

UK financial services, regulation and ethics

CF1 2022–23 edition

Web update 1: 01 December 2022

Please note the following update to your copy of the **CF1** study text (corrections are underlined):

Land taxes

As announced in the Growth Plan 2022, the stamp duty land tax (SDLT) rates for residential property have changed from 23 September 2022 onwards as follows:

- The 0% band threshold has been increased from £125,000 to £250,000.
- The 0% band threshold for first-time buyers has increased from £300,000 to £425,000 and the maximum property value first-time buyers can claim relief on has increased from £500,000 to £625,000.
- The additional property rate is unchanged and remains at 3% over standard rates in line with the new bandings.

The Welsh Government also announced on 27 September 2022 that the land transaction tax (LTT) rates for residential property have changed from 10 October 2022 onwards as follows:

- The 0% band threshold has been increased from £180,000 to £225,000.
- A new 6% rate applies from £225,001 to £400,000. Until 9 October 2022, a rate of 3.5% applied between £180,001 and £250,000, with a 5% rate applicable from £250,001 to £400,000.

The Welsh LTT changes do not apply for additional residential properties.

National Insurance contributions (NICs)

As announced in the Growth Plan 2022:

- The additional 1.25 percentage points previously added to all 2022/23 class 1, class 1A and 4 NICs rates have been scrapped with effect from 6 November 2022.
- For class 1 NICs, this means employee rates have been cut from 13.25% and 3.25% to 12% and 2% respectively. The employer rate has been cut from 15.05% to 13.8%.
- The self-employed have an annual earnings period, so hybrid rates will apply for 2022/23. For class 4 NIC, hybrid rates of 9.73% and 2.73% will apply for 2022/23.

Therefore, the following changes have been made to the **CF1** study text:

Chapter 6, section E2, page 6/21

Table 6.4: Stamp duty land tax

Residential (Up to 22 September 2022)		Residential (From 23 September 2022)	
Purchase price	Duty chargeable	Purchase price	Duty chargeable
Up to £125,000	0%	Up to £250,000	0%
£125,001 to £250,000	2%	£250,001 to £925,000	5%
£250,001 to £925,000	5%	£925,001 to £1.5m	10%
£925,001 to £1.5m	10%	Above £1.5m	12%
Above £1.5m	12%		
Residential properties bought by companies and certain other non-natural entities over £500,000	15%		



Example 6.19

Zane sells his studio apartment on 29 July 2022 and buys a flat costing £275,000. SDLT applies as follows:

- First £125,000 = 0% SDLT.
- Next £125,000 = 2% SDLT = £2,500.
- Remaining £25,000 = 5% SDLT = £1,250.
- Total SDLT payable = £3,750.

If the purchase had taken place on or after 23 September 2022, the SDLT due would instead have been £1,250 ((£275,000 – £250,000) at 5%).

Chapter 6, section 6E2A, page 6/22:

For first-time buyers, a relief from stamp duty land tax (SDLT) raises the price at which a property becomes liable for SDLT to £425,000, i.e. those claiming the relief do not pay SDLT on the first £425,000. Relief is not available where the total price paid is more than £625,000. In addition, the buyer must live in the property as their only or main residence.

This relief also applies to first-time buyers purchasing through approved shared ownership schemes who choose to pay SDLT in stages.

The revised rates and thresholds for residential property purchases worth £625,000 or less by first-time buyers are as shown in table 6.5.

Table 6.5: SDLT for first time buyers

Portion of consideration	Standard rates	First time buyer rates
Up to £125,000	0%	0%
<u>Over £125,000 and up to £250,000</u>	<u>2%</u>	<u>0%</u>
Over £250,000 and up to <u>£425,000</u>	5%	0%
Over <u>£425,000</u> and up to <u>£625,000</u>	5%	5%

Chapter 6, section E2B, page 6/22:

Table 6.7: Welsh Land Transaction Tax			
Price threshold (Up to 9 October 2022)	LTT rate	Price threshold (From 10 October 2022)	LTT rate
Up to £180,000	0%	Up to £225,000	0%
£180,001 to £250,000	3.5%	£225,001 to £400,000	6%
£250,001 to £400,000	5%	£400,001 to £750,000	7.5%
£400,001 to £750,000	7.5%	£750,001 to £1,500,000	10%
£750,001 to £1,500,000	10%	Above £1,500,000	12%
Above £1,500,000	12%		

Chapter 7, section A1A, page 7/3:

Employees pay:

- no NICs on earnings below the PT;
- 12% (13.25% between 6 April and 5 November 2022) on earnings between the PT and the upper earnings limit of £967 per week; plus
- 2% (3.25% between 6 April and 5 November 2022) on earnings over £967 per week with no limit.

[...]

Example 7.1

Jake is an employee and has earnings of £15,600 per annum. Calculate the weekly amount of Class 1 NICs he will pay in 2022/23 for week commencing 6 July.

Jake's weekly earnings are: $£15,600 \div 52 = £300$.

$£300 - £242 = £58 \times 13.25\% = £7.68$ per week.

For the weeks after 5 November 2022, Jake's weekly contributions will be £58 at 12% = £6.96.

**Example 7.2**

Hannah is also employed and has earnings of £52,000 per annum. Calculate the weekly amount of Class 1 NICs she will pay for week commencing 6 July.

Hannah's earnings eligible for contributions are: $£52,000 \div 52 = £1,000$.

Hannah's earnings are above the Upper Earnings Limit (UEL) of £967 per week. Therefore, her contribution can be worked out as:

$£967$ (UEL) – $£242$ (PT) = $£725 \times 13.25\% = £96.06$

We then need to charge the excess earnings over the UEL at 3.25%.

$£1,000 - £967 = £33 \times 3.25\% = £1.07$.

Hannah's total weekly NICs are: $£96.06 + £1.07 = £97.13$.

For the weeks after 5 November 2022, Hannah's weekly contributions will be $(£725 \times 12\%) + (£33 \times 2\%) = £87.66$.



Chapter 7, section A1B, page 7/3:

[...]

- employers generally pay contributions on all employee earnings above £175 per week at 13.8% (15.05% between 6 April and 5 November 2022);

Chapter 7, section A2, page 7/4:

Class 4 NICs

The second more substantial liability is to Class 4 NICs, which are paid by the self-employed on assessable profits in excess of the lower annual limit. The rate paid is a 9.73% on profits that fall between £11,908 and £50,270 (2022/23) plus an extra 2.73% on profits over £50,270.



Example 7.3

[...]

<u>£20,000</u>	<p>He will pay Class 2 contributions (£3.15 per week) as his earnings are above the £11,908 lower profits limit and Class 4 contributions:</p> <p>$£20,000 - £11,908$ (lower annual limit for Class 4) = $£8,092 \times 9.73\% = \underline{£787.35}$.</p>
<u>£55,000</u>	<p>He will pay Class 2 contributions of £3.15 per week as his earnings are above the £11,908 lower profits limit and Class 4 contributions:</p> <p>$£50,270 - £11,908 = £38,362 \times 9.73\% = \underline{£3,732.62}$ plus</p> <p>$£55,000 - £50,270 = £4,730 \times 2.73\% = \underline{£129.13}$</p> <p>= total Class 4 NICs of $\underline{£3,732.62 + £129.13}$.</p>

Chapter 7, section A4, page 7/5:

Table 7.2: NICs (2022/23)

Class 1 – employee	Standard rates	First time buyer rates
NIC rate	<u>12% (13.25% between 6 April and 5 November 2022)</u>	<u>2% (3.25% between 6 April and 5 November 2022)</u>
No NICs for employees generally on the first	£190 per week – pre 6 July 2022 £242 per week – from 6 July 2022	£175 per week
No NICs for younger/veteran employees/freeport* on the first	£190 per week – pre 6 July 2022 £242 per week – from 6 July 2022	£967 per week £481 per week, freeport employees only
NICs charged at <u>12% (13.25% between 6 April and 5 November 2022)</u> up to	£967 per week	No limit
<u>2% (3.25% between 6 April and 5 November 2022)</u> NICs on earnings over	£967 per week	N/A
Employment allowance per business (subject to criteria)		£5,000
Self-employed		
Class 2 (flat rate) on earnings about £11,908 (also deemed paid on earnings between £6,725 and £11,908)		£3.15 per week
Class 4 on profits between £11,908 and £50,270 p.a.		<u>9.73%</u>
Over £50,270 p.a.		<u>2.73%</u>
Class 3 (flat rate)	£15.85 per week	
*employees generally under age 21 and apprentices under age 25. Veterans in first twelve months of civilian employment. Qualifying freeport employees in first three years of employment.		