000 and in 2024/25 to £3,000. Gains exceeding the exemption will be taxed at 20% for high-rate taxpayers and 10% for some basic-rate taxpayers (28% or 18% on gains from property).
What it may mean for you?
A higher-rate taxpayer making a capital gain of £20,000 in the 2023/24 tax year could pay a CGT bill of £2,800, rising to £3,400 in 2024/25. Currently, this would be only £1,540.

Recommendations
There are several ways to mitigate CGT
1. Make the most of the current CGT exemption of £12,300 NOW
2. Using losses to reduce your gain
3. Investing in an ISA, which is not subject to CGT

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Dividend Tax

What has changed?
The amount of dividend income you do not have to pay tax on will fall in 2023/24 from £2,000 to £1,000 in 2023/24 and in 2024/25 to £500. The rate of dividend tax will remain at 8.75% for basic-rate taxpayers, 33.75% for higher-rate taxpayers and 39.35% for additional-rate taxpayers.
What it may mean for you?
A higher-rate taxpayer who receives dividend income of £5,000 in the 2023/24 tax year could pay £1,350 in dividend tax, rising to £1,518.75 in 2024/25. This compares with £1,012.50 currently.

Recommendations

Maximising your ISA allowance each year becomes even more important, as any dividends on investments held in an ISA are tax free.

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Income tax thresholds

What has changed?
Additional rate income tax threshold will be lowered from April 2023 from £150,000 to £125,140. Personal allowances and the higher-rate income tax threshold have been frozen at their 2021/22 levels for an additional two years.
What it may mean for you?
Lowering the additional-rate income tax threshold will result in more people paying the 45% top rate of income tax. Someone earning £150,000 could face an income tax bill of £53,703 in 2023/24, up from £52,460 currently. Freezing the personal allowance and higher-rate tax threshold could find more people moving into the higher tax bands due to inflation. Anyone earning £50,000 in 2021, and whose income rises in line with (CPI) inflation, could see their income tax bill rise from £7,486 to £15,825 by 2028.

Recommendations
One way to potentially reduce your income tax bill is to save into a pension. If your salary and/or bonus means you cross into a higher tax band, making a personal pension contribution could mean your adjusted net income falls to below the threshold and potentially avoids higher or additional rate tax.

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Inheritance tax nil-rate band (IHT)

What has changed?
The IHT nil-rate band and residence nil-rate band have been frozen for another two years from 2026 until 2028. Although the IHT nil-rate band has remained at £325,000, since 2009 the average UK house prices have surged by 77%. This has placed an increasing number of inherited estates into the clutches of inheritance tax.
What it may mean for you?
Since 2011, IHT receipts have rocketed from £2.9bn to £6.1bn in 2021/22. There are several ways to help mitigate IHT liability, particularly if you plan ahead.

Recommendations
- Pass on your assets to your children or beneficiaries now
- Place assets in trust
- Make regular gifts of surplus income
- Save more into your pension
- Place a life policy in trust
- Create a Discounted Gift Trust

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Pension lifetime allowance

What has changed?
Nothing. The total amount you can save into your pension before incurring tax charges on retirement, will continue to be frozen until 2026. This will remain at its current level of £1,073,100.
What may it mean for you?
The combination of long-term investment growth could see more people inadvertently breaching the lifetime allowance and facing a hefty tax charge when they come to draw their pension income.

Pension tax relief

What has changed?
Nothing. They remain at 25% uplift on your contribution at source at the basic rate of tax.
What it may mean for you?
Higher and additional-rate taxpayers can continue to benefit from tax relief of up to 40% and 45%, respectively (subject to limitations).

State pension

What has changed?
The state pension will increase in line with inflation by 10.1% in April 2023.
What does it mean for you?
Those who qualify for the full state pension will receive an additional £870 in the 2023/24 tax year.
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If you are affected by any of these changes and feel you may need advice, then please contact us at 0800 193 1066 or info@angloifa.com

Best Regards
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