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Recaptured – in focus
Tax rates 2022/23

Autumn Budget 2021

Contents

These tables are a summary and do not cover all situations. They are based primarily upon information announced by the UK government and the devolved governments on or before the date of Autumn Budget 2021 (27 October 2021) and may not reflect subsequent legislative changes or policy decisions.

Personal tax

Income tax rates 2022/23 (2021/22)

Income band (£)	Dividends[d] (%)	Other savings income (%)
Up to 37,700[a, b] (up to 37,700)	8.75 (7.5)	20 (20)
37,700-150,000[b] (37,700-150,000)	33.75 (32.5)	40 (40)
Over 150,000[b] (over 150,000)	39.35 (38.1)	45 (45)

Income band (£)	Other income (%)	Cumulative tax (£)
Up to 37,700[c] (up to 37,700)	Basic rate: 20 (20)	7,540 (7,540)
37,700-150,000[c] (37,700-150,000)	Higher rate: 40 (40)	52,460 (52,460)
Over 150,000[c] (over 150,000)	Additional rate: 45 (45)	

a. A 0% starting rate applies to the first £5,000 of savings income. For many taxpayers this is not relevant as the starting rate does not apply if their taxable non-savings income exceeds the starting rate limit.

b. Subject to Personal Allowance, Personal Savings Allowance, and Dividend Allowance (see page 3).

c. Subject to Personal Allowance, Property Allowance, and Trading Allowance (see page 3).

d. In line with the Government's health and social care announcements of 7 September 2021, dividend income tax rates for individuals will increase by 1.25 percentage points from 6 April 2022. The rates applicable to savings income and other income are unchanged from 2021/22.

At Spring Budget 2021, it was announced that the basic rate band will be maintained at £37,700 until 5 April 2026.

The income bands are broadly used in the following order:

- Non-savings income
- Savings income
- Dividends

Discretionary trusts and accumulation and maintenance trusts are entitled to a standard rate band of up to £1,000. Income in excess of this amount is subject to income tax at the top rate of income tax which is 45%. The rate of tax on dividend income received in excess of the standard rate band is 39.35% (2021/22: 38.1%).

Income tax rates – Scotland

The Scottish Parliament has the power to set income tax rates and bands for **non savings, non-dividend income** of Scottish resident taxpayers. (The dividend and other savings tax rates and bands on page 1, including the 2022/23 increases to the tax rates applied to dividend income, apply to the dividend and other savings income of Scottish taxpayers.)

The **2022/23** Scottish Budget is due to be published on 9 December 2021, and therefore the income tax rates and bands for 2022/23 were not known as at the time of publication. The Scottish Government's Programme for Government, published on 7 September 2021, repeated a political commitment to freeze income tax rates and increase income tax bands by no more than inflation for the duration of the current Parliament.

The following five tax rates and bands for non-savings, non-dividend income applied in **2021/22:**

Income band (£) – 2021/22	Other income (%)	Cumulative tax (£)
Up to 2,097	Starter rate: 19	398
2,097 – 12,726	Scottish basic rate: 20	2,524
12,726 – 31,092	Intermediate rate: 21	6,381
31,092 – 150,000	Higher rate: 41	55,133
Over 150,000	Top rate: 46	

Subject to Personal Allowance, Property Allowance, and Trading Allowance for 2021/22 (see page 3).

Income tax rates – Wales

The Senedd has the power to vary the income tax rates (but not the bands) for **non-savings, non-dividend income** of Welsh resident taxpayers. (The dividend and other savings tax rates and bands on page 1, including the 2022/23 increase to the tax rate applied to dividend income, will apply to the dividend and other savings income of Welsh taxpayers.)

The draft **2022/23** Welsh Budget is due to be published on 20 December 2021, and therefore the income tax rates and bands for 2022/23 were not known as at the time of publication.

Rates for **2021/22** were aligned with those in England and Northern Ireland.

Income tax allowances

	2022/23 (£)	2021/22 (£)
Personal Allowance – Individuals[a, d, e]	12,570	12,570
Married Couple's Allowance (elder aged 85 or over on 5 April 2020)[b, c, d]	9,415	9,125
Personal Savings Allowance for basic rate taxpayers[f]	1,000	1,000
Personal Savings Allowance for higher rate taxpayers[f]	500	500
Dividend Allowance[g]	2,000	2,000
Property Allowance[h]	1,000	1,000
Trading Allowance[h]	1,000	1,000

a. Reduced by £1 for each £2 of income (less deductions) in excess of £100,000.

b. Reduced by £1 for each £2 of income (less deductions) which exceeds £31,400 (2021/22: £30,400). The minimum age-related married couple's allowance is £3,640 (2021/22: £3,530).

c. Restricted to relief at 10%.

d. Neither of these allowances is available to a non-UK domiciled individual who makes a claim to pay tax on the remittance basis of taxation.

e. Spouses or civil partners will be able to transfer £1,260 (2021/22: £1,260) of their unused Personal Allowance to their partner. This is available provided neither person pays income tax at the higher rate (or Scottish equivalents). This is not available if the couple are in receipt of the married couple's allowance.

f. A 0% tax rate for personal savings income for basic and higher rate taxpayers only.

g. A 0% tax rate for dividend income available to all taxpayers. Note, this 0% rate is unaffected by the 1.25 percentage point increase to other dividend rates from 6 April 2022.

h. Subject to some exceptions, allowances for property income and trading income available to all UK taxpayers. Where individuals are in receipt of gross property income or gross trading income below the allowances, the income will not be subject to income tax. Where gross receipts are in excess of these amounts, the recipient can choose to take the £1,000 allowance as a deduction against their gross income instead of deducting actual expenses to arrive at their taxable income figure.

At Spring Budget 2021, it was announced that the Personal Allowance for individuals will be maintained at £12,570 until 5 April 2026.

Income tax reliefs and incentives

Annual limits	2022/23 (£)
Enterprise Investment Scheme (EIS) (maximum)[a]	1,000,000
Seed Enterprise Investment Scheme (SEIS) (maximum)[b]	100,000
Venture Capital Trust (VCT) (maximum)[c]	200,000
Individual Savings Account (ISA) (maximum)[d, e]	20,000
Junior ISA (maximum per child)	9,000

a. Income tax relief restricted to 30%. Capital gains tax deferral on gains on disposal of other assets is also available. From 6 April 2018, the annual limit doubled to £2 million, provided any amount over £1 million is invested in one or more 'knowledge-intensive companies'.

b. Rate of income tax relief is 50%. The relief applies to shares in qualifying trading companies with fewer than 25 full-time equivalent employees, and assets of up to £200,000 issued after 6 April 2012. Maximum stake 30% of share capital and voting rights. Total SEIS financing per company is limited to £150,000 cumulatively (within three years preceding the share issue).

c. Rate of income tax relief for investors in VCTs is 30%. Dividends received on qualifying VCT investments are exempt from income tax.

d. A Lifetime ISA can be opened by individuals between the ages of 18 and 40. Individuals can save up to £4,000 each tax year into an account which will be topped up at the end of the tax year with a government bonus of 25%. The money saved, including the bonus, can be used to buy a first home worth up to £450,000 or can be withdrawn from the age of 60. Any contribution to this new Lifetime ISA counts towards the overall ISA subscription limit.

Relief is available at the taxpayer's marginal rate of income tax for charitable donations via the Gift Aid and Payroll Giving schemes and for charitable gifts of quoted shares and securities and real property.

Pensions

	2022/23 (£)	2021/22 (£)
Annual allowance	40,000[a, b, c]	40,000[a, b, c]
Adjusted income limit	240,000	240,000
Threshold income limit	200,000	200,000
Minimum annual allowance	4,000	4,000
Money purchase annual allowance	4,000[c]	4,000[c]
Lifetime allowance	1,073,100[d]	1,073,100[d]

a. The annual allowance is reduced by £1 for every £2 of adjusted income (broadly net income plus any relievable pension savings) over the adjusted income limit, subject to the minimum annual allowance. The reduction does not apply where threshold income (broadly net income plus employer contributions made via salary sacrifice arrangements after 8 July 2015) is below the threshold income limit.

b. The annual allowance may be increased by up to £120,000 with unused allowances from the previous three years. If earlier allowances were reduced, the reduced amounts are carried forward. Lower income limits applied before 2020/21.

c. Where a member has flexibly accessed his uncrystallised or drawdown fund, the annual allowance for contributions to a money purchase scheme is capped at the level of the money purchase annual allowance, with no unused allowance brought forward. A potentially higher limit for defined benefit schemes remains.

d. The standard lifetime allowance, which is the total value of pensions savings that can be accumulated without a tax recovery charge when a pension or lump sum is taken, has reduced on a number of occasions in recent years. Various transitional protection rules exist and, subject to conditions, members who have elected into them may continue to benefit from higher tax-free limits.

At Spring Budget 2021, it was announced that the lifetime allowance will be maintained at £1,073,100 until 5 April 2026.

Aggregate contributions made by employers and employees to a money purchase (defined contribution) registered pension scheme attract an annual allowance charge to the extent they exceed the annual allowance for the tax year in which the pension input period ends, augmented by any brought forward unused relief from the previous three years. No charge arises where the member dies in the year or is medically assessed as unable to work ever again.

An annual allowance charge similarly applies to salary-related pension accrual where the inflation-adjusted increase in pension entitlement, multiplied by a valuation factor of 16, exceeds the annual limit. No charge applies where the member's active participation in the scheme has ceased. Where the annual limit is exceeded, tax is payable on the excess at the individual's marginal rate i.e. normally 20%, 40% or 45%. (Scottish rates, excluding the 19% starter rate, apply to Scottish residents). This is normally payable by the individual via self-assessment, but in some cases they may elect for the pension scheme to pay the tax instead.

On drawing a pension, the maximum tax-free pension commencement lump sum payable is the lesser of 25% of the value of an individual's uncrystallised fund, 25% of the member's lifetime allowance and one third of the amount crystallised for the payment of a pension or annuity for life, or as funds available for drawdown.

Subject to the agreement of the scheme administrator, members of money purchase schemes who have reached the minimum pension age of 55 are able to take funds from their drawdown account flexibly - whenever they want, and in any desired amount. Members also have the option of taking an 'uncrystallised funds pension lump sum', 25% of which is tax-free, provided they have sufficient lifetime allowance available. If the member dies before age 75 any unused drawdown or undrawn uncrystallised funds can be paid to dependants or nominees free of tax. After that age lump sums are taxable. Death benefit lump sums will normally be taxed as pension income of the recipient (i.e. marginal income tax rates).

In certain circumstances, including when a member takes a pension or lifetime annuity, designates funds for drawdown, dies holding uncrystallised funds or takes a pension commencement or uncrystallised funds pension lump sum, his aggregate pension savings are also tested against the lifetime limit, taking account of any previous benefit crystallisation event. Any excess is taxed at 25%, or 55% if taken as a lifetime allowance excess lump sum.

Any unauthorised lump sum is taxed on the member at rates of 40% or 55%, with a further charge on the scheme.

Making contributions to pensions is a long term investment decision and individuals should take advice on the suitability of making pension contributions in their particular circumstances.

Company car, van and fuel benefits

For more detail see www.cartaxguide.co.uk.

Company car tax rates

A company car benefit is calculated by multiplying the car's list price (including selected optional accessories) by the appropriate percentage graduated according to the car's carbon dioxide (CO_2) emissions, fuel type and electric range (where applicable).

Appropriate percentage for cars first registered on or after 6 April 2020

		% of list price[c]	
CO_2 emissions[a] (g/km)	Electric range figure[b] (miles)	2021/22	2022/23, 2023/24, 2024/25
0	N/A	1	2
1-50	>130	1	2
1-50	70-129	4	5
1-50	40-69	7	8
1-50	30-39	11	12
1-50	<30	13	14
51-54		14	15
55-59		15	16
60-64		16	17
65-69		17	18
70-74		18	19
75-79		19	20
80-84		20	21
85-89		21	22
90-94		22	23
95-99		23	24
100-104		24	25
105-109		25	26
110-114		26	27
115-119		27	28
120-124		28	29
125-129		29	30
130-134		30	31

CO_2 emissions[a] (g/km)	Electric range figure[b] (miles)	% of list price[c] 2021/22	% of list price[c] 2022/23, 2023/24, 2024/25
135-139		31	32
140-144		32	33
145-149		33	34
150-154		34	35
155-159		35	36
160-164		36	37
165+		37	37

a. Unless otherwise specified, CO_2 emissions should be rounded down to the nearest 5g/km.

b. For cars in the 1-50g/km of CO_2 band, the 'electric range figure' is relevant for determining the appropriate percentage. The 'electric range figure' is the number of miles which is the equivalent of the number of kilometres specified in an EC certificate of conformity, an EC type-approval certificate or a UK approval certificate on the basis of which a car is registered, as being the maximum distance for which the car can be driven in electric mode without recharging the battery.

c. Add 4 percentage points to the '% of list price' if the car runs solely on diesel, up to the limit of 37%. Cars that meet the Real Driving Emissions Step 2 (RDE2) standard are exempt from the supplement.

Appropriate percentage for cars first registered before 6 April 2020

For cars with CO_2 emissions of 1g/km or higher, add 1% to the appropriate percentage shown above for the 2021/22 tax year (up to the limit of 37%). From 2022/23 onwards, use the same appropriate percentage as shown above for cars registered on or after 6 April 2020. See www.cartaxguide.co.uk for further details.

Employee contributions

The list price of the car is reduced by up to a maximum of £5,000 for capital contributions made by an employee. Employees' contributions towards private use reduce the taxable benefit pound for pound.

Private fuel benefit

Fuel benefit for company cars is calculated by applying the appropriate percentage for the car based on fuel type and CO_2 emissions to a pre-set figure which is £25,300 (2021/22: £24,600).

Van & van fuel benefit
The private use of vans attracts a scale charge of £3,600 (2021/22: £3,500), regardless of the age of the vehicle. In addition, if free or subsidised fuel is provided for private use in a company van, a taxable fuel benefit will arise of £688 (2021/22: £669).

Optional Remuneration Arrangements
Where employees select a company car via either a salary sacrifice arrangement or instead of a cash allowance (where they have that choice), then rules, which came into effect from 6 April 2017, may affect the calculation of company car benefit. These rules do not affect cars with CO_2 emissions of 75 g/km and below.

Where an employee entered into an Optional Remuneration Arrangement for a car before 6 April 2017 (which includes where a car was ordered, but not delivered, prior to this date), then the calculation described above stands, until a variation of that arrangement, its expiry, or until 6 April 2021.

Where employees entered into arrangements on or after 6 April 2017, then their company car benefit will equal the greater of (i) the amount as calculated above, and (ii) the value of the cash pay given up (i.e. the gross salary sacrifice / gross cash allowance forgone).

Electric vehicles
The appropriate percentage for zero emission electric cars for the purposes of company car tax is 2% for the 2022/23 tax year (2021/22: 1%) The percentage will be frozen at 2% for the 2023/24 and 2024/25 tax years.

From 2021/22, a nil rate applies to zero-emission vans within the van benefit charge.

The provision of workplace facilities for charging vehicles and electricity to employees is exempt from tax as a benefit in kind. The exemption applies to workplace charging provided for company cars and private cars (although there are certain criteria to be met for the private car exemption to apply).

Approved mileage rates

Employers can make tax- and NIC-free payments to employees using their own vehicle for business travel, as follows:

- cars and vans – 45p per mile for the first 10,000 miles and 25p per mile thereafter (for NIC purposes there is no mileage limit for the 45p per mile rate);
- motor cycles – 24p per mile;
- bicycles – 20p per mile; and
- passengers – an optional 5p per mile for each passenger who is an employee travelling on business.

Business expenditure on leased cars

Corporation tax relief and income tax relief for expenses incurred by businesses on the hiring of cars can be restricted according to the CO_2 emissions of the car. From 1 April 2021 (for corporation tax) or 6 April 2021 (for income tax), 15% of the leasing expenses are generally disallowed if emissions exceed 50 g/km. Grandfathering provisions apply to contracts entered into before 1 or 6 April 2021 for periods of hire beginning before that date, and the applicable emissions threshold between April 2018 and April 2021 was 110 g/km.

Capital Gains Tax (CGT)

	2022/23 (£)	2021/22 (£)
Combined income and gains less than the upper limit of the income tax basic rate band[a, b, c]	10%	10%
Combined income and gains above the upper limit of the income tax basic rate band[a, b, c]	20%	20%

a. Chargeable gains are treated as the top slice of an individual's combined gains and income. Any part of a taxable gain exceeding the upper limit of the income tax basic rate band (£37,700 for 2021/22 and 2022/23) is taxed at 20%.

a. An 8 percentage point surcharge applies on the rates for gains on residential property and carried interest.

a. For trustees and personal representatives of deceased persons, the CGT rate is 20%.

Annual CGT exemptions apply for individuals and trusts, as follows:

	2022/23 (£)	2021/22 (£)
Individual	12,300	12,300
Trust	6,150	6,150

At Spring Budget 2021, it was announced that the annual exempt amounts for individuals and trusts will be maintained at £12,300 and £6,150 respectively until 5 April 2026.

Gains realised on the disposal of an EIS or SEIS investment are exempt from CGT provided certain conditions are met including that the shares are held for at least three years, and both the investor and company remain eligible for EIS/SEIS throughout this period.

Up to 50% of capital gains of up to £100,000 realised on disposals of assets are exempt from CGT if the investment is a qualifying SEIS investment and appropriate claims are made.

The lifetime limit for business asset disposal relief (formerly known as entrepreneurs' relief) is £1 million. Qualifying gains made within this limit are subject to a reduced capital gains tax rate of 10%.

Investors' relief, for external investors in unlisted trading companies, applies to newly-issued shares purchased on or after 17 March 2016, provided they are held for a minimum of three years from 6 April 2016, and subject to a lifetime limit of £10 million of gains. This limit is separate from the lifetime limit of gains for business asset disposal relief.

There is no chargeable gain on the disposal of a single chattel if the gross consideration does not exceed £6,000.

Inheritance tax (IHT)

IHT is charged on an individual's estate at death, on gifts within seven years of death, and on chargeable lifetime transfers of value (e.g. a transfer to a trust). The nil rate band is £325,000. Cumulative chargeable transfers up to the limit of the nil rate band do not result in an IHT charge. To the extent that chargeable transfers exceed the nil rate band, the tax rate is 20% for lifetime transfers where the donor survives seven years, and 40% for transfers on death and in the three years preceding death. A tapered inheritance tax rate applies to gifts made between three and seven years before death.

When a surviving spouse or civil partner dies, relief is due on that death in respect of any unused proportion of the nil rate band of the spouse or civil partner who died first. This is in addition to any unused nil rate band of the survivor. Transfers between spouses or civil partners who are both UK-domiciled or both non-UK domiciled are exempt.

When a transferor spouse or civil partner is UK-domiciled and a transferee spouse or civil partner is not, the spouse exemption is limited to the level of the IHT nil rate band. Also a non-UK domiciled spouse or civil partner can elect to be treated for IHT as UK-domiciled. If he or she does so the full spouse/civil partner exemption will be due.

Where 10% or more of a person's net estate is left to charity, the rate of IHT is reduced to 36%.

An additional residence nil rate band (RNRB) was introduced with effect from 6 April 2017, which applies when a residence is passed to a direct descendant. The RNRB is £175,000. Any unused RNRB can be transferred to a surviving spouse or civil partner. It will also be available when a person downsizes or ceases to own a home and assets of an equivalent value, up to the value of the additional nil-rate band, are passed on death to direct descendants. There is a tapered withdrawal of the RNRB for estates with a net value of over £2 million, at a rate of £1 for every £2 over this threshold.

At Spring Budget 2021, it was announced that the IHT nil rate band will be maintained at £325,000, the RNRB will be maintained at £175,000, and the residence nil rate taper will continue to start at £2 million until 5 April 2026.

National Insurance Contributions 2022/23

Class 1 (employees and employers) rates 2022/23

Weekly earnings (£)	Employees
123.00 or less[a]	–
123.01-190.00[b]	0%
190.01-967.00[d]	13.25%
Over 967.00[d]	3.25%

Weekly earnings (£)	Employers
175.00 or less[c]	–
Over 175.00	15.05%

a. At the time of publication, the monthly and annual equivalents have not been published. However, based on SI 2001/1004, these are expected to be £533 and £6,396 respectively.

b. A zero rate of NIC applies to earnings between the lower earnings limit of £123 per week and the primary earnings threshold of £190 per week to protect employees' contributory benefit entitlements. At the time of publication, the monthly and annual equivalents of the primary earnings threshold have not been published. Based on previous years, these are expected to be £823 and £9,880 respectively.

c. At the time of publication, the monthly and annual equivalents have not been published. These are expected to be £758 and £9,100 respectively.

d. The monthly and annual equivalents are £4,189 and £50,270 respectively.

e. The equivalent rates for 2021/22 are 1.25 percentage points lower (i.e. 12% and 2% for employees and 13.8% for employers). The temporary increase in these rates for 2022/23 was enacted by the Health and Social Care Levy Act 2021 following the Government's health and social care funding announcements of 7 September 2021. From 2023/24, the Health and Social Care Levy will apply in place of these temporary increases (see below).

At Spring Budget 2021, it was announced that the Upper Earnings Limit will be maintained at £967 (per week) / £4,189 (per month) / £50,270 (per year) until 5 April 2026.

Employees' qualifying business travel and subsistence expenses are excluded from earnings for Class 1 NICs purposes. Employers can pay up to 45p per mile to employees travelling on business in their own cars without incurring a NIC charge. This rate applies, for NICs purposes, irrespective of the business mileage incurred.

An employment allowance of £4,000 per year (2021/22: £4,000) is available to employers to offset against their employer Class 1 NICs. With effect from

6 April 2020, the allowance is only available to employers with an employer NICs bill below £100,000 in the previous tax year.

Employers are not required to pay employer Class 1 NICs in respect of the wages they pay to employees under the age of 21 up to £967 per week.

For apprentices under the age of 25, the Apprentice Upper Secondary Threshold is also £967 per week. This means that employers will not be required to pay employer Class 1 NICs in respect of the wages they pay to apprentice employees under the age of 25 up to £967 per week.

With retrospective effect from 6 April 2021, an NICs relief will be available for employers who hire armed forces veterans in tax years 2021/22, 2022/23 and 2023/24. This relief applies in respect of employer Class 1 NICs on the earnings paid to qualifying armed forces veterans. The relief is only available for 12 consecutive months from the veteran's first day of civilian employment, and applies a 0% Secondary Class 1 NICs rate on earnings up to the Upper Secondary Threshold (£967 per week). For 2021/22 only, employers will need to pay the associated Secondary Class 1 NICs as normal to HMRC and then claim the relief retrospectively from April 2022 onwards. Further information on how employers will be able to claim back the associated Secondary Class 1 NICs will be published before April 2022.

There will also be an NICs relief for employers who hire employees that are reasonably expected to spend 60% or more of their employed time in a single Freeport tax site in which the employer has business premises. This relief applies a 0% Secondary Class 1 NICs rate on up to £25,000 of the annual earnings paid each to qualifying employee. The relief is only available for employees who begin their employment between 6 April 2022 and 5 April 2026 and is available for a period of three years per employee.

Health and Social Care Levy – 2023/24
On 7 September 2021, the Prime Minister announced a new Health and Social Care Levy. From 6 April 2023, the Health and Social Care Levy Act 2021 provides for a new standalone 1.25% Health and Social Care Levy on the earnings and/or profits that are subject to Class 1, Class 1A, Class 1B and Class 4 NICs.

Workers who are over the state pension age, who are not currently liable to NICs, will be subject to the 1.25% levy from 6 April 2023 to the extent that their earnings exceed the primary threshold (2022/23: £9,880 per annum). Self-employed individuals with profits exceeding the lower profits limit (2022/23: £9,880) are similarly affected.

Class 1A (employers providing benefits-in-kind)

For 2022/23, employers will be liable to Class 1A NICs at 15.05% (2021/22: 13.8%) on most benefits-in-kind subject to income tax. Scale rate allowances covered by an approval notice or benefits-in-kind included in a PAYE Settlement Agreement (but see below) are not subject to Class 1A NICs. Certain other benefits are specifically exempt from both income tax and Class 1A NICs.

With effect from 6 April 2020, the scope of Class 1A NICs was extended to include contributions on taxable termination payments above £30,000.

For 2023/24, the rate is expected to return to 13.8% following the introduction of the standalone 1.25% Health and Social Care Levy on the earnings subject to Class 1A NICs.

Class 1B (employers settling tax liabilities via PAYE settlement agreements)

Class 1B NICs are employer-only contributions, similar to Class 1A, payable by employers on the value of the tax and on certain benefits paid via PAYE Settlement Agreements. The rate is tied to the Class 1 secondary rate of 15.05% (2021/22: 13.8%) and contributions are payable by 19 October following the end of the tax year, along with the tax under the PAYE settlement agreement.

The rate is expected to return to 13.8% for 2023/24 following the introduction of the standalone 1.25% Health and Social Care Levy on earnings subject to Class 1B NICs.

Other Classes

Class 2 (self-employed)	2022/23
Weekly rate	£3.15
Small profits threshold (annual)	£6,725

Class 2 NICs are weekly flat-rate contributions payable by self-employed individuals and may be paid as a voluntary contribution by certain individuals working overseas who are not liable to pay compulsory NICs.

Class 3 (voluntary)	2022/23
Weekly rate	£15.85

Class 4 (self-employed)	2022/23
Lower limit of profit or gains (annual)	£9,880
Upper limit of profit or gains (annual)	£50,270
Rate on profits between lower and upper limits	10.25%
Rate on profits above upper limit	3.25%

For 2022/23, the above table reflects a temporary 1.25% increase in the rates of Class 4 NICs. For 2023/24 onwards, Class 4 NIC rates are due to return down to their 2021/22 rates (9% and 2% respectively) following the introduction of the 1.25% standalone Health and Social Care Levy on profits subject to Class 4 NICs (see above).

At Spring Budget 2021, it was announced that the Upper Profits Limit will be maintained at £50,270 until 5 April 2026.

Apprenticeship Levy

Since 6 April 2017, employers are required to pay the Apprenticeship Levy. The Levy is set at a rate of 0.5% of an employer's annual pay bill and is collected through the PAYE system.

The pay bill is the total amount of earnings liable to employer's Class 1 NIC, including earnings below the secondary threshold (see page 13 – expected to be £9,100 for 2022/23). Similarly, where the age-related secondary percentage of NIC is 0%, e.g. for employees under the age of 21, such earnings are included in calculating the pay bill.

Employers receive an annual allowance of £15,000 to offset against payment of the Levy, and therefore the Levy will be payable only by employers who have pay bills in excess of £3 million per year. Where two or more companies are connected, only one company can claim the allowance.

Indirect taxes

Value Added Tax (VAT)
VAT registration is required where taxable supplies exceed £85,000 (2021/22: £85,000) for the previous 12 months or are expected to do so within the next 30 days. The deregistration threshold is £83,000 (2021/22: £83,000).

At Spring Budget 2021, it was announced that the VAT registration and deregistration thresholds above will be frozen until 31 March 2024.

Rates	(%)
Zero rate (e.g. newspapers, children's clothes)	0
Reduced rate (e.g. certain fuel and power, some energy-saving materials, some residential property works)	5
Temporary reduced rate for hospitality and tourism sectors – 1 October 2021 – 31 March 2022 (see below)	12.5
Standard rate	20
VAT fraction for standard rate VAT inclusive price	1/6

The *VAT (Reduced Rate) (Hospitality and Tourism) (Coronavirus) Order 2020* temporarily applied, with effect from 15 July 2020, the 5% reduced rate of VAT to certain supplies of food and non-alcoholic drinks in the course of catering from restaurants, pubs, bars, cafés and similar premises; supplies of holiday accommodation; and supplies of a right of admission to shows and certain other attractions.

Finance Act 2021 provided for the 5% reduced rate of VAT to continue to apply to the hospitality and tourism supplies listed above until 30 September 2021. This was followed by the introduction of a new temporary reduced rate of 12.5% for these supplies which applies for the six months from 1 October 2021 until 31 March 2022. From 1 April 2022, the standard rate will apply once again to these supplies.

Insurance premium tax
The standard rate of insurance premium tax applying to most general insurance is 12%. Life and other long-term insurance is exempt.

A higher rate applies to some mechanical breakdown and travel insurance, and insurance sold with certain goods. The higher rate is 20%.

Stamp Duty Land Tax (SDLT) – England, Northern Ireland

SDLT applies to purchases of properties in England and Northern Ireland. SDLT rates for residential properties apply to slices of consideration rather than to all the consideration. This is different to the slab system that applied to residential property purchases prior to 4 December 2014 where the whole of the consideration was taxed at the applicable rate. The current SDLT rates on residential purchases are provided in the table below:

Relevant consideration (£) – residential property ***(prior to 8 July 2020 and on or after 1 October 2021)***	**Rate (%)**
Up to 125,000	0
Above 125,000-250,000	2
Above 250,000-925,000	5
Above 925,000-1,500,000	10
Over 1,500,000	12

For example, SDLT of £3,750 is payable on a residential property bought for £275,000, made up of nothing on the first £125,000, £2,500 (2%) on the next £125,000 and £1,250 (5%) on the remaining £25,000.

Reduced rates are available for first-time buyers purchasing a single dwelling (and intending to occupy the purchased dwelling as their only or main residence) on or after 22 November 2017 for £500,000 or less. Those claiming the relief will pay no SDLT on the first £300,000 of the consideration, and will pay 5% on any excess over £300,000. No relief will be available where the total consideration is more than £500,000.

Higher rates of SDLT apply to purchases of additional residential properties such as second homes and buy-to-let properties acquired for more than £40,000. The higher rates will levy an additional 3% on the total price paid for the property - such that, as shown below, the nil rate band will increase to 3% and so on up to the top slice of SDLT (which increases to 15%).

Relevant consideration, above £40k (£) – residential property *(prior to 8 July 2020 and on or after 1 October 2021)*	**Normal rate (%)**	**Additional rate (%)**
Up to 125,000	0	3
Above 125,000 to 250,000	2	5
Above 250,000 to 925,000	5	8
Above 925,000 to 1,500,000	10	13
Over 1,500,000	12	15

Purchasers will not incur the additional charge if they replace a main residence which has been sold within the last 36 months. Where the purchaser has paid the additional charge because they have not been able to sell their previous main residence before the acquisition of the new property, they will be able to claim a refund if they then sell their previous main residence within 36 months.

A higher rate of 15% may apply to all the consideration where certain 'non-natural' persons, such as a company, purchase an interest in a single residential property and consideration of more than £500,000 is attributable to the property. This 15% charge will apply instead of the normal SDLT rates unless a relief is available to disapply the 15% rate. The reliefs available are broadly the same as those available in respect of ATED (discussed below).

Since 1 April 2021, an additional 2 percentage point SDLT surcharge on top of the above rates applies to non-UK residents purchasing residential property in England and Northern Ireland. The charge applies to non-resident individuals and non-natural persons including companies, trusts and partnerships, as well as to UK-incorporated close companies with non-resident shareholders.

SDLT for non-residential or mixed use properties applies the same progressive slice system as for residential property so that SDLT will be chargeable on the portion of the purchase price which falls within each tax band as set out below:

Relevant consideration (£) – non-residential or mixed use property	**Rate (%)**
Up to £150,000	0
Above £150,000 to £250,000	2
Over £250,000	5

For example, SDLT of £3,250 is payable on a non-residential property bought for £275,000, made up of nothing on the first £150,000, £2,000 (2%) on the next £100,000 and £1,250 (5%) on the remaining £25,000.

The relevant consideration is determined by aggregating the consideration of all linked transactions. The relevant consideration is the VAT inclusive amount or value of any consideration given by the purchaser (or persons connected with him/her) in money or money's worth.

Although no SDLT will be payable until the relevant consideration exceeds the nil rate band, a transaction may nonetheless be notifiable (such that an SDLT land transaction return is required) where the relevant consideration is £40,000 or more.

Where six or more residential properties are acquired in a single transaction, they are treated as non-residential property, such that instead of the residential rates, the rates applicable to commercial or mixed property will apply (unless the relief for bulk purchases is claimed). However, for a bulk purchase of residential properties the rate of SDLT may in certain circumstances be payable at the residential rates determined by the average amount paid per dwelling. This is however subject to a minimum rate of 3% since the additional charge will generally be payable in respect of such transactions. This is achieved through claiming a relief in the SDLT land transaction return.

Until 30 September 2026 relief from SDLT in full is available for purchases of land and buildings within a Freeport tax site in England, where Freeport tax sites have been designated, subject to a control period of up to three years and the land being acquired and used in a qualifying manner.

SDLT will also be charged on the grant of a lease under which rent is payable at the rate of 1% of the net present value of the (VAT inclusive) rent payable over the term of the lease, to the extent that value exceeds £125,000 in the case of residential property (where the lease is granted prior to 8 July 2020 or on or after 1 April 2021) and £150,000 in the case of other property. Since 17 March 2016, a 2% SDLT rate also applies in respect of the grant of a lease of mixed use or non-residential property where the net present value (NPV) of the rent exceeds £5m.

SDLT is also charged on any premium paid by the tenant on the grant of the lease at the rate applicable to residential, non-residential or mixed use properties, as set out above.

Land and Buildings Transaction Tax (LBTT) – Scotland

The Scottish Budget for 2022/23 is due to be published on 9 December 2021. Unless otherwise stated, the rates below reflect the position as at 27 October 2021.

LBTT (instead of SDLT) applies to property purchases in Scotland. A progressive system is used.

As of 27 October 2021, the following LBTT rates apply to slices of consideration in the following bands:

Consideration (£) – residential transactions *(prior to 15 July 2020 and on or after 1 April 2021)*	Rate (%)	Consideration (£) – non-residential transactions	Rate (%)
Up to 145,000	0	Up to 150,000	0
Above 145,000-250,000	2	Above 150,000-250,000	1
Above 250,000-325,000	5	Above 250,000	5
Above 325,000-750,000	10		
Over 750,000	12		

For example, LBTT of £3,350 is payable on a residential property in Scotland bought for £275,000, made up of nothing on the first £145,000, £2,100 (2%) on the next £105,000 and £1,250 (5%) on the remaining £25,000.

As for SDLT, an additional LBTT charge (the Additional Dwelling Supplement - ADS) applies to purchases of investment properties and second homes for more than £40,000. There are, however, some technical differences between the SDLT and LBTT regimes. Since 25 January 2019, the Additional Dwelling Supplement rate has been set at 4 percentage points.

Generally, leases of residential property that are under 175 years are exempt from LBTT.

For chargeable leases, LBTT is payable at the rate of 1% of the net present value of the (VAT inclusive) rent payable over the term of the lease, to the extent that value exceeds £150,000. With effect for transactions entered into after 6 February 2020, the rate applicable to chargeable non-residential leases rises to 2% to the extent the net present value exceeds £2 million.

A relief from LBTT for first-time buyers came into force on 30 June 2018. Subject to conditions, the relief raises the 0% threshold for eligible first-time buyers purchasing a dwelling to £175,000. First-time buyers purchasing a dwelling above £175,000 are also entitled to a relief on the portion of the price below the threshold.

Land Transaction Tax (LTT) – Wales (from 1 April 2018)
The Draft Welsh Budget for 2022/23 is due to be published on 20 December 2021. Unless otherwise stated, the rates below reflect the position as at 27 October 2021.

LTT (instead of SDLT) applies to property purchases in Wales. A progressive system is used.

As at the time of publication, the following LTT rates apply to slices of consideration in the following bands:

Consideration (£) – residential transactions (on or after 1 July 2021)	Rate (%)	Consideration (£) – non-residential transactions	Rate (%)
Up to 180,000	0	Up to 150,000	0
Above 180,000-250,000	3.5	Above 150,000-250,000	1
Above 250,000-400,000	5	Above 250,000-1,000,000	5
Above 400,000-750,000	7.5	Over 1,000,000	6
Above 750,000-1.500,000	10		
Over 1.500,000	12		

For example, LTT of £3,700 is expected to be payable on a residential property in Wales bought for £275,000 after 1 April 2018, made up of nothing on the first £180,000, £2,450 (3.5%) on the next £70,000 and £1,250 (5%) on the remaining £25,000.

As with SDLT, an additional LTT charge applies to purchases of investment properties and second homes for more than £40,000. There are, however, some technical differences between the SDLT and LTT regimes. For transactions with an effective date on or after 22 December 2020, an additional 4 percentage point LTT charge applies.

For chargeable leases, LTT will be charged on the grant of a lease of non-residential property under which rent is payable at the rate of 1% of the net present value (NPV) of the (VAT inclusive) rent payable over the term of the lease, to the extent that value exceeds £150,000, and 2% rate where the NPV of the rent exceeds £2 million.

Unlike for the equivalent taxes in the rest of the UK, there is no specific relief from LTT for the purchase of dwellings by first-time buyers.

Stamp duty and Stamp Duty Reserve Tax (SDRT)
Stamp duty and SDRT generally apply to transfers of UK shares (being shares in a company that is incorporated in the UK or which maintains its share register in the UK) and UK securities at a rate of 0.5% of the consideration given by the purchaser. Payment of the appropriate amount of stamp duty (or a valid claim for relief from stamp duty) generally cancels the charge to SDRT. As such, SDRT is generally only paid in the context of electronic trading, where shares are held in dematerialised form.

Share transfers where the value of the chargeable consideration is £1,000 or less are exempt from stamp duty, provided they do not form part of a larger transaction or series of transactions where the combined value of the consideration exceeds £1,000 and a certificate confirming this is given on the reverse of the instrument of transfer.

There is a higher 1.5% rate of stamp duty and SDRT which applies to transfers of shares to depositary receipt issuers and persons providing clearance services.

Annual Tax on Enveloped Dwellings (ATED)

There is an ATED charge in respect of single interests in UK residential property valued at more than £500,000 held by 'non-natural' persons, such as companies. ATED generally increases each year based on inflation. The rates for 2022/23 (1 April 2022 – 31 March 2023) are set out below:

Taxable value of property	ATED charge per annum – 2022/23 (£)
£500,001-£1,000,000	3,800
£1,000,001-£2,000,000	7,700
£2,000,001-£5,000,000	26,050
£5,000,001-£10,000,000	60,900
£10,000,001-£20,000,000	122,250
Over £20,000,000	244,750

Relief from ATED is available for certain businesses and investors. Reliefs are available to, amongst others, property rental businesses, property developers and property traders. Relief must be claimed annually. Finance Act 2021 enacted a new relief from ATED for qualifying housing co-operatives in relation to chargeable periods from 1 April 2020 onwards.

The taxable value of a property for ATED purposes is the market value of the property on 1 April 2017 if the property was owned on this date, otherwise the market value of the property on acquisition is used.

Properties need to be revalued, and thus may move into a different ATED band, if there is a substantial acquisition of an additional chargeable interest in a dwelling or a substantial disposal of part of a chargeable interest where the acquisition cost or disposal proceeds are £40,000 or more. For transactions not at arm's length, for example, gifts or sales between connected persons, market values should be used.

Business tax

Corporation tax rates

	Year ending 31 March 2023	Year ending 31 March 2022
Main rate	19%	19%

At Spring Budget 2021, it was announced that with effect from 1 April 2023, the main rate of corporation tax will rise from 19% to 25% for companies with profits over £250,000. Companies with profits of £50,000 or less will pay a small profits rate of 19%, and companies with profits between £50,000 and £250,000 will pay tax at the main rate of 25% reduced by a marginal relief. Limits will be reduced proportionally for short accounting periods and where there are associated companies.

Corporation tax payments
Large and very large companies pay corporation tax in instalments.

Large companies are broadly those with taxable profits of at least £1.5 million and a corporation tax liability in excess of £10,000 for a 12-month accounting period. The £1.5 million threshold is reduced pro rata for '51% related group companies' and for accounting periods of less than 12 months. The £10,000 is also reduced proportionately for shorter accounting periods.

In a 12-month accounting period, four instalments are payable as follows:

- 6 months and 13 days from the first day of the accounting period;
- 3 months after the first instalment;
- 3 months after the second instalment; and
- 3 months and 14 days from the last day of the accounting period.

Large companies are not required to make instalment payments in the first year in which the £1.5 million threshold is reached unless their profits exceed £10 million. The £10 million threshold is also reduced pro rata for '51% related group companies' and for accounting periods of less than 12 months.

For accounting periods starting on or after 1 April 2019 new payment dates were introduced for **very large companies** – broadly those with annual taxable profits of £20 million or more and a corporation tax liability in excess of £10,000 for a 12-month accounting period. As above, where a company is a member of a group, the £20 million threshold is divided by the number of '51% related group companies' in the group. The £20 million and £10,000 limits are also reduced proportionately for shorter accounting periods.

In a 12-month accounting period, four instalments are payable as follows:

- 2 months and 13 days from the first day of the accounting period;
- 3 months after the first instalment;
- 3 months after the second instalment; and
- 3 months after the third instalment.

Different instalment arrangements apply for "ring-fence" profits and the bank levy.

Capital expenditure

	Year ending 31 March 2023	Year ending 31 March 2022
Super-deduction for main rate assets[a]	130%	130%
First Year Allowance for special rate assets[b]	50%	50%
Annual investment allowance[c]	1,000,000[d]	1,000,000[d]
Plant and machinery	18%	18%
High emission cars[e], Long-life assets[f], integral features[g], thermal insulation, solar panels ("special rate pool")	6%	6%
Low emission cars[h]	100%	100%
Research and development allowances (RDAs)[i]	100%	100%
Structures and Buildings Allowance (SBA)[j]	3%	3%

a. At Spring Budget 2021, the government announced that 130% in-year relief will be available for capital expenditure by companies on most new main rate plant and machinery, subject to certain exclusions including second-hand assets, cars, and most assets provided for leasing, from 1 April 2021 to 31 March 2023.

b. At Spring Budget 2021, the government announced that 50% first year allowances will be available for capital expenditure by companies on special rate assets, subject to certain exclusions including second-hand assets, cars, and most assets provided for leasing, from 1 April 2021 to 31 March 2023.

c. Annual investment allowance (AIA) is given per business or per group of companies only. AIA is allocated against total expenditure on plant and machinery (other than cars), long-life assets and integral features. It is optional which class of asset the AIA is allocated against.

d. At Budget 2018, the government announced a temporary increase in the AIA to £1,000,000 with effect from 1 January 2019. At Autumn Budget 2021, the government confirmed that the temporary increase will remain in place until 31 March 2023. The AIA is due to revert to £200,000 from 1 April 2023.

e. Until 31 March 2021, cars with CO_2 emissions between 51g/km and 110g/km were added to the main pool. Cars with CO_2 emissions that exceed 110g/km were added to the special rate pool. As announced at Spring Budget 2020, from 1 April 2021, cars (other than zero emission vehicles) with CO_2 emissions up to 50g/km are added to the main pool and cars with CO_2 emissions that exceed 50g/km are added to the special rate pool.

f. Applies to businesses spending more than £100,000 per annum (the monetary limit) on certain assets with a useful life of 25 years or more.

g. Applies to a prescribed list of assets covering: electrical systems; cold water systems; space or water heating systems, ventilation, air cooling or purification systems (and any floor or ceiling comprised in such systems); lifts, escalators or moving walkways; and external solar shading.

h. Until 31 March 2021, new and unused cars with CO_2 emissions not exceeding 50g/km and electric vans were eligible for a 100% first-year allowance. From 1 April 2021, only zero emission cars and electric vans are eligible for the 100% first-year allowance.

i. Available to businesses incurring capital expenditure in carrying out R&D or providing facilities for carrying out R&D relating to their trade.

j. At Budget 2018, the government announced the introduction of a new Structures and Buildings Allowance (SBA) for new qualifying non-residential structures and buildings. Relief is available on eligible construction costs incurred on or after 29 October 2018, at an annual rate of three percent from 1 April 2020.

At Spring Budget 2021, the government confirmed that an enhanced 100% capital allowance rate is available until 30 September 2026 for companies investing in main rate and special rate plant and machinery for use in Freeport tax sites, where Freeport tax sites have been designated. Similarly, an enhanced 10% rate of Structures and Buildings Allowances is available for the construction or renovation of non-residential structures and buildings within designated Freeport tax sites where the structure or building is brought into use on or before 30 September 2026.

Tax relief is available for the cost of intangible assets (including goodwill and intangible property). This will, in most cases, be the level of amortisation/impairment recognised in the accounts. A fixed rate of 4% per annum may be applied on election. However, for goodwill and certain customer-related intangible fixed assets acquired on or after 8 July 2015 no amortisation or fixed-rate deduction is allowed. For such assets, debits arising on realisation are treated as non-trading debits. For purchases made on or after 1 April 2019, relief for acquired goodwill was partially re-instated for the acquisition of businesses with eligible intellectual property.

Patent Box

The Patent Box regime was introduced with effect from 1 April 2013. The regime effectively enables companies to apply a lower rate of Corporation Tax to profits attributable to patented products, processes and services. The relief provides for an effective Corporation Tax rate of 10% to the patented profits, achieved by deducting an additional amount from trading profits.

The G20/OECD Base Erosion and Profit Shifting ('BEPS') project drove a change in preferential intangibles regimes, including the UK's Patent Box. The principles behind the changes were agreed by the Forum for Harmful Tax Practices and form part of BEPS Action 5 – 'Countering Harmful Tax Practices'. The changes intended to limit access to preferential intangibles regimes to companies that demonstrate that they are engaged in the substantive activities which give rise to the profits benefiting from the preferential regime. R&D activity is used as a proxy for substance in this case.

As a result of these changes, grandfathering under the original UK Patent Box regime was only available for companies elected into the regime for accounting periods straddling 1 July 2016, and only in respect of patents that were filed (or acquired from a third party) before 1 July 2016. Grandfathering ceased on 30 June 2021.

For companies grandfathering under the original UK Patent Box regime, it is possible to revoke a Patent Box election from 1 July 2021, even if this is part-way through a company's accounting period. Therefore, if a company were to expect minimal Patent Box benefit under the updated Patent Box Nexus regime, it is possible to claim under the grandfathering provisions up to 30 June 2021 and elect out from 1 July 2021.

For those companies not eligible for the grandfathering provisions, the updated Patent Box regime applied from 1 July 2016.

The Patent Box Nexus regime adds an extra step to the calculation of Patent Box benefit. In broad terms, the updated regime limits the benefit by reference to the company's R&D expenditure on developing, licensing or acquiring patents (i.e. as a proxy for substance). All companies within the Patent Box regime and intending to claim under the updated regime are required to track their intellectual property income and R&D expenditure from 1 July 2016, and trace it to the creation of specific intellectual property assets, products or product families. Following the end of grandfathering, this additional step to the Patent Box calculation applies to all claimants from 1 July 2021.

Research and development relief: revenue costs

The Autumn Budget 2021 made no immediate changes to the R&D regimes and the current rules are set out below. It was, however, announced that there will be an expansion of qualifying expenditure to include data and cloud computing costs, and that the government intends to refocus R&D tax reliefs towards activities carried out in the UK. Reforms to tackle abuse and improve compliance with the regimes are also being considered. As at the time of writing, further detail of these changes and next steps are due to be set out later in 2021 with changes expected to take effect from April 2023.

The meaning of Research & Development (R&D) for these purposes and for the Capital Research & Development Allowances is set out in the BEIS guidelines issued on 5 March 2004.

Large companies (i.e. those that are not SMEs - see below) and SMEs where the R&D expenditure is subsidised can make claims under the R&D expenditure credits (RDEC) regime. Under this regime, the benefit is recorded as a taxable credit in operating profit and is equal to 13% of the qualifying expenditure for expenditure incurred on or after 1 April 2020 (12% between 1 January 2018 and 31 March 2020).

Non-tax paying large companies can receive a cash payment equal to the net value of the credit subject to a cap based on the PAYE/NIC paid over to HMRC in respect of the staff costs included in the R&D claim and being a going concern at the time the claim is made.

Companies that are SMEs (see below) are entitled to an additional deduction of 130% of qualifying R&D expenditure for expenditure that is not subsidised. For non-taxpaying SMEs a cash alternative of up to 33.35 pence for every pound of qualifying expenditure may be available depending on their current year tax losses. For accounting periods beginning on or after 1 April 2021, the cash credit available to SMEs will be capped at £20,000 plus three times the amount paid in respect of PAYE and Employee Class 1 NIC liabilities. A company is exempt from the cap if its employees are creating, preparing to create or actively managing intellectual property, and qualifying R&D expenditure does not include more than 15% of spend relating to connected party subcontractors or connected party externally provided workers.

A cap limits the total amount of SME R&D a company can claim on each project to €7.5 million and a going concern requirement applies.

An SME for R&D purposes is a company which, together with certain related enterprises, meets the EU definition of an SME but with higher limits such that it has fewer than 500 employees and **either** turnover not exceeding €100 million **or** total assets not exceeding €86 million.

For expenditure incurred on consumables that form part of a product which is then sold or transferred in the ordinary course of business, the cost of the consumable cannot be included in an R&D claim where that expenditure was incurred on or after 1 April 2015.

Digital Services Tax

A Digital Services Tax (DST) applies to in-scope revenue earned from 1 April 2020, with payment due nine months and a day after the end of the accounting period.

DST is a 2% tax on the revenues of large businesses that provide a social media platform, search engine or online marketplace to UK users. There is an allowance of £25 million, which means a group's first £25 million of revenues derived from UK users will not be subject to DST.

DST will apply if more than £500 million of global revenues arise to the group in connection with any in-scope digital services and more than £25 million of those revenues are linked to the participation of UK users.

The government remains committed to developing an internationally agreed solution, via the G20/OECD Inclusive Framework, to the tax challenges arising from digitalisation and has committed to repeal DST once an appropriate global solution is in place (expected in 2023).

Diverted profits tax

With effect from 1 April 2015, the Government introduced a diverted profits tax, (DPT).

The tax applies in two situations:

1. Where a non-UK company has artificially avoided having a taxable presence (permanent establishment) in the UK; or

2. Where a group has a UK company (or UK permanent establishment of a non-UK company) and there is a tax advantage as a result of an entity or transactions that lack economic substance.

The diverted profits tax applies to diverted profits arising on or after 1 April 2015 at a rate of 25%.

At Spring Budget 2021, it was announced that the diverted profits tax rate will increase to 31% from 1 April 2023.

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Gatwick	01293 51 0112
Glasgow	0141 204 2800
Leeds	0113 243 9021
Liverpool	0151 236 0941
London	020 7936 3000
Manchester	0161 832 3555
Nottingham	0115 950 0511
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