

Tax update

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1. General

1.1 Jeremy Hunt appointed as Chancellor and U-turns on tax announcements

Jeremy Hunt has been appointed to replace Kwasi Kwarteng as Chancellor of the Exchequer. He has made significant tax announcements, reversing many of the recent changes brought in by the previous Chancellor.

Jeremy Hunt has been appointed as Chancellor of the Exchequer. He takes overall responsibility for the work of the Treasury, including the Budget. We wish him well in his new role.

The new Chancellor has now reversed many of the major tax announcements made by Kwasi Kwarteng. More detail on these changes is included in the relevant sections below.

Tax changes that were announced in the 23 September Growth Plan that have been retained include:

- the cut to national insurance from 6 November;

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- the cancellation of the health and social care levy;
 - the increase to SDLT thresholds;
 - the permanently increased annual investment allowance for capital allowances; and
 - the changes to venture capital schemes and company share option plans.

www.gov.uk/government/ministers/chancellor-of-the-exchequer

www.gov.uk/government/news/chancellor-brings-forward-further-medium-term-fiscal-plan-measures

1.2 Medium-term fiscal plan brought forward to 31 October

The medium-term fiscal plan was originally scheduled for 23 November, but will now be published this month by the new Chancellor.

The statement will be made on 31 October alongside the publication of forecasts from the Office for Budget Responsibility. It is possible that the new Chancellor will make further changes to taxation. He has stated that there are "more difficult decisions on tax and spending" to come.

www.gov.uk/government/news/letter-notifying-the-treasury-select-committee-of-the-date-of-obrs-forecast-and-chancellors-medium-term-fiscal-plan

1.3 HMRC publishes statutory clearance checklist

HMC has shared a list with the CIOT for use when making statutory clearance applications. This covers both how to make the application, and what to include.

The checklist has been published by HMRC so that agents and taxpayers are more likely to include everything needed for an application first time, reducing HMRC's workload in requesting additional information.

It explains how to communicate with HMRC by email, and sets out the risks. It also lists out details that should be included in an application, including details of shareholders, shares, the transactions, and information specific to clearance under particular sections of legislation.

www.tax.org.uk/what-to-include-in-statutory-clearance-applications-hmrc-checklist

2. Private client

2.1 Chancellor's statement: IT basic rate to remain at 20%

The 1% cut scheduled to come in from next tax year will not now be introduced.

The basic rate of income tax was due to be cut to 19% from 6 April 2023, as announced in the 23 September Growth Plan. This has been cancelled, and the rate will remain at 20% indefinitely.

www.gov.uk/government/news/chancellor-brings-forward-further-medium-term-fiscal-plan-measures

2.2 Chancellor's statement: Dividend IT rates to remain at the increased level

The 1.25 percentage points added to each dividend income tax rate band will be kept. The rates were due to be cut back from April 2023.

Dividend rates increased in April 2022 as an equivalent to the rise in NICs. The reversal of the NIC rise will not however be mirrored for dividends. The rates will remain at basic: 8.75%, higher: 33.75%, and additional: 39.35%, which are now expected to remain the same indefinitely.

www.gov.uk/government/news/chancellor-brings-forward-further-medium-term-fiscal-plan-measures

2.3 Successful appeal on information notices

The FTT has cancelled information notices as the taxpayers demonstrated the data was not reasonably required. HMRC was also directed to issue closure notices.

The taxpayers, a married couple who operated a property investment business in partnership, were issued with information notices in the course of enquiries into their 2017/18 returns. HMRC believed that their disclosed income did not match their personal expenditure. A variety of information was provided to HMRC about the business, which involved 26 rental properties. HMRC also looked at financing, including how the purchase of the couple's own home was financed, and made estimates of what it believed their income to have been. The taxpayers explained the use of bridging loans for financing, but refused to provide some information for earlier years than that under enquiry.

The information notices required information on all refinancing from 2014/15 onwards, bank statements for 2016/17, and other sources of money used for personal or business finance from 2014/15 onwards. The FTT allowed the appeal against the information notices, concluding the information requested was not reasonably required to check the tax position for 2017/2018. In respect of the means position, the FTT held that the taxpayers had provided sufficient evidence to show that they were able to support themselves and buy an expensive property from taxable and non-taxable sources. The only tax loss that had been established was an overclaim in respect of loan interest relief, which had arisen due to the capital accounts of the partners being overdrawn. The FTT held that the information requested by HMRC was too onerous and not reasonably required to establish what adjustments were required, which it concluded could be agreed between HMRC and the taxpayers, whose tax adviser had already calculated and submitted figures to HMRC for agreement.

Davies & Ors v HMRC [2022] UKFTT 369 (TC)

www.bailii.org/uk/cases/UKFTT/TC/2022/TC08619.html

3. PAYE and employment

3.1 Chancellor's statement: off-payroll working rules to remain in place

The off-payroll working reforms introduced in 2017 and 2021 will now not be repealed. Businesses will retain responsibility for determining the employment status of workers working through an intermediary.

The former Chancellor announced in the 23 September Growth Plan that these would be withdrawn, rather than coming in as planned in April 2023. That decision has now been reversed, and the changes will come in as planned. Businesses will need to retain their processes for ensuring compliance with these rules.

www.gov.uk/government/news/chancellor-brings-forward-further-medium-term-fiscal-plan-measures

4. Business tax

4.1 Chancellor's statement: CT rise to 25% once again planned for April

In a reversal of the 23 September Growth Plan announcement, the main rate of CT will rise to 25% from 1 April 2023, but a new small-profits rate of 19% will apply to companies with lower profits.

The main CT rate for company profits over £250,000 will be 25%. Companies with profits under £50,000 will continue to be taxed at 19%, subject to specific exclusions from the lower rate such as for non-resident companies and family investment companies. Profits in between these limits will be taxed at a tapered rate. This will come into effect for the financial year starting 1 April 2023.

www.gov.uk/government/news/government-update-on-corporation-tax

5. VAT and other indirect taxes

5.1 Chancellor's statement: VAT-free shopping for non-UK visitors cancelled

The plan announced on 23 September to allow VAT-free shopping for overseas visitors has been cancelled under the new Chancellor.

A commencement date for the scheme had not yet been announced.

www.gov.uk/government/news/chancellor-brings-forward-further-medium-term-fiscal-plan-measures

6. Tax publications and webinars

6.1 Webinars

The following client webinars are coming up soon.

- 25 October - [Financial planning for professionals](#)
- 3 November - [The tax landscape](#)
- 10 November - [Business exit planning for entrepreneurs: tax efficiency and employee support](#)
- 30 November - [UK tax and reporting considerations for international private clients](#)

7. And finally

7.1 Merry-go-round

In terms of short-lived tax measures, the 23 September Growth Plan is hard to beat. Finding an intelligible way to write 'the reversal of the planned increase has been reversed' is quite a challenge, but we can at least be grateful that the measures had not been in place long enough for much planning to become dependent on them. In a paperless world, what becomes of measures that never made it from paper to reality?

Still, a change from a yearly fiscal statement to one a week is slightly jarring to the nerves. We can only wait and see what is coming on Halloween.

Feeling dizzy yet?

Glossary				
Organisations		Courts	Taxes etc	
ATT – Association of Tax Technicians	ICAEW – The Institute of Chartered Accountants in England and Wales	CA – Court of Appeal	ATED – Annual Tax on Enveloped Dwellings	NIC – National Insurance Contribution
CIOT – Chartered Institute of Taxation	ICAS – The Institute of Chartered Accountants of Scotland	CJEU – Court of Justice of the European Union	CGT – Capital Gains Tax	PAYE – Pay As You Earn
EU – European Union	OECD – Organisation for Economic Co-operation and Development	FTT – First-tier Tribunal	CT – Corporation Tax	R&D – Research & Development
EC – European Commission	OTS – Office of Tax Simplification	HC – High Court	IHT – Inheritance Tax	SDLT – Stamp Duty Land Tax
HMRC – HM Revenue & Customs	RS – Revenue Scotland	SC – Supreme Court	IT – Income Tax	VAT – Value Added Tax
HMT – HM Treasury		UT – Upper Tribunal	LBTT – Land and Buildings Transaction Tax	

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