

# Tax. Stats.

TAX YEAR 2022/2023



## Ordinary income tax rates

	Bands *	Rate	Tax on band
<b>Personal allowance</b>	Up to £12,570 †	0%	£0
<b>Basic rate</b>	Up to £37,700	20%	£7,500
<b>Higher rate</b>	£37,701- £150,000	40%	£45,000
<b>Additional rate</b>	Over £150,000	45%	

\* Assumes not subject to the Scottish or Welsh rates of income tax.

† The personal allowance decreases for income over £100,000 (£1 less for every £2 over £100,000): those with an income over £125,140 have no personal allowance. The effective tax rate for earnings between £100,000 and £125,140 is therefore 60%.

The personal allowance and the basic rate limit will be frozen at £12,570 and £37,700 until April 2026.



*Undeniable technical excellence... the knowledge the firm possesses is distilled in actionable and highly commercial advice.*

Chambers and Partners

# Specific categories of income: income tax on investment income

## Dividends

---

<b>Dividend allowance</b>	0% on first £2,000
<b>Basic rate</b>	8.75%
<b>Higher rate</b>	33.75%
<b>Additional rate</b>	39.35%

---

## Investment Income

---

<b>Personal savings allowance</b>	Basic rate	0% tax on first £1,000 of savings income
	Higher rate	0% tax on first £500 of savings income
	Additional rate	No personal savings allowance
<b>Tax rates</b>	Ordinary income tax rates apply (page 1)	

---

# Specific categories of income: income tax on earned income

## Employment income (including directors' fees)

---

**Tax rates** Ordinary income tax rates apply (page 1)  
Employer and employee national insurance contributions (NICs) are also due (page 4)

---

**Comment** Income tax / employee NICs typically deductible from salary by the employer and accounted for by it on a monthly basis under the UK's PAYE (pay as you earn) system

---

## Trading income (for self-employed individuals)

---

**Tax rates** Ordinary income tax rates apply (page 1)  
Self-employed NICs contributions also due (page 4)

---



*An outstanding tax department composed of first rate lawyers.*

# Selected national insurance contributions (NICs) rates and apprenticeship levy

Individuals	Employers
<p data-bbox="266 309 471 336"><u>6/4/22-5/7/22:</u></p> <p data-bbox="266 373 482 464">Weekly earnings of £190.01 – £967: <b>13.25%</b></p> <p data-bbox="98 533 225 624"><b>Employee Earnings (Class 1)</b></p> <p data-bbox="266 501 479 624">Weekly earnings over £967: <b>3.25%</b></p> <p data-bbox="266 596 486 624"><u>6/7/22 – 5/4/23:</u></p> <p data-bbox="266 660 486 751">Weekly earnings of £242.01 – £967: <b>13.25%</b></p> <p data-bbox="266 788 479 847">Weekly earnings over £967: <b>3.25%</b></p>	<p data-bbox="516 564 703 592"><b>Employer NICs</b></p> <p data-bbox="766 517 1001 639">Weekly earnings over £175: <b>15.05%</b> Deductible against corporation tax</p>
<p data-bbox="98 927 236 1050"><b>Self-employed individuals (Class 4)</b></p> <p data-bbox="266 895 490 986">Annual profits of £11,908 – £50,270: <b>10.25%</b></p> <p data-bbox="266 1023 437 1114">Annual profits over £50,270: <b>3.25%</b></p>	<p data-bbox="516 959 714 1050"><b>Employee Benefits in kind (Class 1A)</b></p> <p data-bbox="766 943 997 1066"><b>15.05%</b> on most benefits-in-kind that are subject to income tax</p>
<p data-bbox="266 1251 449 1278">Not applicable</p>	<p data-bbox="516 1235 710 1294"><b>Apprenticeship levy</b></p> <p data-bbox="766 1155 1016 1374">Employers with an annual pay bill in excess of £3m: <b>0.5%</b> levy on the bill. Deductible allowance of £15,000</p>

For tax year 2023–23, the above NICs rates will be reduced by 1.25% but a separate 1.25% health and social care levy will apply to earned income and profits of self employed individuals above the relevant thresholds.

# Capital gains tax (CGT)

## Annual exempt amount

<b>Individuals</b>	£12,300	<b>Most trustees</b>	£6,150
--------------------	---------	----------------------	--------

## CGT rates

<b>Basic rate taxpayers</b>	10% where total taxable income and gains are within the basic rate upper limit (£37,700)	
<b>Higher and additional rate taxpayers</b>	20% to the extent that taxable income and gains are above the basic rate upper limit (£37,700)	
<b>Gains on disposals of chargeable residential property and receipts of carried interest</b>	18% (basic rate taxpayers)	Nb: take care carried interest (and co-investment) returns can potentially be taxed as trading income under the DIMF and income based carried interest rules
	28% (higher and additional rate taxpayers)	

## Specific reliefs

<b>Business asset disposal relief*</b>	10% on first £1,000,000 of lifetime gains
<b>Investors' relief</b>	10% on first £10,000,000 of lifetime gains
<b>Historic employee shareholders only – ESS status now withdrawn</b>	CGT exemption on disposal of qualifying shares for arrangements entered into before 17 March 2016. (Transitional rules apply from 17 March – before 1 December 2016)

\* Previously known as Entrepreneurs' Relief

# Primary business taxes

## Corporation tax

---

<b>Tax rates</b>	19% on all profits
------------------	--------------------

---

<b>Comments</b>	<p>Corporation tax: payable (electronically) within 9 months and 1 day from the end of the accounting period</p> <p>Large companies (profits exceeding £1m) payable in 4 instalments based on estimated liability</p> <p>There is a complex participation regime that can result in tax exemption for gains on disposal of holdings in companies</p> <p>Exemption often available from corporation tax on dividends received</p>
-----------------	--

---

From 1 April 2023, the main rate of corporation tax is due to increase to 25%. A small profits rate of 19% will apply on profits up to £50,000, with marginal relief available for profits between £50,000 and £250,000 (these thresholds are reduced by reference to the number of associated companies).

## VAT

---

	<b>Rate</b>	<b>Comment</b>
<b>Standard rate</b>	20%	

---

<b>Reduced rate</b>	5%	Limited goods and services including power for domestic and non-business charity use; certain residential conversions and renovations
---------------------	----	---

---

<b>VAT registration threshold</b>	£85,000	
-----------------------------------	---------	--

---

<b>VAT deregistration threshold</b>	£83,000	
-------------------------------------	---------	--

---

## Non-residents (subject to applicable Double Tax Treaties)

Source	Rate	Comments
Dividends	0%	Care: special rules apply to non-resident trustees
UK-source annual payments and royalties	Tax due only if collected through 20% WHT	
UK rent	May be 20% WHT	Income tax rates of up to 45%. Rent received by non-resident corporates subject to corporation tax at 19% for 2022–23
UK trading income	Only if trade in the UK (typically through a permanent establishment)	
UK CGT	No, unless sale of UK land or of a vehicle that is UK land rich	
UK source employment income and directors' fees	See pages 3 and 4	Certain exemptions may be available for short-term business visitors or short-term secondments to the UK

## Withholding taxes (WHT)

Payment	Detail
UK-source interest	WHT at 20% (subject to a number of exceptions) unless double tax treaty relief is available and HMRC authorises a gross payment
Dividend from UK company	No withholding (special rates apply for distributions from certain property funds)
Royalty payment from UK company for UK source IP	Likely to be WHT at 20%, subject to double tax treaty relief or other exemption
UK-source rental payment	Non-residents receiving UK rent will be subject to 20% WHT under the Non-Resident Landlord Scheme unless approved for gross payment
UK-annual payments	May be 20% WHT: care needed especially on investment fund management fee rebates

## Stamp Taxes

Tax	Detail
Stamp duty and SDRT	0.5% of consideration on transfers of shares, stock and marketable securities, as well as partnership interests in certain circumstances
Stamp duty land tax	Payable on residential and commercial UK land transactions. The rate depends on the value of the transaction, the legal nature of the buyer and whether exemptions or reliefs are available

## Selected employee share plans

Plan	Maximum participation	Tax treatment	Reporting obligations
<b>EMI (tax advantaged)</b>	£250,000	CGT if qualifying exercise (business asset disposal relief* available)	Online registration, reporting and notification requirements apply
<b>Long-Term Incentive Plan (non-tax advantaged)</b>	Not applicable	Income tax and, possibly, employee and employer NIC on gain	Annual returns must be filed electronically by 6 July after the tax year end

\* Previously known as Entrepreneurs' Relief

## Selected tax reliefs for individuals

<b>Individual savings account (ISA)</b>	Maximum total investment	£20,000
	Benefit	Tax free income and gains for amounts within ISA
<b>Pension Contributions</b>	Maximum investment p.a.	£40,000 of taxable earnings but tapered down to £4,000 for those with high income*
	Lifetime allowance (maximum pension pot)	£1,073,100 for most people

\*There is a 3-year "carry forward" for unused annual allowances; a £4,000 "money purchase annual allowance" applies to those who have accessed pension using a flexible option (e.g. drawdown)

## Loans

---

### To employees

Income tax on the difference between interest paid and HMRC's official rate of interest (2% from 6 April 2021), unless total employer loans are less than £10,000.

---

### To employees from third parties

Care needed to ensure that anti-avoidance rules ("disguised remuneration") do not apply to tax the loan as employment income.

---

### To self-employed individuals from third parties

Care needed to ensure that anti-avoidance rules ("self-employed disguised remuneration") do not apply to tax the loan as trading income.

---

### To investment managers

Depending on fact pattern, may be taxed as trading income under the disguised investment management fee (DIMF) rules.

---

### By a UK close company to a "participator"

Complex rules imposing a corporation tax charge of 32.5% on loans made by a close company to a participator (broadly, someone with an interest in the company's voting, capital or income). These rules only apply to UK companies.

---



*The team is notable for its overall excellence.*

---

Chambers and Partners

## Key contacts

---



**Emily Clark**  
Head of Tax  
emily.clark  
@traverssmith.com  
+44 (0) 20 7295 3393



**Madeline Gowlett**  
Partner, Tax  
madeline.gowlett  
@traverssmith.com  
+44 (0) 20 7295 3411



**Elissavet Grout**  
Senior Counsel, Incentives  
and Remuneration  
elissavet.grout  
@traverssmith.com  
+44 (0) 20 7295 3439



**Jessica Kemp**  
Partner, Tax  
jessica.kemp  
@traverssmith.com  
+44 (0) 20 7295 3040



**Hannah Manning**  
Partner, Tax  
hannah.manning  
@traverssmith.com  
+44 (0) 20 7295 3372



**Elena Rowlands**  
Partner, Tax  
elena.rowlands  
@traverssmith.com  
+44 (0) 20 7295 3491



**Kathleen Russ**  
Senior Partner  
kathleen.russ  
@traverssmith.com  
+44 (0) 20 7295 3230



**Simon Skinner**  
Partner, Tax  
simon.skinner  
@traverssmith.com  
+44 (0) 20 7295 3242



**Richard Stratton**  
Consultant, Tax  
richard.stratton  
@traverssmith.com  
+44 (0) 20 7295 3219



**Mahesh Varia**  
Head of Incentives  
and Remuneration  
mahesh.varia  
@traverssmith.com  
+44 (0) 20 7295 3382



**Russell Warren**  
Head of M&A Tax  
russell.warren  
@traverssmith.com  
+44 (0) 20 7295 3227



**Jonathan Woodall**  
Senior Counsel, Tax  
jonathan.woodall  
@traverssmith.com  
+44 (0) 20 7295 3234

---