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“More people than ever are being caught by the UK income tax system

As part of last year’s Autumn Statement the Chancellor **extended the freeze** on all UK income tax allowance(s) from 2025/26 to 2027/28 and **reduced of the additional rate tax band threshold** from £150,000 to £125,140.

This was as a ploy by the government to **plug a hole in public finances** in the aftermath of the Covid pandemic and September’s “mini” budget.

In doing so, **more people will likely be caught by the UK income tax system**; either for the first time, or by pushing them into a higher tax band(s).

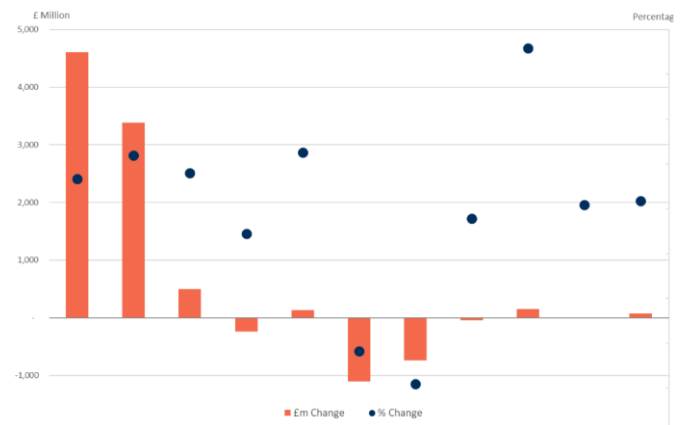
Last year the Institute for Fiscal Studies report estimated that the **extended freeze** on all UK income tax allowance(s) and **reduction of the additional rate tax band threshold** would generate the Treasury with **c. £30bn of additional tax receipts over the next few years** and HMRC’s latest figures (as per their monthly bulletin dated 21 June 2023) suggests that the Chancellors changes are having the desired effect.

...the extended freeze of all UK income tax allowance(s) and reduction of the additional rate tax band threshold would generate the Treasury with a total of c. £30bn of additional tax receipts over the next few years...

Inflation-boosted pay awards for the working population and frozen and/or reducing income tax bands are **pushing UK taxpayers into the next tax bracket** and pensioners in receipt of their State Pension will have received a 10.1% inflationary increase in their State Pension in April (thanks for the triple-lock guarantee) but the full State Pension of £10,600 takes up the lion’s share of an individual’s personal tax allowance of £12,570

- resulting in more pensioners are being caught by the UK income tax system thanks to the frozen tax bands!

The graphic below provides a comparison of total HMRC receipts for April and May 2023, compared to the same period in the year before (i.e., before the Autumn Statement) in both percentage and monetary terms:



As you can see, **Income Tax (IT) and National Insurance Contribution (NIC) tax receipts are £4.6bn higher than last year**; note, IT and NIC tax receipts for April and May 2023 alone amount to £73.7 bn with total HMRC receipts over the two months totalling £128.6 bn.

Source: [HMRC Monthly Bulletin](#)

If you have noticed a reduction in your net pay and/or increase in the amount of tax that you will pay as part of your self-assessment tax return, then let us know as there are simple ways to reduce your future tax liability and boost your tax-home earnings with minimal effort.

Disclaimer: Opinions constitute our judgement as of this date and are subject to change without warning. With investing, your capital is at risk.