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# **The Autumn Statement give and take**



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# Foreward

Abacus Advice helps you to look ahead, preparing and planning for a better future.

Most of you reading this will know me but hopefully this and subsequent articles will reach a wider audience if I can persuade you to pass this on to family, friends and colleagues.

Abacus Advice is a small firm of financial advisers directly authorised by the Financial Conduct Authority, providing quality financial advice to individuals, companies and trusts.

Financial advice can be complex, so I do my best to make it as digestible as possible.

Call me on **01892 320449** or email **mike@aalttd.co.uk** if you have any questions.

**The Autumn Statement included 2% cut on NICs for employees and reductions for the self-employed, a 'giveaway' softened by huge tax gains set for the Exchequer in coming years.**



# The Autumn Statement give and take

The Chancellor's national insurance contribution (NICs) 'giveaway' is no match for his income tax 'takeaway'.

The central surprise in Jeremy Hunt's second Autumn Statement was a major reduction in NICs.

## For employees

From 6 January 2024, the main class 1 contribution rate on earnings between £12,570 and £50,270 will be reduced from 12% to 10%. That amounts to a saving of up to £754 a year.

## For the self-employed

From 6 April 2024:

- Flat rate class 2 NICs (currently £3.45 a week) will no longer be required, saving up to £179.40 a year. However, if annual profits are below £6,725, class 2 contributions can continue to be made to secure contributory benefits, such as the state pension.
- The class 4 contribution rate on profits between £12,570 and £50,270 will be reduced from 9% to 8%, giving a saving of up to £377 a year.

There was no change to the main employer contribution rate (13.8%), nor for employee and self-employed contributions above the £50,270 threshold. Nevertheless, the cost to the Treasury of the NICs reform will be around £10 billion a year. Cutting individual NICs by 1% is cheaper than cutting basic rate income tax by 1% because NICs do not apply to investment income or earnings beyond state pension age (currently 66).

## Tax windfall...

The £10 billion 'giveaway' is affordable because of the unexpectedly large tax windfall that has been caused by the combination of high inflation and the freezing of the personal allowance and higher rate threshold. By not applying the once normal CPI-linked increases, the Exchequer will gain £23.3 billion in 2024/25, rising to £35.7 billion by 2028/29, according to the Office for Budget Responsibility (OBR). The same freezes also mean that nearly four million additional individuals will be expected to pay income tax and three million more will have moved to the higher rate by 2028/29.

It is little wonder that the total tax burden is on a path that the OBR projects will lead towards a post-war high, with 38p of every £1 the UK economy produces being taken in tax. Despite what appeared a generous Autumn Statement, personal financial planning will remain as important as ever if you want to control your tax bill. ■

## Autumn Statement give and take

### How will my finances and business be affected?

If you want to discuss how the announced measures could affect your finances or business, please contact us on **01892 320 449** or email **info@aaltld.co.uk** for more information.

*The Financial Conduct Authority does not regulate tax advice.*



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**We look forward to hearing from you.**



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