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@TheIFS

Tax changes



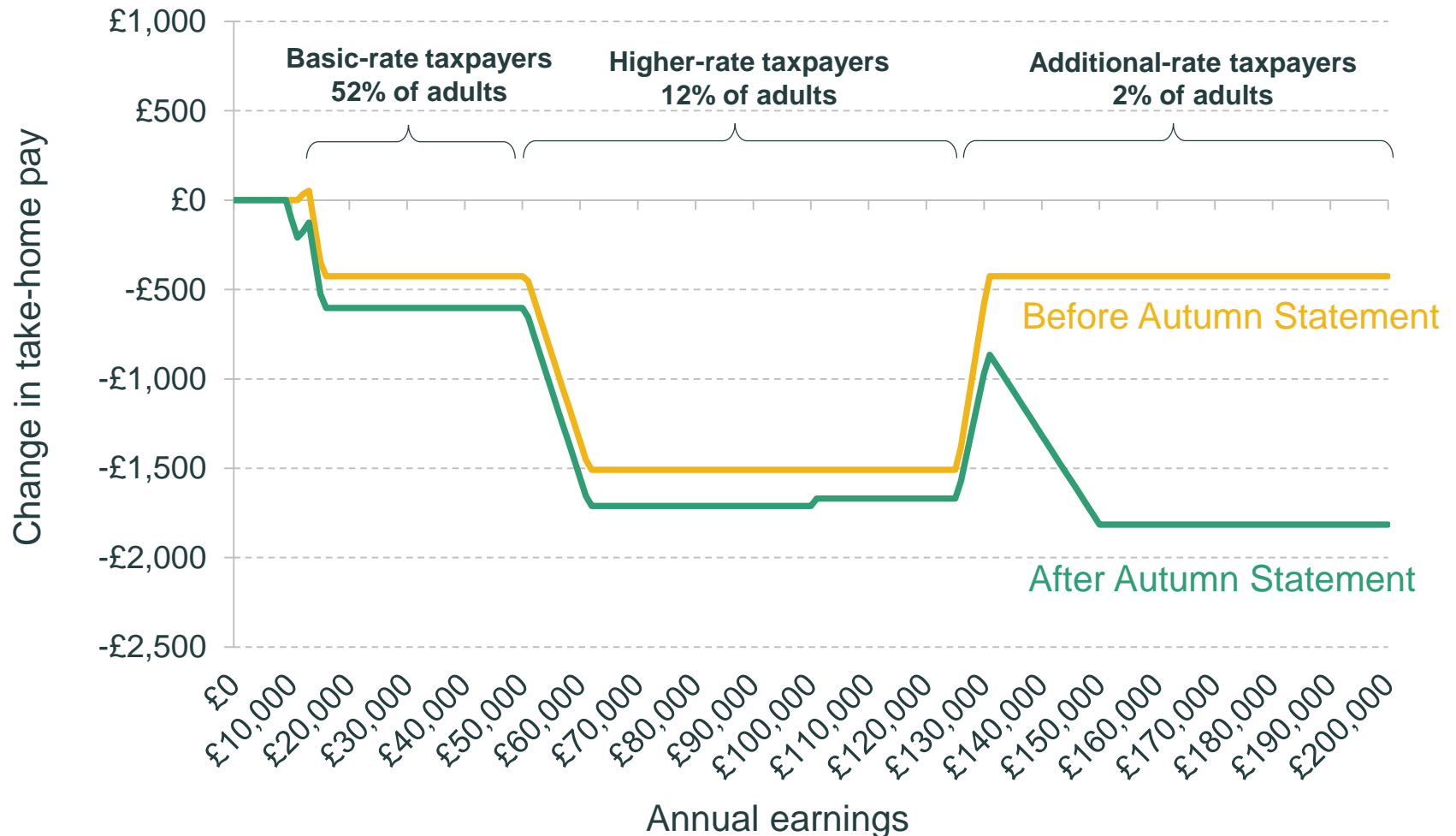
Economic
and Social
Research Council

Income tax & NICs thresholds

- Extend freeze in income tax & employee NICs thresholds for further 2 years, until April 2028
 - Raises £1.3bn
 - Also extend freezes to inheritance tax and VAT thresholds
- Freeze employer NICs threshold until April 2028
 - Raises around £3½bn
- Reduce additional rate threshold from £150,000 to £125,140
 - Raises £0.9bn
 - Increases number of additional-rate taxpayers by 350,000, to 1m – up from 236,000 in 2010-11
- ❖ Now multi-year freezes to all main income tax & NICs thresholds
 - Size of tax rise depends hugely on what inflation turns out to be

Tax rises for everyone

Impact of income tax & NICs changes introduced since 2021-22 on take-home pay in 2027-28



Note: Amounts in 2027-28 prices. Expected number of taxpayers in 2027-28 shown. Assumes full incidence of employer NICs rise on employees.

No. of higher- and additional-rate taxpayers IFS



Source: IFS calculations using ONS and HMRC statistics and TAXBEN run on the 2019-20 Family Resources Survey

Tax changes

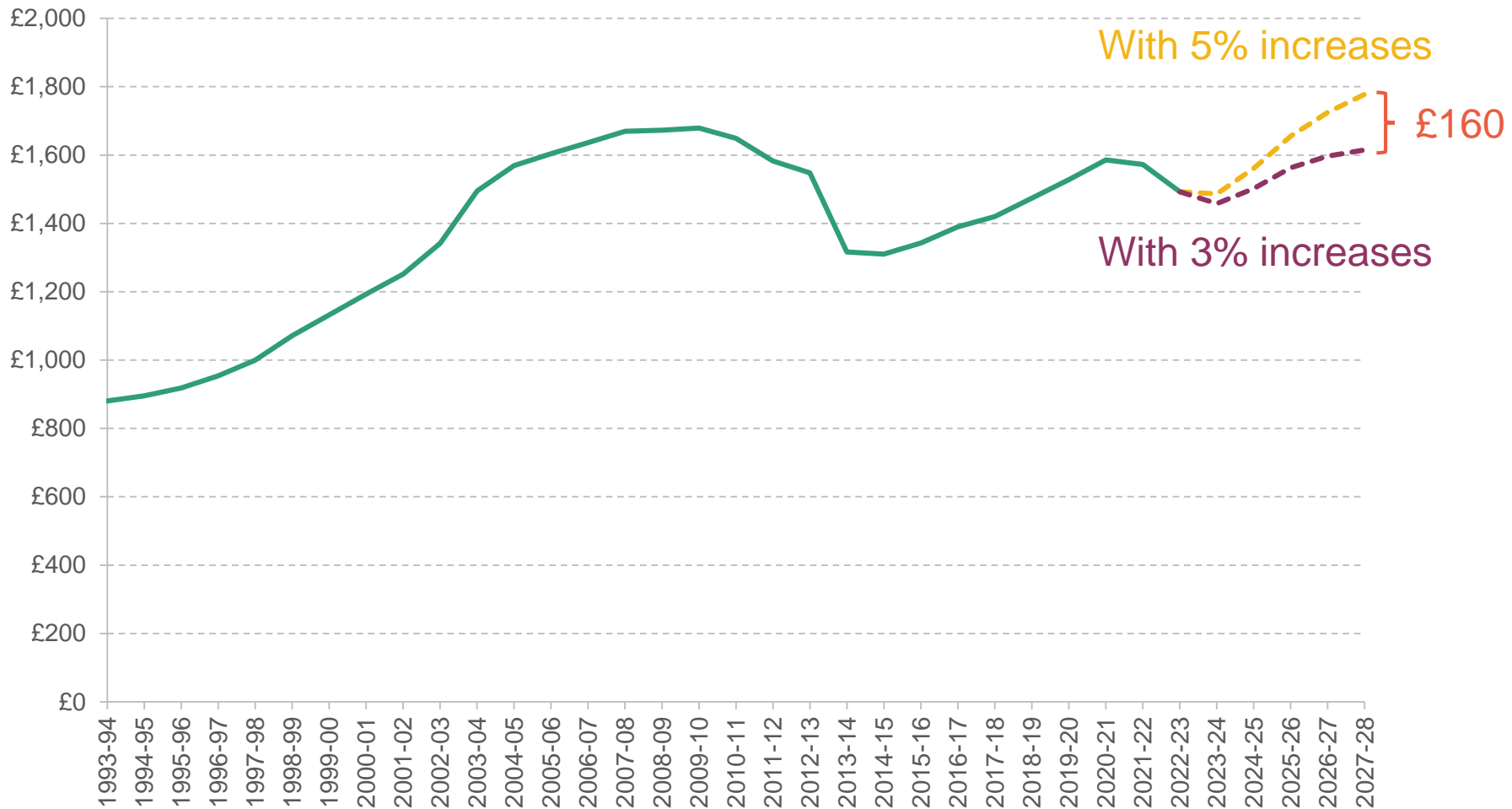
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Council tax



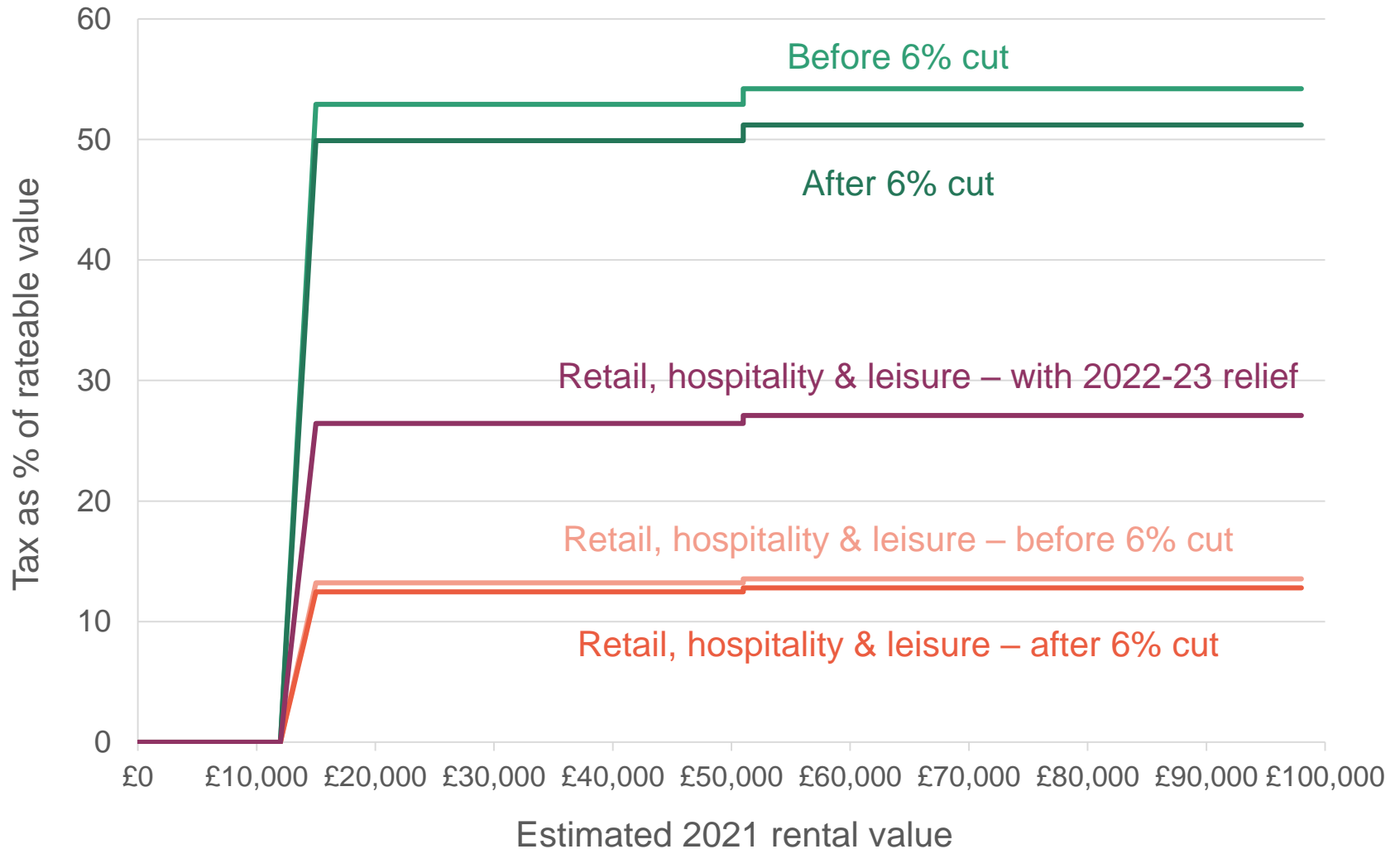
- English councils will be allowed to increase council tax by up to 5% a year for the next 5 years without holding a referendum
 - Up from 3% this year
- OBR estimates will raise an extra £4.8bn in 2027-28

Average real-terms council tax bill

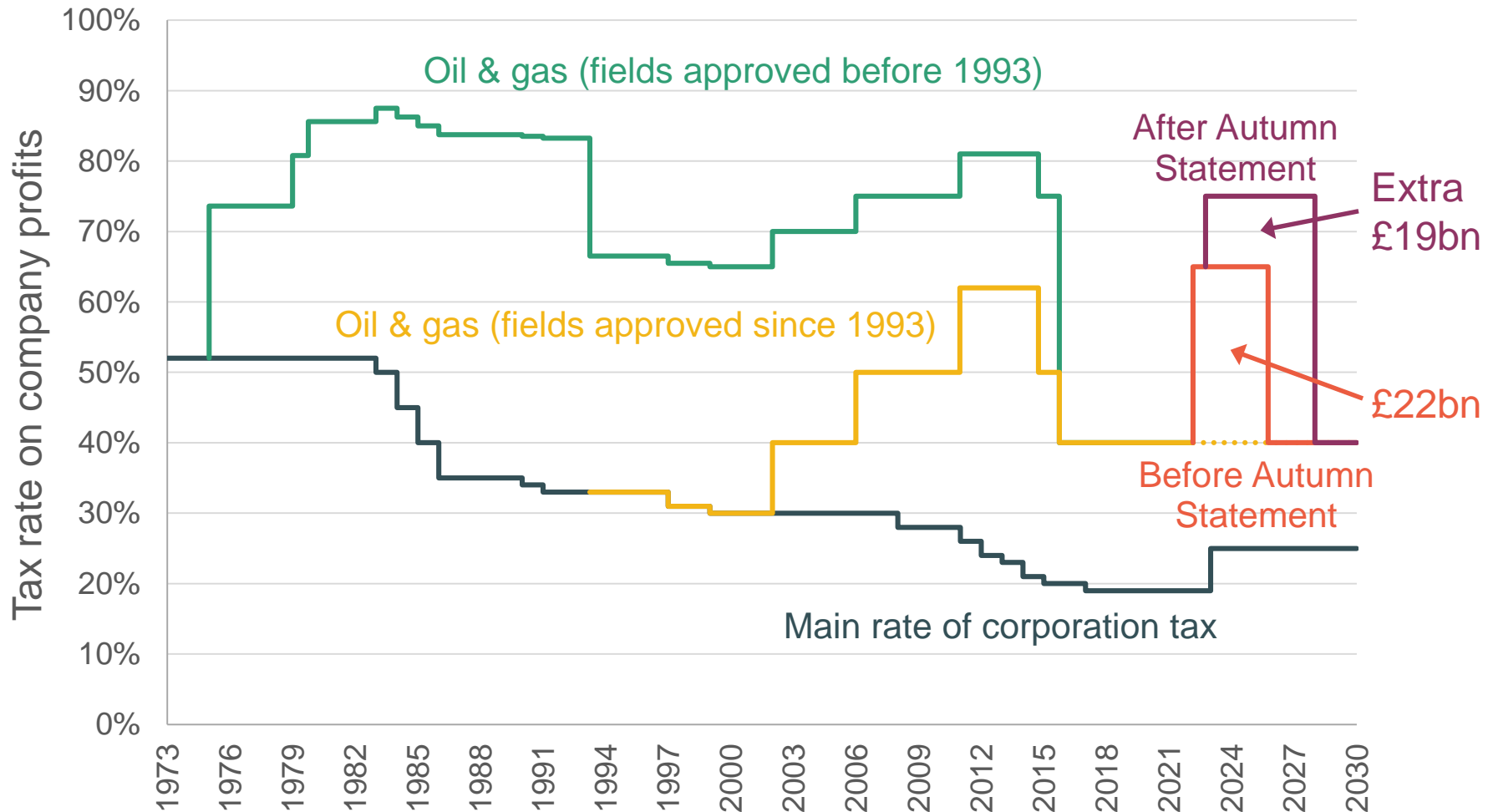


Note: Average council tax per dwelling in England, 2022-23 prices

Business rates in England, 2023–24



Tax rates on North Sea profits



Note: Excludes royalties paid until 2003 on fields approved before 1982. Source: IFS Taxlab.

Windfall taxes

- Energy profits levy
 - Rate increased from 25% to 35% (overall rate from 65% to 75%)
 - To last until March 2028, instead of December 2025 (or earlier)
- Electricity generator levy
 - Extra 45% tax on low-carbon generators' income above £75/MWh from January 2023 until March 2028 (taking overall rate to 70%)
 - Expected to raise £14bn
 - Reasonable way to tax the windfalls they are receiving

Opportunities not taken

- Reverse 'mini-Budget' cuts to stamp duty land tax from 31 March 2025
 - Raises £1.6bn
 - Unfortunate!
- VED on electric vehicles from April 2025
 - Raises £1.6bn in 2027-28, and rising
 - Why tax ownership?
- Tax allowances for dividends & capital gains cut by $\frac{3}{4}$ over 2 years
 - Raises £1.4bn
 - Bigger reforms to capital gains tax badly needed

Conclusions

- A tax-raising Autumn Statement
 - Though windfall taxes only temporary
 - And business rates give-away was the exception

- Opted for easy revenue-raisers rather than coherent reform
 - Freezing thresholds in future is not good policy
 - Taxation of property, electric vehicles, capital gains, etc. need more serious attention
 - Hope for more considered reform when Chancellor has longer to prepare