



The Chancellor, Kwasi Kwarteng, unveiled major changes to tax and National Insurance in Friday's mini-Budget. The announcements will pack a powerful punch for small business owners.

Here are the key takeaways for small businesses:

National Insurance rate increase reversed

In April 2022 the rates of National Insurance (NI) increased by 1.25% for one year and the plan was to replace this increase with a Health and Social Care Levy from April 2023.

The increase will be reversed from 6th November 2022 and the Health and Social Care Levy will no longer be introduced as planned.

This means that from 6th November 2022, NI rates will revert to:

- Class 1 Employee's NI (for most employees): 12%
- Class 1 Employer's NI: 13.8%
- Class 4 NI for the self-employed: 9%

Class 2 NI for the self-employed was not affected by the increase last time and therefore will not be changed.

Employees whose NI is calculated on a monthly basis will see the changes take effect from their first pay packet after 6th November. HMRC has advised that those who pay NI on an annual basis, such as the self-employed and company directors, will pay revised annualised rates of NI. This rate will be announced at a later date.

Increase in tax rate on dividends reversed

In April 2022 the rate of Income Tax charged on dividend income was also increased by 1.25%.

This will be reversed from April 2023, so that dividends will once again be taxed at 7.5% and 32.5% for basic-rate and higher-rate taxpayers.



Cancellation of Corporation Tax rise

The rate of Corporation Tax was planned to increase to 25% from April 2023, but this rise has been cancelled. The rate of tax paid by limited companies on their profits will therefore remain at 19% for the foreseeable future.

This will mean changes to calculations for the super-deduction, due to be announced at a later date. The super-deduction is the 130% first-year capital allowance for qualifying plant and machinery assets and 50% first-year allowance for qualifying special rate assets.

Cuts to Income Tax rate

The current top rate of Income Tax - the additional rate levied on income of £150,000 or higher at 45% in all parts of the UK except for Scotland where it is 46% - will be abolished from April 2023 in England, Wales and Northern Ireland. This means that the top rate of Income Tax after that date in those parts of the UK will be the higher rate of 40%.

The basic rate of Income Tax for England and Northern Ireland will also be cut from 20% to 19% from April 2023. It remains to be seen whether this rate will change in Scotland and Wales.

Annual Investment Allowance permanent level set at £1m

From April 2023 the limit for the Annual Investment Allowance was set to fall back to £250,000 a year but this will now be set permanently at £1m.



IR35 to be simplified

The Chancellor announced a simplification to IR35, namely that the reforms made in 2017 and 2021 will be repealed from April 2023. This means that it will once again become solely the responsibility of the contractor, not the engager, to determine whether or not their work comes under IR35. The contractor will determine if their work should be taxed as employment income and will be responsible for paying any additional tax and NI.

Energy bills support update

Ahead of the mini-Budget, Business Secretary Jacob Rees-Mogg on Wednesday announced the government's Energy Bill Relief Scheme, which spells out the details of the support for businesses announced by Prime Minister Liz Truss earlier this month.

Under the scheme, the government will provide a discount on wholesale gas and electricity prices for all UK businesses for a six-month period from 1st October 2022, which they say will be "less than half the wholesale prices anticipated this winter". Businesses do not need to contact suppliers as the discount will automatically be applied to their bills.

Some good news in difficult times

For those business owners who could see a significant reduction in their tax and NI bills from next year this could offer some good news in difficult times.