Mobility: Tax Alert

November 2023

United Kingdom

Autumn Statement 2023

Executive summary

The UK Chancellor of the Exchequer (Treasury Minister) delivered his "Autumn Statement" on 22 November 2023. In such statements the Chancellor outlines spending and taxation plans over the near and medium term and this time the Chancellor focused on economic aspects such as apprenticeships, planning, foreign direct investment, pensions and innovation, as well as reducing taxes paid by businesses.

There are a number of changes that will take effect from the tax year beginning on 6 April 2024 and for later years; however, there was little that will significantly affect globally mobile employees except for reductions in National Insurance (NI), the UK social security charge, which take effect from 6 January 2024.

Income Tax

The Statement did not include any changes to income tax thresholds and tax will therefore continue to be charged for the 2024/25 tax year at the **20% rate on the first £37,700** of taxable income, **40% on the next £87,440** and **45% on any excess**. Similarly, the personal allowance of **£12,570** continues to be subject to the phase-out rules where taxable income exceeds £100,000.

National Insurance

- **The main rate of employee NI will be reduced from 12% to 10% from 6 January 2024.** This rate, which is only charged on the first £50,270 of income may reduce the costs of tax equalised assignments for employers but will add complexity to the operation of the special NI collection schemes for globally mobile employees known as Appendix 7A and 7B. HMRC have previously advised that a blended rate can apply for 2022/23. We expect a similar position to be available for 2023/24 but the specific circumstances to which the blended rate applies are still to be confirmed.
- **A special NI charge for the self employed known as Class 2 will be abolished;** however, those with profits under £6,725 and others who pay Class 2 NICs voluntarily to get access to contributory benefits including the State Pension will continue to be able to do so. Our understanding is that the change should not affect individuals on overseas assignments who choose to make voluntary contributions in order to qualify for the full State Pension on retirement. The weekly rate they pay will be frozen at £3.45 for 2024-25, rather than rising by CPI to £3.70.
- **The main NI charge for self-employed individuals will reduce from 9% to 8% from April 2024.**

Enterprise Investment Scheme (EIS) and Venture Capital Trust (VCT)

The EIS and VCT legislation, which provides personal tax relief for investment in start up companies, contains sunset clauses which limit income tax relief to shares issued before 6 April 2025. It was announced that the **operation of the EIS and VCT will extend from April 2025 to April 2035**, continuing the availability of income and capital gains tax reliefs for investors in qualifying companies and VCTs.

Abolition of the Lifetime Allowance (LTA)

A measure was announced to complete the work of abolishing the LTA which governs the amount of tax efficient pension savings employees can accrue. This **clarifies the tax treatment of pension savings and will be in the Autumn Finance Bill 2023 as applying from 6 April 2024.** In particular, it will clarify how lump sums and lump sum death benefits will be taxed in its absence; the position of individuals with LTA protections, and the tax treatment of transfers to Qualifying Recognised Overseas Pension Scheme (QROPS). It will also set out all necessary transitional arrangements and reporting requirements.

Off-payroll working

HMRC will be able to reduce the PAYE liability of a deemed employer under the special rules applying to the taxation of contractors/contingent workers in circumstances where that engagement was incorrectly treated as self-employed for tax purposes. The changes will be in the Autumn Finance Bill and take effect from 6 April 2024. The summary of responses to the consultation has also been published.

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Making Tax Digital (MTD)

MTD is the government's initiative to digitise tax administration in the UK. **Plans to further digitise personal tax compliance under MTD are under development and simplifications will be made to the proposed MTD for Income Tax Self-Assessment (ITSA) regime including:**

- Improving the design of quarterly updates
- Simplifying processes by removing End of Period statements
- Introducing easements for landlords with jointly owned property
- Exempting specific groups from MTD requirements
- Enabling taxpayers to be represented by more than one tax agent within MTD for ITSA

Following this announcement, HMRC will publish a technical consultation on draft regulations reflecting the outcome of the review and implementing the changes to the timetable announced by the government in December 2022.

MTD for ITSA could bring significant change to the process of personal tax return compliance for globally mobile employees but the true impact of this is not yet known.

Regulations will be laid in February 2024, providing a further step towards introducing MTD for ITSA in April 2026.

Next Steps

Employers should:

- Make changes to their payroll system to implement the 2% NI reduction from 6 January 2024
- Ensure that their calculations of international assignment costs for employees moving to or leaving the UK are updated for the reduced NI rate and update hypothetical tax calculations
- Review current pension arrangements for employees following further clarification provided on the abolition of the LTA

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